

Ukraine – EU foreign investments: Theoretical and applied aspects

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Abstract

The article concerns the role of foreign investments, including foreign direct investments, into functioning and development of national economies within the terms of globalization trends. World economy FDI flows dynamics and their reserves volumes are provided. Main directions of FDI flows between EU and Ukraine are analyzed. Ways are offered.

Keywords: foreign direct investments, capital reserves, investment policy, European Union, Ukraine and EU cooperation.

Introduction

Within the current terms of globalization international division of labour increasingly manifests not only through differences between countries, but also depends on activity of national MCs abroad and foreign countries in respective countries. Direct capital investments became one of the most important forms of international economic relations and, moreover, in unlike other types of transboundary investments they manifest not only as a source of financial funds. As a rule, foreign direct investments (FDI) are linked with transfer of new technologies, introduction of modern management methods in subsidiary firms, organization of production cooperation, granting access to formed global sales networks, etc. As a whole, FDI serve one of the main instruments ensuring economic modernization and increase of country economy growth.

Development of globalization is linked not only with growth of interdependencies of economy of all countries that as a result lead to formation of truly unite world economy. It is linked with increase of economic significance of more and more number of countries that manifests through, for example, in establishment of MCs based in so-called developing countries.

Strengthening of interrelations between economies of various countries in the epoch of globalization is first of all linked with visible improvement of international transport infrastructure, liberation of external economic relations and significant easement of transboundary financial operations and information exchange. Moreover, while considering the impact of regional integration over the processes of direct investment into EU it is necessary to take into account not only institutional transformations aimed at deepening of countries interrelations, but also geographical widening of the EU. It is possible, that including into this integration group of increasing number of countries with various level of economic development causes negative impact over EU stability as a political formation and speed of further integration. However, there is only positive effect for intensification of transboundary movement of capital.

The matter of evaluation of efficiency of investments within the terms of transformation of national economies and estimation thereof is of great significance and require sufficient and aimed scientific researches. The specified matters have been considered by such foreign authors, as: I. Ansof, S. Bir, G. Brandenburg, P. Samuelson, D. Steiner, S. Welsh, I. Forester and others. Rather significant contribution to the theory of investment policy, efficiency and estimation of investment contributions was made by Ukrainian scientists practicing economists: V. Aleksandrova, Yu. Bazhan, V. Heets, A. Kyrylenko, M. Krupko, M. Martines, M. Pedan, etc.

Results

Foreign direct investments take active part in current world while causing great impact on economic and political development of world economy units. Nowadays investments are not only indicator of states economic activity, but also a significant index for MC receiving country. The main conductors of foreign direct investments are large multinational corporations causing serious impact on world economy. The priorities of investments differ by several causes. One of the most important ones is domination of various models of economic development. Despite of unique level of economic integration, the EU countries still do not have the only entrepreneurship model formed. Moreover, while generalizing various forms and methods of firms functioning dominating in separate countries, one can see existence of at least two competing models: English-American and European Continental. The first one is often called joint-stock capitalism as investment plans of companies are mostly carried out through attraction of financial funds at stock exchanges capital market (for example, by way of shares emission). Despite of growth of this model popularity in EU countries, European Continental model of holding capitalism have also preserved its position – especially in FRG, Italy, Spain and France and also Austria and many countries of Central-Eastern Europe where financing of new capital investments of firms is mostly carried out at the cost of undistributed profit and loans provided by strategic investors. They are often "home banks" and insurance firms – co-owners of production MC and also state.

As a whole, estimations of growth acceleration in the largest regions, restoration of trade growth and increase of corporate profits contributed to slight MC dynamics increase. In 2017 global investments flows increased almost to USD 1,8 trillion, growth to USD 1,85 trillion in 2018 is estimated, that is less than the record level of 2007. This revitalization may be disturbed by political uncertainty and geopolitical risks and also changes in tax policy that may seriously be reflected in international MC flows, their reserves in world economy.

The general trend of the analyzed period of time is MC outflow from developed economies excess over incoming flows, at the same time the specific gravity index of MC reserves in GNP structure has positive dynamics.

Within current conditions of world integration processes development, the European Union is trade and influential partner of Ukraine. The strategic aim of Ukrainian external economic policy is active attraction of the country to European integration processes. EU and Ukraine relations are characterized by a wide spectre of relations and provide for trade investment, regional cooperation, provision of technical assistance. Nowadays, traditional forms of international relations – trade and investment cooperation – develop dynamically. EU is the most important source of investments, providing the economy not only with financial resources, but also with international experience of corporate management, stimulate companies to introduce international quality standards, accounting, etc.

