

Yu. V. Chyrychenko, Doktor in Economics,
Head of International Economics Department,
University of Customs and Finance

CERTAIN PHILOSOPHICAL ISSUES OF THE UKRAINIAN INTERNATIONAL INVESTMENT PROCESS

Although it is essential to consider condition Ukrainian international investment process as consequences of economics and political factors, at the same time also is useful to be aware of conception behavioral economic and hypothesis of extended cognition subjects of the investment process, in the context.

In this point of view, main positive trends of the investment process and national economic development should be created through local independent positive trends. Especially it seems to be important in the context of the current growing main negative trend of a process of development international investment climate in our country.

Key words: Ukrainian international investment process; economics and political factors; conception of the behavioral economic; hypothesis of extended cognition subjects of the investment process.

Незважаючи на те, що необхідно враховувати стан українського міжнародного інвестиційного процесу як наслідок економічних і політичних чинників, слід мати на увазі концепцію поведінкової економіки та гіпотезу розширеного пізнання суб'єктів інвестиційного процесу.

З огляду на це основні позитивні тенденції інвестиційного процесу та національного економічного розвитку мають створюватися за рахунок місцевих незалежних позитивних тенденцій. Особливо це важливо в контексті поточного розвитку основних негативних змін щодо міжнародного інвестиційного клімату в нашій країні.

Ключові слова: український міжнародний інвестиційний процес; економіка і політичні чинники; концепції поведінкової економіки; гіпотеза протяжних предметів; пізнання інвестиційного процесу.

Problem formulation. In the past couple years Ukrainian economic develops some trends and particular qualities of the external investment process. Certainly these features have a direct link with economics and a political process. But also the similar co relational function takes place in the international investment statistics and had been observed.

Every last year every single plan or prognosis about Ukrainian international investment process was absolutely wrong. Every “Strategy national economic development” that was represented by officials in last two decade of Ukrainian historical process, unfortunately, had been failed.

Analysis of recent researches and publications. We can also agree with the work of Anders Aslund: “After the collapse of the Soviet Union, all of its former republics had to build new political and economic structures. Ukraine has experience one of the most difficult and prolonged transition because of its hesitation to break fully from the old system, including persistent widespread corruption” [1].

© Yu. V. Chyrychenko, 2016

But now Ukraine has become a market economy and democracy and this country needs new approaches and ideas to be able to achieve a success. At the same time, many independent trends and factors of the modern Ukrainian development are generical for the global world.

Main material. Indeed, GDP dynamics has shown a strong correlation between the process of development of global, advanced and developing economies and markets.

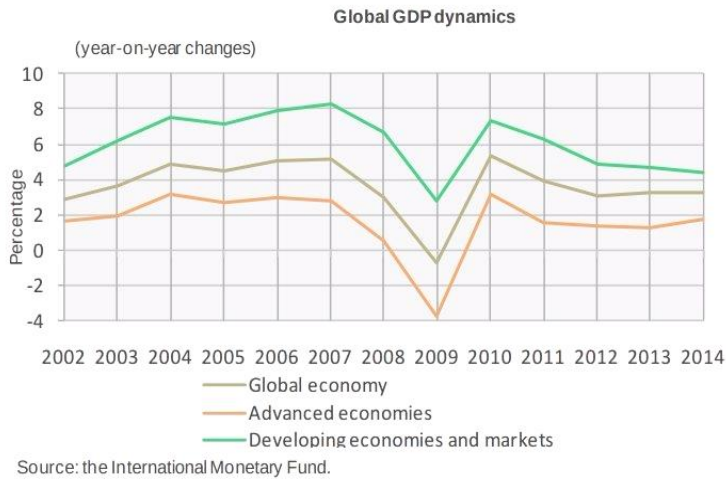


Fig. 1. Global GDP dynamics

We can see the graphic forecast from World Bank, that expects to lower Ukrainian GDP. This GDP Forecast is projected using an autoregressive integrated moving average (ARIMA) model.

