УДК 330.322

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THE IMPORTANCE OF FOREIGN INVESTMENT FOR THE SOCIO-ECONOMIC DEVELOPMENT OF THE STATE

Abstract. The article considers foreign investment as one of the most important factors of the socio-economic development of the state. The main determinants of the development of foreign investment are identified. The ambiguous impact of foreign investment on the economy of the recipient country is established. The main advantages for the domestic economy from attracting foreign investment are clarified.

Keywords: foreign direct investment, investment climate, socio-economic development, investment policy.

The revival of the Ukrainian economy and ensuring its sustainable development is impossible without the activation of investment policies aimed at attracting internal and external resources. The recovery of the national economy requires an intensive investment of capital in cost-effective and environmentally friendly production technologies, materials, and knowledge to produce new quality goods or services that are competitive on the world market. In this context, managing the investment process is becoming the most important task for the Ukrainian government. The very problem of regulating the investment process is complex and requires taking into account many factors, among which political factors become particularly relevant. At the same time, it is impossible to ignore the patterns of development of the world economy, state participation in foreign economic and financial processes is objectively necessary since the economy is only part of the complex of international relations.

The development of foreign investment was facilitated by such factors as the emergence of international corporations that can ensure the free movement of capital; the Transnationalization of economic processes in the world; the development of the global financial market, which rapidly increases the importance and value of the foreign investment. Also, it is necessary to take into account the stability of macroeconomic indicators of developed countries, the deepening of the process of the international division of Labor, international industrial and scientific-technical cooperation, as well as the emergence of integration associations that strengthen international cooperation and cooperation.

The main positive aspect of the impact of foreign investment on the host country's economy is its impact on the level of investment activity in the country and, as a result, on increasing economic growth. In the context of insufficient investment resources in the country or their limitations in the country's economy as a whole or its sectors, foreign investment partially fill the investment gap. An increase in investment activity leads to an increase in GNP. As an example, this is confirmed by the indicators of the Japanese economy, which were in the period of the 60s and 70s of the twentieth century. There was a two–fold increase in the volume of capital investments and the same period-an increase in GNP by 70% or more [1, p. 169]. In countries with a high degree of foreign capital penetration, the share of employment through foreign investment is high. For example, in Ireland, firms with foreign participation provide approximately 2/3 of the total volume of jobs; in some industries, this figure is even higher: for example, in the chemical industry, it is 69%. On the other hand, there may also be a negative effect that occurs if the investor achieves a given volume of production with lower labor costs. In this case, there is a release of Labor [2, p. 367].

The attraction of foreign capital is significantly influenced by the investment climate of the country, namely, a set of certain factors (socio-economic, political, organizational, and legal, etc.) that are characteristic of the recipient country. The main factors shaping the investment climate are infrastructure development, macroeconomic balance, political stability, tax policy, favorable legislative framework, and barriers to market entry, availability of natural resources, financial market status, quality and distribution of Labor, currency risk, quality of Public Administration, intellectual property protection [3].

Ukraine has significant investment potential, in particular: it has rich in Natural Resources; has a favorable geographical location; favorable climate, fertile soils for agricultural production; developed transport infrastructure. The attractiveness of the Ukrainian economy for foreign investors is associated with the availability of relatively cheap skilled labor, the establishment of relations with European countries, and so on. Although Ukraine has a great investment attractiveness, it has an acute need for significant amounts of foreign capital in the domestic economy, which depends on many reasons [4, p.27].

Thus, attracting foreign investment remains one of the key problems of economic reform in Ukraine. Thus, according to researchers [5], the need to further increase the volume of attracting foreign investment in the Ukrainian economy is due to:

- Continuation of the process of structural adjustment of the industrial complex;
- Promoting the achievement of a modern technical level of development based on the introduction of innovative technologies;
- The desire to increase the country's export potential;
- Implementation of a strategy to overcome the economy's dependence on energy imports;
- Creation of joint production facilities using local natural resources, raw materials, and components;
- Activation of the development of the private sector. Ukraine has a significant resource base, first of all: land, forest, and water resources, rich mineral resources and soils, favorable natural and climatic conditions that give

The ability to carry out economic activities in almost any branch of the economy.

