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### **Attraction of foreign investments: motivation process**

Problems of foreign investments are important issues that are discussed in the world economy and require a practical solution. This is due to the existing trends of globalization and internationalization in the modern economy conditions. International trade and foreign direct investment play an important role in the development of the economies of the states in modern conditions.

**Keywords:** foreign investment, economy, attractiveness, motivation, policy

Проблемы иностранного инвестирования относятся к актуальным вопросам, которые обсуждаются в мировой экономике и требуют практического решения. Это обусловлено существующими тенденциями глобализации и интернационализации в условиях современной экономики страны. В настоящее время международная торговля и прямые иностранные инвестиции выполняют важную функцию в развитии экономики государств.

**Ключевые слова:** иностранные инвестиции, экономика, привлекательность, мотивация, политика

Problems of foreign investments are important issues that are discussed in the world economy and require a practical solution. This is due to the existing trends of globalization and internationalization in the modern economy conditions. International trade and foreign direct investment play an important role in the development of the economies of the states in modern conditions.

**The purpose of the article.** The purpose of the article is to show the necessity to attract FDI into the country's economy for its development.

**Results of the Studies**

The state investment policy is aimed at solving such problems:

- development of the investment strategy of the industries;
- activation of investment activity;
- creation of conditions for attraction of foreign investments;
- attraction of foreign investments.

Attraction of investments in attractive and priority industries is an important problem of effective economic development. World experience analysis shows that the effective use of foreign investment is a major factor in the development of such industries as agriculture, food industry.

Profiting as the ultimate goal of the investment process promotes the attraction of foreign capital. Investors study the national economy of the country, its legislative system, and resource potential for determining the priority objects, investment in which is not prohibited by the laws of Ukraine.

Each country has investment resources that are used for both domestic and foreign investment. Capital investment is an effective tool in the countries with a favorable investment climate. On the basis of the analysis of foreign investments influence on the economy of exporting countries – donors and importing countries-recipients, the features of foreign investment are determined, impact on recipient countries and resident countries is considered.

The motivation of recipient countries is to attract foreign direct investment for economic development to compensate a lack of domestic capital for investment.

Investor countries receive a higher average return on investment, because they invest in more profitable industries abroad using cheaper skilled labor there. Exporting there means of labor, slowing down the pace of economic growth and development of their country. Foreign investment and labor migration are the modern forms of labor and resources transfer.

Attraction of the foreign investments on the basis of the formation a favorable investment policy is the most important for the national economy development in Ukraine.

The Law of Ukraine «On the regime of foreign investment» stipulates that foreign investment relations are regulated by domestic legislation and international treaties of Ukraine. It should be noted, that in some Western countries there are no special laws on foreign investment, they are regulated in the same way as national investments, on the basis of normative legislation or some rules of currency legislation. The most stringent foreign regime for foreign investment in France, and it is the most liberal in Germany.

In accordance with the Law of Ukraine «On the regime of investment» (Article 2), foreign investments may take the form of:

- foreign currency recognized as convertible by the National Bank of Ukraine; currencies of Ukraine – when reinvesting into an object of primary investment or any other investment object in accordance with the legislation of Ukraine, subject to payment of income tax (income) (when buying a block of shares of open joint-stock companies during privatization, this is the only possible form of investment in accordance with from the Law «On the Privatization of State Property») of any movable and immovable property and property rights associated with it;

- shares, bonds, other securities, as well as corporate rights – property rights to a part (share) in the statutory fund of a legal entity established in accordance with the legislation of Ukraine or other countries expressed in convertible currency;

- monetary claims and rights to claims for performance of contractual obligations guaranteed by first-class banks and have value in convertible currency, confirmed in accordance with the laws (procedures) of the investor's country or international rules of trade;

- any intellectual property rights whose value in a convertible currency is confirmed by the laws (procedures) of the investor's country for international rules of trade, as well as expert evaluation in Ukraine, including legalized in the territory of Ukraine copyright, inventions, utility models, industrial designs , signs for goods and services, «know-how», etc.;

- rights to engage in economic activities including rights to use the mineral resources and use of any natural resources provided in accordance with legislation or agreement, the value of which in convertible currency is confirmed in accordance with the laws (procedures) of the investor's country or international rules of trade;

- other values in accordance with the legislation of Ukraine. The Law of Ukraine «On the regime of foreign investment» foreign investments defines as the values invested by foreign investors in the objects of investment activity in accordance with the legislation of Ukraine in order to profit or achieve a social effect. Foreign investments are made in various forms. Foreign investments can be considered as the implementation of the export of entrepreneurial capital to recipient countries.