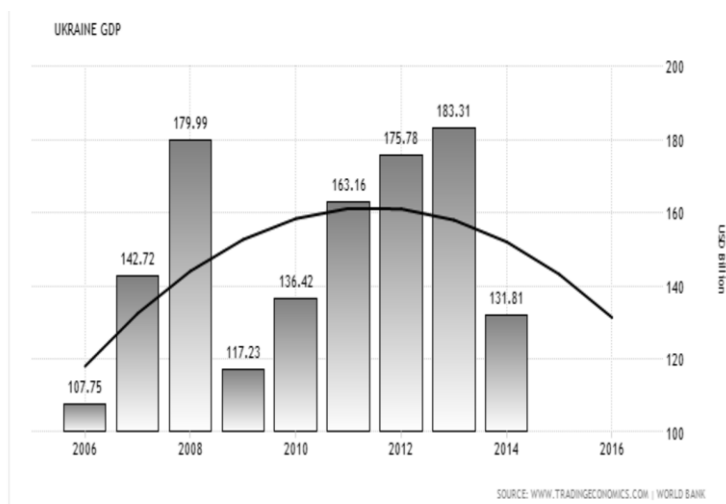


Fig. 2. Forecast Ukrainian GDP dynamics

In these conditions, Ukrainian international investment process is not only part of general economic environment. It has to consider as an issue of national security. Ukrainian economics also has a problem with national currency grivnia.

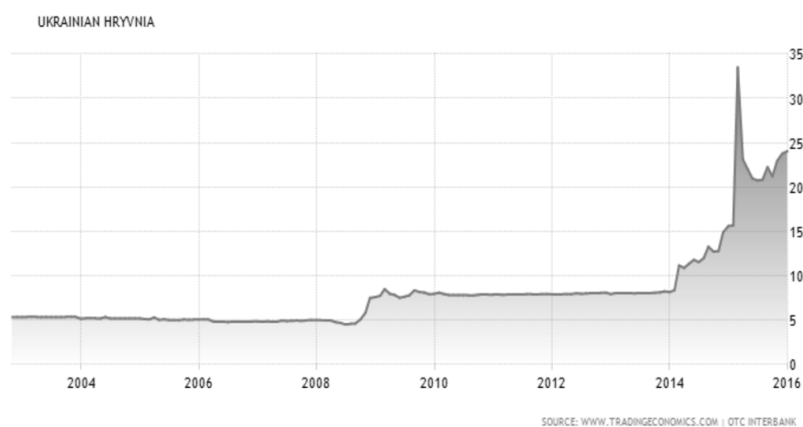


Fig. 3. The USD/AH spot exchange rate

According to the definition, the USD/UAH spot exchange rate specifies how much one currency, the USD, is currently worth in terms of the other, the UAH. That has a strong link with Ukrainian interest rate. In Ukraine interest rate decisions are taken by the National Bank of Ukraine.

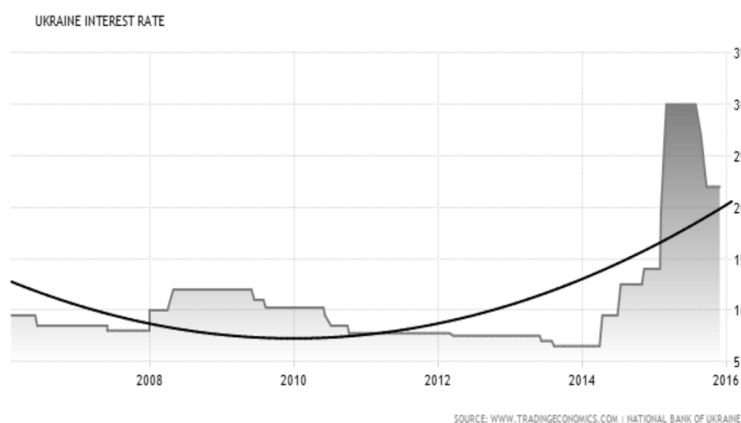


Fig. 4. Ukrainian interest rate

As we know, the country with lowest Interest Rate in Asia is Japan followed by Israel in the second position and Singapore in the third. Interest Rate in Japan was last registered at 0 % in 2015. Interest Rate in Israel was recorded at 0,1 %. Interest Rate in Singapore rose to 0,64 % from 0,23 %. Interest Rate in Bahrain grew to 0,75 % from 0,5 % in 2015.

We must consider that main aim of average investors is maximizing their profits in up and down markets. So, compare to USA, their interest Rate is Today about 0,5 % and Euro Area, Ukrainian currency isn't attractive investment object. High inflation and instability characterized this currency market.

So what does it means for international investors? It means, that profit rate must compensate instability Ukrainian's economics environment. But what do we have today?

