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ANALYSIS OF FOREIGN DIRECT INVESTMENTS AND INVESTMENT ATTRACTIVENESS OF UKRAINE

Foreign direct investment (FDI) is a significant part of international business and of the global economy. Companies that engage in FDI can expand to new marketplaces; shift their production facilities across national boundaries; and secure more advanced technologies, products, skills, and modes of financing.

Ukraine during long period of time tried to improve its level of investment attractiveness to increase volumes of FDI. Ukraine has signed over 70 international investment agreements (bilateral investment treaties and investment provisions in free trade agreements) with partner countries. These agreements offer covered foreign investors substantive and procedural protection [3].

Ukraine's FDI inflows have indeed proven particularly volatile in the face of an adverse global environment for world investment. At 2019 positive trend of increasing FDI flow starts, but at pandemic 2020 this tendency was frozen (figure 1). The most part of FDI is Capital Investments and equity shares, but from 2019 debt instruments have been increased. The main investor countries are Cyprus, the Netherlands, UK and Switzerland. But FDI in Ukraine are characterized by round-tripping phenomenon, whereby Ukrainian investors use legal entities in offshore

jurisdictions to channel local funds, which subsequently return to the local economy in the form of foreign direct investment.

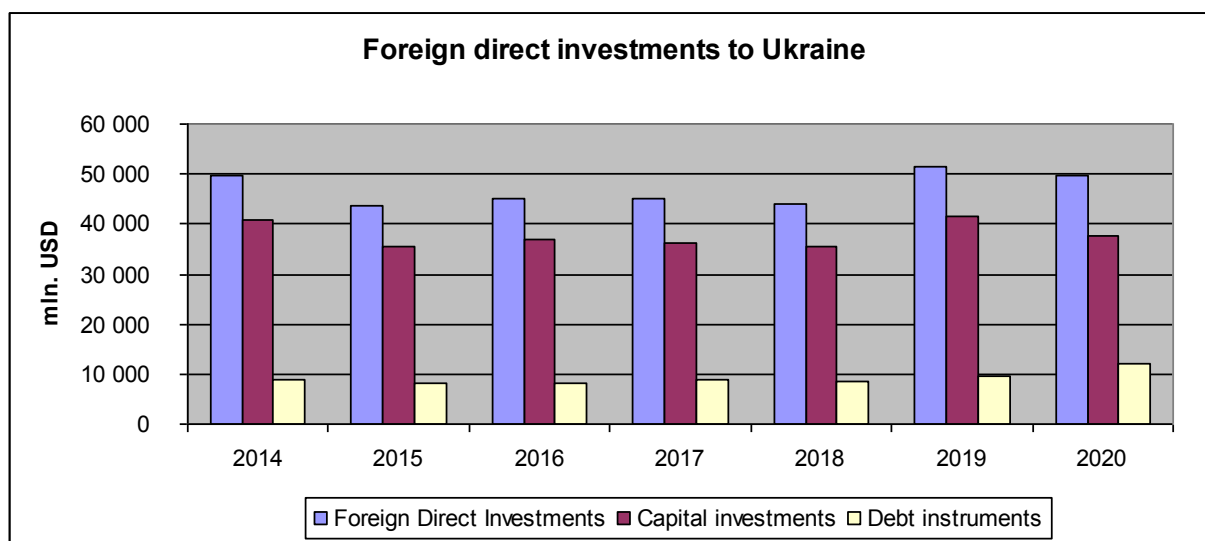


Figure 1 – Dynamics of Foreign Direct Investments in Ukraine

Source: based on data [2]

The dynamics of foreign direct investments reflect expectations of investors about investment climate in Ukraine. European Business Association (EBA) estimates Investment Attractiveness Index for Ukraine on semi-annual basis (figure 2) [1]. This index have been built on expert opinion – first time from 2019 this index increased.

More than half of experts estimate current investment climate on 30.07.2021 as constant or improved (comparing with 01.01.2021). The main problems, focused by experts of EBA were: weak court system, high level of corruption, great sector of shadow economy. Business needs real investment protection, real changes in the judiciary, extinction of corruption, transparent working conditions, legislation that supports investment [1].

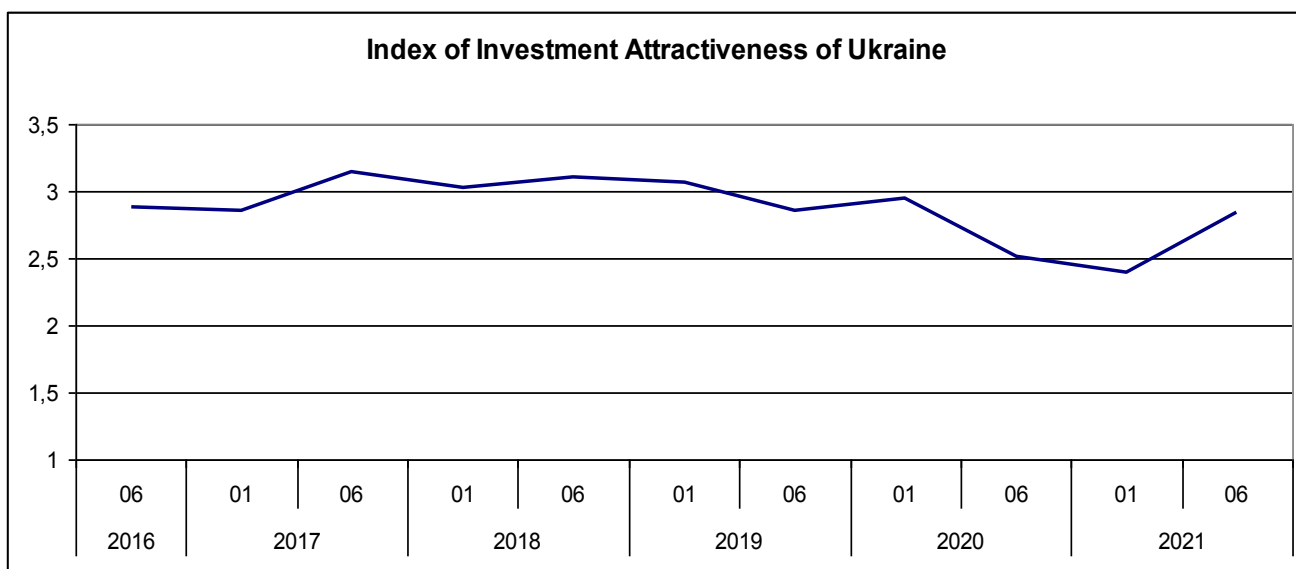


Figure 2 – Dynamics of Investment Attractiveness Index for Ukraine

Source: built on data [1]

Ukraine tries to counteract such risks and provide investment stimulation policy. 25 legislative acts were amended, the first concession tenders in port infrastructure and road infrastructure have been held. All this action can improve investment climate of Ukraine, if real and potential investor will be able to see real results of reforms.

References

1. European Business Association. Investment Attractiveness Index on 30.07.2021 URL: https://eba.com.ua/wp-content/uploads/2021/07/EBA-InvestIndex_1H-2021_ENG.pdf
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3. OECD. Investment Policy Reviews: Ukraine 2016. OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/9789264257368-en>