Some scientists, according to recent research, believe that foreign direct investment is quite profitable for Ukraine. Enterprises with foreign direct investment (FDI), in which a foreign investor owns at least 10% of the authorized capital, make up only 4.6% of all Ukrainian companies. This small number of enterprises accounts for more than 20% of the working–age population of Ukraine, almost 35% of the total gross value added-an an indicator of production volume and 24% of the total capital of the country.

Consequently, enterprises with FDI are more sustainable than enterprises with exclusively domestic investment and more productive. Despite the decline in FDI in recent years due to difficult economic circumstances, the economic benefits of FDI in Ukraine are quite significant. Attracting foreign investment provides several benefits for strengthening the domestic economy, the main of which is improving the balance of payments; transferring the latest technologies and know-how; integrated use of resources; developing export potential and reducing the level of dependence on imports; achieving a socio-economic effect-increasing the level of employment, developing social infrastructure, and so on.

When starting a business in Ukraine, foreign investors can choose from a wide range of internationally recognized organizational and legal forms, such as a limited liability company, a joint-stock company, a representative office of a foreign legal entity, a joint venture, and an individual entrepreneur. The choice should be made taking into account the specific situation and business needs of investors.

For foreigners who intend to invest in Ukraine, there are some investment options, in particular [6,7]:

- Opening an investment account with one of the Ukrainian banks and transferring foreign currency to it from abroad;

- Making a direct transfer of foreign currency to the current account of a Ukrainian citizen from abroad;

- Sale of foreign currency received to the investment account and transfer of proceeds from the sale of foreign currency in UAH to the investment account for making a foreign investment;

- Other methods provided for by resolution of the Board of the National Bank of Ukraine No. 280 "on the settlement of foreign investment issues in Ukraine" (2005).

Foreign investment can also pose threats to the host country, namely:

- Artificial prolongation of the life cycle of obsolete goods and technologies on the market, which solves the problem of overstocking of the donor country's market and the problem of recycling. The exchange of advanced technologies occurs primarily between highly developed countries;

- Moving environmentally hazardous production, which helps to reduce the level of pollution in donor countries and, consequently, solve the problem of greening the economy. This will make the problem worse in recipient countries;

- Investment to establish control and liquidate enterprises to eliminate competitors. It is also possible to form structural unemployment due to the competition of enterprises with foreign capital and enterprises with national financial resources;

- Establishment by foreign investors of control over raw materials to further operate them and preserve their raw material base;

- Outflow of capital from the country through the repatriation of profits to the investor's country [8, p. 13].

So, among the biggest dangers of foreign investment is the threat to the national commodity producer, which, given the low competitiveness of most domestic spheres of economic activity, really poses a threat of ousting the local commodity producer. Thus, an uncontrolled change in the industry structure of production becomes a reality, up to the complete conversion or closure of enterprises with predominant participation of foreign capital. Also, the exploitation of raw materials and environmental pollution, and the transfer of capital abroad are potential threats. These dangers may be exacerbated by reduced employment and increased social tension in society.

According to the results of the study, it can be stated that foreign direct investment is a stable source of capital income, despite the twofold impact of foreign investment on the economy of the recipient country. Therefore, from the point of view of predictability and financial stability of the state, it is more expedient to encourage attracting this particular type of investment. However, the danger of foreign direct investment should be fully controlled by the subjects of State Economic Policy at all stages of attracting foreign capital – from the distribution of property to antimonopoly correction. Therefore, to prevent negative aspects, this process requires working out the regulatory mechanism of the state investment policy, thanks to which foreign investment can be mutually beneficial.

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