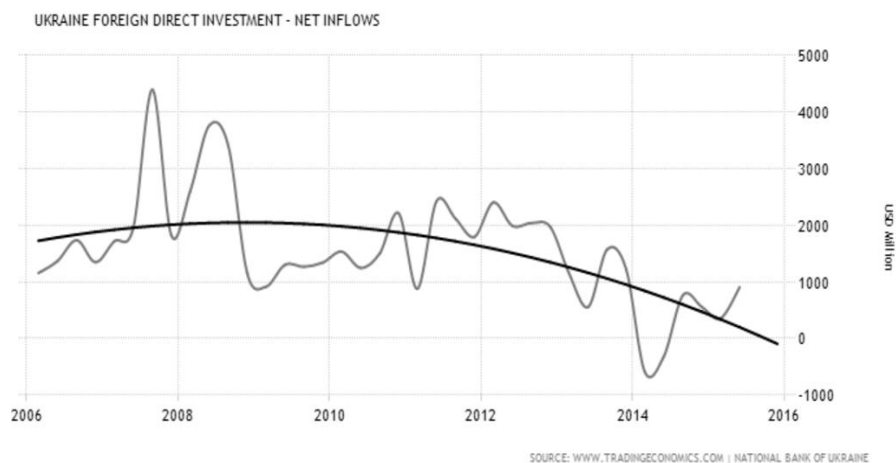


Fig. 5. Ukrainian foreign direct investment

Ukrainian international investment level lowers significantly. The level of investment development would be frustrated as a minimum in the near future in the case of existing approaches to organizing and supporting international investment process.

It is generally agreed that if Ukrainian government seems to have not capability exchange main trend of the Ukrainian international investment process, the government should be developed a local positive trend.

As we can say, we are not discussing universal approach, which can guarantee an absolutely positive result and also has to be highly recommended to use on the replacement of existing "economics of mistake".

Also we must have in a mind, that the traditional international investor's approach to deal with our economy has one big issue, what can be named us the "the total corruption". And this issue can have many very different aspects. Possibly every single design in the state management was linked with a corruption element. Every person in the Ukrainian government can be occasionally accused of the corruption and has no chance to get any absolute immunity to which accuses.

What would the potential Ukrainian foreign investor to see in the global informational field? From time to time Ukrainian government and over officials create same declarations about the improvement the investment climate in Ukraine. For example, we can get Ministry of Foreign Affairs of Ukraine official site with informational page "The investment climate in Ukraine" or material IV Central and Eastern European Investment Conference which was chosen to organize in Kyiv in 2015 by CFA Society Ukraine and CFA Institute. Also to this short list we can to

include Ukrainian Investment Summit 2015 in London that was the informational company from Adam Smith Conference and Ukrainian special events on the World Economic Forum in Davos.

Besides the Ukrainian foreign investor can see many facts and obstacles that make investment process high-risky.

1. National Macroeconomic indicators, such as GDP, Industrial Production Index, Export, Import, PPI, CPI, Unemployment rate, show that the Ukrainian economy is being in long recession.

2. The conflicts with Russia in Crimea and Eastern Ukraine have increased political instability with congruent factors.

3. Investment environment. In the annual World Bank Group's research "Doing business 2016" Ukraine has "Ease of doing business" rank 83 from 189 countries. It is an average result that has shown significant an improvement for the undeveloped country. But in the context of "Starting a business" rank 30 and "Getting credit" rank 19, this means that continued the business in Ukraine will be heavy. Paying taxes (rank) 107; Trading across borders (rank); 109 Getting electricity (rank) 137; Protecting minority investors (rank) 88; Dealing with construction permits (rank) 140.

4. Corruption. In 2015's Transparency International Corruption Perceptions Index Ukraine was ranked 130th out of the 167 countries investigated (tied with Paraguay and the Comoros). As we can see corruption and conflict go hand-in-hand. "Foreign donors and international institutions are now virtually the only sources of funds and have a tremendous influence on the Ukrainian political scene. Tensions with Russia and a near-death economic experience has meant that Ukraine must pay attention to the economic reforms demanded by EU and US" [2].

5. Very high-interest rate high inflation and instability characterized Ukrainian currency market.

Conclusions and further researches directions. In the informational field investment in the Ukrainian economic do not seems to be a safe, profitable and simple business. Through conception, behavioral economic and hypothesis of extended cognition subjects of the investment process easy explain why so big potential Ukrainian economy do not use in an appropriate way. But local effort directed by solving local problems can be useful in this difficult situation.

Really, such instrument as regional investment council according to the recommendation of the OECD possibly would be useful. Today we actually can see some examples Investment Proposals and Investment Passports of the Ukrainian Regions from Ukrainian government [3]. These proposals have links to the regional state structures as state administrations, regional councils, regional centers for investment and development. But development regional infrastructures should be continued.

List of sources used:

1. Aslund A. Ukraine: What Went Wrong and How to Fix It / Aslund A. – Washington, DC : Peterson institute for International Economics, 2015. – 274 p.

2. Ukrainian Investment Brief. – January 2016. – № 3 – P. 2.

3. [Електронний ресурс]. – Режим доступу : <http://rei.mfa.gov.ua/en/foreign-business/market-review>