As on the end of 2017, the total volume of foreign direct investments into the Ukrainian economy reached USD 47,7 billion. During 2016 Ukrainian economy was subject to investment of USD 4,4 billion from world countries.

The total volume of investments from EU countries into the Ukrainian economy made out USD 35,01 billion that is 73,3% of the total volume of investments into the economy (in comparison with 2015, this index made out USD 33,04 billion or 76,2% of total volume). During 2016 the Ukrainian economy was invested USD 1,97 billion by EU countries [2].

In 2016 the main investors into Ukrainian economy among European Union member countries were Cyprus – USD 0,427 billion, that is 21,7% of total volume of investments, Great Britain – USD 0,404 billion (20,5% of total volume), the Netherlands – USD 255 billion (12,9% of

total volume), Austria – USD 0,25 billion (12,7%), Italy – USD 0,21 billion (10,6%), Hungary – USD 0,187 billion (9,5%), Germany – USD 72,2 million (3,8%) [2].

A large share in foreign direct investments is focused on industry enterprises – USD 17,5 billion (31,7%), including processing one – USD 14,3 billion. Financial and insurance business institutions have accumulated USD 14,9 billion (26,9% of total volume) of direct investments, wholesale and retail sales and road transport repairs enterprises – USD 6,7 billion (12,1%), in organizations performing real estate operations – USD 4,2 billion (7,6%) [2].

Foreign direct investments volume (joint-stock capital) from Ukraine into the world countries economy made out USD 6,23 billion, including to EU countries – USD 6,1 billion, that makes out 96,5% of total volume of Ukrainian investments [3].

Amount EU member countries the most part of Ukrainian direct investments was focused on the Cyprus economy – USD 5824,5 million, that made out 96,8% of total volume of direct investments into the EU countries, Latvia – USD 70,5 million (1,2%) and Poland – USD 50,6 million (0,8%) [3].

Conclusions

The effective instrument for Ukraine's achievement of its strategic aims is attraction of experience in the sphere of foreign investment of EU member countries. Attraction of EU countries experience in investment sphere is one of the main factors of stabilization and economic development of Ukraine and an opportunity to approach for another step to European integration. Despite that Ukraine sharply needs in foreign investments, there are serious obstacles for that purpose, including legislation instability, corporate illegal takeovers, pursuits by tax authorities, lacs in laws enforcement, VAT return delays and non-transparency, corruption and law level of property rights protection.

Both parties agree that it is necessary to take more actions to improve the situation, that is why on February 25, 2013 on EU-Ukraine summit they decided to create Dialogue on business climate matters. Nowadays, there is a developed legal field for investment. Ukrainian legislation provides for required guarantees of business for investors. On the territory of Ukraine, national mode of investment business is applicable to foreign investors, that is business conditions equal with those for national investors. In case of termination of investment activity, foreign investor is guaranteed return of its investment in kind or in investment currency without settlement of dues, and also incomes from investments in monetary or commodity form. State also guarantees obstacle-free and immediate transfer abroad of incomes and other funds in foreign currency earned on legal basis by means of foreign investments. To increase protection of foreign investments, the Law of Ukraine No. 1547 dated 16.03.2000 ratified the Washington Convention 1965 concerning the procedure for solving investment disputes between states and foreign persons. Inter-governmental agreements concerning cooperation and mutual protection of investments signed and ratified by Verkhovna Rada of Ukraine with more than 70 countries of the world. State Agency for Investments and National Projects of Ukraine Management has been found to cooperate with foreign investor in the matters of cooperation of executive power bodies and local self-government bodies.

Together with the state above, use of the following methods is considered necessary to attract foreign investments that could be used to modernize Ukrainian economy:

- creation of joint enterprises and representative offices of foreign firms to attract new technologies to the recipient country economy;
- adaptation of foreign technologies to own level of production;
- attraction of new sources of venture financing, specialized in innovative industries;

- creation of small innovative enterprises subject to higher educational institutions and scientific centers. This action shall enable to stimulate development of science and innovations and also to receive foreign investments for certain aims, that shall make search of investors easier.

In such a way, modernization of Ukrainian economy should follow such principles: system-based, integrated scientific base, environmental friendly, democracy and free choice of development alternatives, strategy-based, diversified and modernization in all spheres of material production, international cooperation, that altogether shall enable to strengthen integrational cooperation of national economy with EU and global economy as whole.

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