The main forms of investment are public and private investment. They are carried out, respectively, by public and private corporations, firms and banks, and investment companies.

Public foreign investments are made according to the national interest, so gaining profit is not their main goal. Private investments are made by the owners of capital, which make long-term investments in the field of economy. The state policy on attraction of foreign investments is carried out by the Cabinet of Ministers and the National Bank of Ukraine, and is regulated by the law of Ukraine.

The factors affect the foreign investments can be divided into two groups, distinguishing their positive and negative sides, or the advantages and disadvantages of providing investment to foreign investors. If «disadvantages» exceed the «benefits» there is the instability of the investment process in the country which depends on many subjective factors.

The geographical situation and natural conditions of Ukraine, the large population and high level of its education are favorable factors for investors. These factors are especially important in modern situation when a certain part of the population does not have a permanent job and stable income. Low level of wages can have a negative impact as it does not contribute to the interest in the results of

the work. The socially unprotected, not demanded by the state, skilled labor is used by foreign businessmen as the high-qualified specialists needs the highly-paid job. The wages in Ukraine are much lower than in other economically stable countries. It is the important advantage for FDI.

Insufficiently developed industrial and social infrastructure, on the one hand, is an obstacle for Western businessmen; on the other hand, it is a good object of investment of capital. At the same time, capital investment and the development of a country are determined by its economic security. The process of receiving investment is influenced by the country's economic security involving three levels – global, regional and national.

The first two levels as the international levels of security define the external component of financial security at the national level. These factors largely influences the country's internal development, especially with the ineffective financial and credit system of Ukraine.

The country's economy reacts to changes in the global financial market. Therefore, the domestic economic development of the country depends on the inflow of foreign capital in the form of loans and investments; changes in world prices for goods, interest rates and rates of foreign currencies; level of use the achievements of scientific and technological progress.

The geographic structure of foreign investment in Ukraine is shaped by the influence of two interconnected groups of factors. On the one hand, its development is determined by the depth of foreign economic relations with traditional CIS partners, and, on the other hand, by the necessity for diversification, first of all, international investment activity.

The creation a favorable climate for the activities in the recipient country is very important for foreign investors.

Among the boundaries of the general nature priority is given to: stability of the political environment and trust to the government; reliability of information support; space for private entrepreneurship; adequate and predictable taxation; legal and other guarantees of performance of contracts; reducing the role of the

bureaucratic administration, simplifying the procedure for issuing permits; liberal foreign trade regime; the possibility of using inexpensive infrastructure services such as electricity, water, telecommunications, transport messages, etc.; lack of a contact with the criminal structures.

The procedure for conducting contracts with investors is an important factor affecting foreign investment. It is necessary to decide in advance what information can be presented without any restrictions that will be passed when signing confidentiality agreements and that only after the signing of the investment agreement, as well as the procedure for familiarizing with information and copying documents. It is important to determine the stage of the negotiation process.

Foreign investors consider investment in two positions: the position of risk and the position of profit. Making a strategic investment decision investors first of all take into account the country's risk and commercial risk. We have developed a classification of ways to eliminate obstacles to foreign direct investment – the main form of real investment coming into the country based on the study of the role of foreign investment in the Ukrainian economy and the analysis of the conditions for attracting foreign investors.

Taking into account the fact that there are obstacles to FDI at various levels, the proposed classification addresses the administrative and institutional barriers of the state and should have an impact on. We grouped the methods of eliminating the obstacles to foreign direct investment into the following areas:

- stabilization of the political situation at macro level and improvement of the macroeconomic environment;
- elimination of the obstacles that increase the capital investments risk;
- elimination of increasing obstacles, which increase the costs of measures that increase the profitability of investments;
- improvement of the conditions for strategic goals realization at the enterprise.

