

08.00.00 Economic sciences

08.00.00 Экономические науки

UDC 33

Current Stage of Ukraine's Investment Attractiveness

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Abstract. The paper presents the requirements and factors of a country's investment climate formation, the factors of investment attractiveness of Ukraine, current indicators of Ukraine's investment environment and SWOT-analysis of economy of Ukraine.

Keywords: investment climate formation; current indicators; SWOT-analysis; of economy of Ukraine.

The activation of investing processes in the world intensifies global competition as for profitable places for investment capital and also to attract good investors. Ukraine is currently serving as the recipient of investment that actualizes the enhance of investment attractiveness. Providing a favorable investment climate in Ukraine continues to be of strategic importance, which the implementation of socio-economic dynamics, the effectiveness of engagement in the global division of labor, possible upgrade on this basis and the national economy depend on.

Under such conditions, improving the investment climate and increase of investment processes are among the main areas of public policy at the present stage. At the same time the realization of the investment potential of the country is impossible without international information campaign, that would ensure communication with potential investors and a positive investment image of Ukraine in the world economy. This problem requires a detailed theoretical and practical studying, which makes the relevance of this work.

The study of various aspects of economic development is undertaken in many countries, every year the number of international rankings of investment environment and credit worthiness is growing. Analysis of the major international rating allows to select priorities, on which the ranking of countries is exercised and which are real factors in the formation of business decisions on the implementation of credit or other transaction. Thus, the Index of Economic Freedom Heritage Foundation includes laws on foreign investment, the tax burden, tariffs, regulation of banking, financial policy, the shadow economy.

International Competitiveness Yearbook of the International Institute for Management Development, which operates more than 50 years in Lausanne (Switzerland), is based on an analysis of the business environment, the conditions for enterprise development and competition between them. World Competitiveness survey is prepared by the World Economic Forum (Davos, Switzerland). Competitiveness is assessed as the ability of achieve rapid economic growth over a long enough period. "Index of Economic Freedom", Fraser Institute (Canada) includes the analysis and comparison of the following components: the impact of government – government procurement, subsidies, subsidies

(11.0 %), economic structure and use of markets – production and distribution through the government (14.2 %), monetary policy and price stability – the protection of money as a medium of exchange and savings (9.2 %), freedom to use other currencies and their availability (14.6 %), legal structure and property rights – protection of property rights and the practice of the Treaty (16.6 %), international exchange – free trade with other countries (17.1 %), free flow of capital market and finance (17.2 %).

Even such a small review of methodological approaches to the definition of investment attractiveness and risks allows set the basic requirements of foreign investors to the markets which they intend to master. The main priorities are [1]:

- o maximum economic freedom;
- o transparency in terms of economic activity;
- o minimal government regulation of business activity.

International experience of investing activities allows to conclude that the greatest attractiveness for foreign investors in countries and regions is in the places, where significant activity show domestic investors. Generalization of experience of international companies which create their own branches in other countries, allowed to identify three main conditions of foreign investment:

- the competitive advantages of creating your own production abroad should be higher than the cost of its expansion in the country;
- country where the investment will be should be attractive for its geographical features;
- implementation of the previous two benefits should be more favorable for foreign investors than local enterprises.

This approach is quite understandable and justified, because exactly under a combination of market mechanisms and state activities aimed at creating equal conditions for economic entities, the maximum economic benefit is possible.

Numerous studies suggest the investment climate classification of its most influential factors (Table 1):

Table. 1.

Faktors of a country's investment climate formation [2].

General characteristics	Factors of formation
The development of productive forces and the state of the investment market	<ul style="list-style-type: none"> • Condition and structure of production • The development of workforce • The market investments and investment goods • Condition of Stock Market
The political will of government and legal framework of the state	<ul style="list-style-type: none"> • Creating an appropriate legislative and regulatory framework • Achieving stability of national currency • Currency Regulation • Ensuring the attractiveness of investment objects • The political will of government and legal framework of the state
Status of financial and credit system, and financial intermediaries	<ul style="list-style-type: none"> • Investment banking activity, its level • The development and operation of the banking system

	<ul style="list-style-type: none"> • The investment policy of the National Bank
The status of foreign investor	<ul style="list-style-type: none"> • Foreign investment • The activity of international financial and credit institutions • The presence of free economic zones and offshores
Investment activity of the population	<ul style="list-style-type: none"> • Property relations in the state • Condition of the property market • Implementation of the privatization program

According to both domestic and foreign economic entities, the investment climate in Ukraine is still unfavorable. Among the reasons that cause unfavorable investment climate in Ukraine, like impeding economic development, numerous domestic and foreign researches note the instability of the Ukrainian legislation, overregulation of most markets, undeveloped market infrastructure, including the stock market, heavy tax burdens, bureaucracy and corruption in local and central authorities.

