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IMPORTANCE OF FOREIGN INVESTMENTS FOR THE DEVELOPMENT OF UKRAINIAN ECONOMY

In the scientific community the issue of attracting foreign investment and its impact on the country's economy has become controversial. The inflow of foreign investment can have both positive and negative consequences for the country's economy, in particular its financial security. The positive and negative effects of foreign investment will be different for different recipient states depending on the place, status and weight of the country in the international political and economic arena and its internal resources. For the purpose of establishing further rational national economic policy in the part of attraction foreign investments it is important to define influence of foreign investments exactly on Ukrainian economy.

Kramarenko K. highlighted hypothetical positive and negative consequences of foreign direct investments on the economy [2]. Hordienko V., Shevchenko N., Suhakova D. made a correlation analysis of impact foreign direct investments on gross domestic product in Ukraine [3]. Kopyl O. analyzed influence of foreign direct investments dynamic on gross domestic product, export, import and unemployment dynamic [4]. Klimenko O. was interested in opportunities of domestic investments [5]. Saha D., Kravchuk V., Kirchner R. looked at concentration of foreign investors in Ukraine and impact of foreign non-financial corporations on employment and gross value added [7].

Different points of view of various scientists demanded synthesis of approaches what was achieved by our survey.

The survey is based on general scientific and special methods of cognition. In the course of the research, the methods of analysis and synthesis, principles of formal logic, methods of inductive and deductive analysis, graphic and mathematical methods were used.

According to statistical data volume of foreign direct investments was growing in the per-war period (except CoVID-period) [1].

Kramarenko K. highlights the following advantages and disadvantages of attraction foreign direct investments to the economy. Positive consequences of attracting foreign direct investments: a) Transfer technology, know-how, advanced management and marketing methods; b) Creating and implementation of new modern technologies; c) Multiplier effect for the entire economy through the involvement of local resources; d) Tax revenues to the budget; e) Increase in export revenues of the recipient country; f) Diversification of the national economy through investments in new areas of activity; g) Replacement of portfolio and debt capital, which contributes to increasing the stability of the balance of payments and financial stability; h) No impact on external debt. Negative consequences: a) Sometimes outflow of income from investments may be greater than investments; b) Development of various schemes for sheltering profits due to imperfection of legislation; c) Intervention of transnational corporations in legislative processes of FDI recipient states; d) Ignoring in some cases the environmental and labor legislation of the recipient country of FDI, causing environmental damage to the environment; e) Risk of displacement of national producers from the market; f) High probability of FDI concentration in the export and raw materials sector; g) High probability of switching cash flows to foreign financial intermediaries; h) Exploitation of local raw materials; i) Country's dependence on foreign capital (in case of significant FDI) [2].

From our perspective negative consequences can be neutralized in case of well-prepared local legislation and proper, transparent, non-corrupted work of government institutions.

Hordienko V., Shevchenko N., Suhakova D. made a correlation analysis of impact foreign direct investments on gross domestic product in Ukraine. According to this analyze the gross domestic product of

Ukraine on 54% depends on foreign direct investments, impact of foreign direct investments is different for different industries of economy [3].

We also analyzed correlation between foreign direct investments and retail trade turnover. The Pearson coefficient between foreign direct investments in Ukraine and retail trade turnover constitutes 0.61, the Fechner coefficient – 0.40. At the first glance it is likely that foreign direct investments have positive effect on retail trade turnover as well.

Once we calculate share of foreign assets in capital investments during last pre-war period, we noticed that a part of foreign assets in capital investments was less than 1.5% [1].

Taking into consideration this tiny part of foreign assets in capital investments and that in any case real economy cannot be considered as two-factor economy, such results are not sufficient to come to firm conclusion that foreign direct investments have significant influence on macroeconomic indicators, including gross domestic product or retail trade turnover.

An interesting survey regarding relations between foreign direct investments and macroeconomic indicators was conducted by Kopyl O. [4]. This survey explains that:

- In case of raising foreign direct investments to Ukraine, not only GDP but an export of goods and services is raised which can be explained by selling goods and services, produced by foreign companies in Ukraine, not only to the local market, but also to global market;

- Inflow of foreign direct investments reduces unemployment rate in Ukraine, because foreign companies hire local citizens to produce goods and services [4].

It is interesting to look at research regarding investment possibilities of domestic households conducted by Klimenko O.: more than half Ukrainian citizens do not have any saving, live in debt and consequently they are unavailable to invest [5].

At the same time officials of the National Bank of Ukraine made a statement that Ukrainian citizens keep in foreign currency in cash around 116 mlrd US dollars [6].

Such surveys mean that local household opportunities to invest into Ukrainian economy exist, but there is a huge gap in incomes of Ukrainian citizens and even people, who have money, do not invest due to the instability of local economy, absence of trust to local financial and banking institutions, low financial literacy.

In accordance with survey of German Advisory Group, entities with significant part of foreign direct investments (at least 10% in the share capital) constitute around 5% from all companies registered in Ukraine. Nevertheless, more than 24% of all capital in Ukraine is concentrated in such enterprises, such companies hire about 20% of Ukrainian employees and produce around 35% of total gross value added [8].

In our opinion, reliability of such results is questionable due to the following reason:

- Some part of foreign direct investments are "circular" foreign direct investments: in fact they have Ukrainian origin, but it is not fixed in documents;

- Local and some part of foreign investors often apply "grey" schemes of tax optimization: for example, in the field of services (in particular, IT-services) they hire staff as private entrepreneurs and due to improper employment and existence of simplified system of taxation in Ukraine they save really a lot of money on taxes and do not record staff as official employees in reports and statements.

Our own survey and similar research results of Ukrainian and foreign scientists lead us to the conclusion that foreign direct investments have positive impact on the Ukrainian economy. But due to imperfection and incompleteness of statistical data, wide appliance of «grey» tax minimization schemes in Ukraine and low share of foreign investments in all capital investments, mathematical estimation of influence foreign direct investments on the Ukrainian economy doesn't seem very reliable.

In our opinion, in the future foreign and local investments will have more or less the same impact on macroeconomic indicators of Ukrainian economy. Even if impact of foreign investors is a bit better, we believe that in a long-term perspective impact of local and foreign investments will be almost the same due to exchange of experience and technologies

between local and foreign businesses, competition between foreign and local investors. Foreign investments should be attracted to Ukrainian economy because global opportunities for investments are significantly higher than local. After the war in Ukraine local businesses and resources may be exhausted. Quick recovery of Ukrainian economy in post-war period will be impossible without foreign investments.

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