The investor's ultimate decision depends on the level of investment attractiveness of Ukraine: will the country be attractive to investing foreign capital

or not. Given the importance of the level of investment attractiveness of the country for foreign capital, it is necessary to continuously evaluate the investment climate and monitor the investment attractiveness rating of Ukraine. To intensify investment activity, it is necessary to gradually eliminate obstacles to the inflow of foreign direct investment. The improvement of the investment climate contributes to the continued financing of projects by investors, and the implementation of new large-scale programs.

State regulation of foreign investment should be based on the following principles:

- mutual responsibility of foreign investors and the state;
- legal liability of foreign investors for violation of the legislation;
- attraction of foreign investors for participation in priority state projects or programs;
- improvement of the regulatory framework for the attraction and use of foreign investments.

When regulating the process of foreign investment, the state performs a number of functions that can be defined as general and special ones.

General functions are not related to a particular subject of management and include the following activities: planning (forecasting); organization; coordination; regulation; control, analysis and information functions. Special functions are connected with the state regulation of obtaining and using the foreign investments. These functions include:

- international agreements on foreign investment conclusion;
- participation in the international economic and financial organizations activity to obtain the foreign investments;
- investment projects assessment;
- study of the proposals for the foreign investment provision;
- keeping records of subjects and objects of investment, etc.

Thus, the state regulation of foreign investment is determined by the general and special functions that are implemented in the management process.

With regard to foreign investment, the following goals of the state policy of Ukraine can be determined:

- creation of effective actors;
- stabilization of the economic and financial situation of enterprises as a necessary condition to provide the economic development;
- growth of important branches for the country's life support;
- innovation process, the development of new, technically advanced branches;
- creation a competitive market environment;
- increase of export and reduction of import in the country.

Unfavorable for entrepreneurs system of laws, norms and realities that regulate their economic activity determines the investment activity of foreign entities. The current law gave foreign subjects the national regime of entrepreneurial activity, which is fully in line with international standards. At the same time, in practice, this means spreading to foreign investors who operate in completely different business conditions, especially institutional investors. An institutional investor is a financial intermediary that accumulates funds for individual investors and carries out specialized investment activities. Institutional investors include the investment funds and companies, pension funds, insurance companies, as well as banks. Government is distinguished as separate subject of investment activity.

Investments, on the one hand, are aimed at obtaining profits from business abroad, and on the other one, they provide control (or ownership) of foreign activities of enterprises, firms. Direct foreign investment should be considered as a process of transferring business activities abroad. There are diverse reasons for this process. The main reasons are determined by the desire to maximize the implementation of the target function, which covers a set of specific goals of the company's business, which can only be achieved at the international level. In the near future, the following issues need to be addressed: orientation of foreign investors to priority objects; study and generalize the experience of implementing



the first major projects and use it in working with foreign investors; to continue the preparation and conclusion of international treaties that provide support and protection of foreign investments in Ukraine and domestic abroad; explore of the potential investors; to strengthen legislative protection of the stock market of Ukraine; to strengthen the organizational and logistical work on ensuring the economic, scientific, technical, technological, environmental, and information security of the country in the field of the application of foreign investment.

A stable legal framework for a foreign investor is necessary to ensure a healthy investment climate and attract foreign investment. The nearest and long-term goals of foreign investors' attraction to the country are determined by the state depending on the type of economy, its state, the strategic concept of economic development, international relations of the state and the world situation in general. The states of the European Union (EU) with an integrated economy use foreign investments primarily for the purpose of saving energy resources, creating the latest high-tech technologies and information systems, achieving high-quality production in the provision of environmental safety, modernizing medicine, education. etc.

In states with market economics, priority is given to the economic methods, because the state has a multifaceted economic leverage of attracting investors to the necessary economic sectors for it. Attraction of the foreign investment in the country's economy is an objectively necessary process. The successful Ukrainian economy integration into the world community will depend on the strategy and tactics of the state.

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