Index of investment attractiveness of Ukraine in January-September 2011 declined by 0.95 points – to the level of 2.56 on a scale, falling to a level of performance of the III quarter of 2009. Falling trajectory of index of investment attractiveness of Ukraine is from 3.39 in the second quarter 2011 to 2.56 in the third quarter. This is an alarm, which indicates the lack of investor confidence in the economy and the market. Causes of decline can be divided into external – it is global market instability, and internal factors. The condition of U.S. and European markets can not be displayed on the economy of Ukraine, and most important, the script of the situation is unknown. Among the internal causes precede corruption, increased pressure on business and the inadequate reforms.

The main components of the index got the following estimations, which clearly indicate lower investor confidence in the market and the economy of Ukraine. Assessment of current invest climate was the lowest – 2.3, part of "climate change over the previous three months" was estimated at 2.5, predictions about the investment climate reached the average value 2.7. Assessments of trends that dominate the market and the economy of Ukraine, respondents noted as of a dominant negative trends [3].

Most investors are unhappy with increasing pressure from the authorities – 12 % rooting corruption – 11 %, difficulties in the field of taxation, particularly VAT refund and the overall market instability – 9 %. When asked about positive changes and developments, that occurred in the third quarter of this year, two thirds of respondents indicated that no positive change has happened. This fact implies that in times of market instability and economic crisis premonition the domestic economic policy in the country should be more flexible, transparent and adaptable to the needs of business, which is the driving force of the development and recovery market. At the same time, despite all the negative non-economic factors Ukraine remains one of the most attractive economies in the region because of its objective characteristics.

A realistic approach to assessing the potential economic development of Ukraine shows that there are competitive advantages of the country and its regions, which is a valid factor in raising its investment attractiveness for both domestic and external investors. The most significant advantages from the stand point of current and potential state of development can be considered as follows (Table 2).

Table 2.

Factors of investment attractiveness of Ukraine [1] (updated)

№	Factor of investment attractiveness	Characteristic
1.	Advantageous geopolitical location	The country has access to the Black Sea, located at the crossroads of transport routes Europe-Asia, North-South;
2.	The high level of natural resource provision	As the number of explored reserves of manganese ore Ukraine is the second in the world and the first in the CIS, coal, iron ore, kaolin, potash, clay raw country provided for 100–200 years
3.	Cheap skilled workforce	Average monthly wage in Ukraine in January-September 2011 is 2573 grn. [4], while the minimum wage in the EU Member States (2011): France – 1365 euro, England - 1086 euros. [5]
4.	Large consumer market	Annual capacity of ukrainian consumer market by government estimations – 32.122 billions USD

Ukraine's investment attractiveness, in our opinion, vividly describes the analysis of strengths and weaknesses of the national economy, which is made in the study of the international image of Ukraine by A. Lychova and presented in the form of a SWOT-analysis [6].

Table 3.

SWOT-analysis of Economy of Ukraine

Strengths	Weaknesses
<ul style="list-style-type: none"> • High transport capacity • Favorable geographical position • History and Culture • High level of education • A high humus • A qualified workforce 	<ul style="list-style-type: none"> • Unstable political situation • Energy dependence on Russia • Social vulnerability of poor populations and health care • Poorly developed infrastructure • Corruption • Insecurity interests of investors • Low level of awareness about Ukraine • Low pay for high-class specialists • The shadow economy
Opportunities	Threats
<ul style="list-style-type: none"> • The agricultural potential • Availability of raw materials • Manufacture and sale of military equipment • Resorts of Crimea and the Carpathians • Participation in international projects in space exploration • Opportunities for production of high-tech products • Integration into the world community • EURO 2012 • A large Ukrainian diaspora abroad 	<ul style="list-style-type: none"> • Uncertainty of foreign policy • High mortality • Poor environmental situation • Energy dependence of the country • deterioration of infrastructure and communications • International conflicts (Ukrainian-Russian gas crisis, the Transnistrian conflict, selling arms to Georgia and Africa) • The outflow of skilled personnel

The above mentioned factors indicate a high potential investment environment of the national economy, which is necessary for the implementation of coordinated work of business and government to implement strategies to attract foreign investment in Ukraine. Today at the state level has declared a large number of regulative documents, which controls the governing relations in the sphere of investment activity. Also created in 2008, the State Agency for Investments and managing national projects [7], which aims to realization of the investment potential of Ukraine at the international level. A program of investment and innovation activity in Ukraine has been declared, which priorities are economic development based on innovation, carrying out educational, scientific and technical activities implementation of measures of concentration of investment resources to investment and innovation projects.

The problem of improving the investment climate at the state level is being focused since 1991. Currently Ukraine has established the legal framework for investment activities. Specifically, the scope of activities governed by several Laws of Ukraine ("About investment activity", "About foreign investments", etc.), over 10 decrees, and decisions and orders of Cabinet. At the same time there is a need to properly inform potential investors about investment opportunities in Ukraine.

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УДК 33

Современное состояние инвестиционной привлекательности Украины

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Аннотация: В статье рассмотрены факторы и требования к инвестиционному климату страны, факторы инвестиционной привлекательности Украины, текущие показатели инвестиционного климата Украины и SWOT-анализ экономики Украины.

Ключевые слова: формирование инвестиционного климата; текущие показатели; SWOT-анализ экономики Украины.