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Foreign Direct Investment in Ukraine: Problems and Perspectives

Investments are very important for solving social and economic problems in any country.

Every country has different investment resources: national and foreign.

Foreign investments are usually defined as all kinds of values that fit into objects of investment activity in the country (V.G. Fedorenko, V.B. Zahozhaj) or all types of property and intellectual values, which are invested by foreign investors in business and other activities to make a profit (L.N. Pavlova).

There are two major forms of investments: foreign direct investment (FDI) and foreign portfolio investment (FPI).

If an investment holds a threshold of more than 10% of equity ownership, it is qualified as the foreign direct investment (FDI), while if an investment holds a threshold of less than 10%, it is qualified as the foreign portfolio investment (FPI) [1].

Accordingly, foreign direct investments are one of the major factors of economic development and growth. They create conditions for expanding and improving existing production, and are used for creating new jobs and increasing employment in the recipient country.

A foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another [1].

The benefits of FDI are usually considered by researchers as:

- innovation technology availability (enterprises innovation activity);
- natural resources access;
- increasing production capacity;
- rate of remuneration;
- education quality;
- occupation level;
- increasing taxes;
- rising prices and demand for domestic factors of production;
- stimulated competition .

Nowadays our country urgently needs different forms of investment. But not every country of the world, especially the countries with developed economies is ready to invest money in Ukraine.

Barriers to attract foreign direct investment in Ukraine are usually identified as the following:

- low international rating;
- unstable inflation;
- imperfect tax legislation;

- high taxes and lack of tax incentives for investors;
- undeveloped financial market;
- no guarantees for foreign investors [2].

To find the relevant ways of solving investment problems is very actual and necessary for Ukraine now. Different authors suggest various solutions of this problem.

The key solutions to investment problems may be summarized as: 1) creating a favorable investment climate; 2) optimizing tax burden; 3) forming an appropriate legal base; 4) the establishment of a modern system of state guarantees protection of foreign investments; 5) strengthening of responsibility for counterfeiting products; 6) the development of science, technology and innovation.

Ukraine could potentially be one of the leading countries in the foreign investment mobilization.

Why Ukraine is attractive to foreign investors? This is highly connected with its vast natural resource potential, favorable economic and geographical location, the availability of skilled labor force, a significant domestic market, current geopolitical situation, etc.

Thus, foreign direct investments contribute to the economic growth of the receiving country and its integration into the global economy through the transfer of production capacity, transfer of technology, capital, management experience, skills and innovation. Though today investors begin to look more closely at Ukrainian companies, on the one hand, this is a really great perspective, but on the other hand it is too big risks, because nowadays the economic situation in Ukraine is not stable.

For Ukraine foreign direct investment is one of the most important means of the crisis ways out, the achievement of sustainable economic development, the quality indicators improving economic activity on the micro and macro levels.

It should be mentioned that Ukrainian economy has significant resource potential for the development of the investment climate.

However, there are some obstacles that prevent full use of the available investment potential.

Foreigners still view Ukraine as effective, but an unattractive place to invest in. That is why we really believe that one of the key challenges that the Ukrainian authorities are facing today is to increase the investment attractiveness of the country and to create the most favorable conditions for investors.

References

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