

ПРОБЛЕМЫ РАЗВИТИЯ ВНЕШНЕЭКОНОМИЧЕСКИХ СВЯЗЕЙ И ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ: РЕГИОНАЛЬНЫЙ АСПЕКТ

метода (таблица 3) позволяет сделать вывод о высокой связи экономического развития стран, как между собой, так и со странами Еврозоны.

Таблица 3

Корреляционная матрица зависимости между темпами роста ВВП в Болгарии, Румынии и странах Еврозоны

	Строка 1	Строка 2	Строка 3
BGR	1		
EMU	0,791795	1	
ROU	0,89824	0,62348	1

Таким образом, проведенный анализ позволяет сделать вывод о высоком нереализованном инвестиционном потенциале Болгарии и Румынии. За годы европейской интеграции и реформ темпы экономического роста стран получили тесную привязку к динамике экономических процессов в Европе. И если в Болгарии инвестиционной привлекательностью пользуется преимущественно рынок недвижимости, сфера туризма и связанных с ним услуг, то в Румынии спектр инвестиционно привлекательных секторов экономики более широк. Все еще недооцененным остается рынок недвижимости. Экономика страны обладает высоким потенциально энергетической независимости, развивается инфраструктура, способствующая развитию инновационных отраслей промышленности. Проблемными зонами в процессе формирования благоприятного инвестиционного климата остаются высокий уровень коррупции и бюрократических барьеров. Оба инвестиционных рынка относятся к формирующимся рынкам, для которых присущи как возможности получения более высоких прибылей, так и подверженность более высоким инвестиционным рискам.

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THE FOREIGN INVESTMENT SITUATION IN UKRAINE AND AMERICA

Story R., Peace Corps Volunteer, Master of Business Administration (USA)

Сторі Р. Ситуація в області іноземних інвестицій в Україні та Америці.

Слід зазначити, що сьогоденний ринок іноземних інвестицій неймовірно складний, тому й Україна і Америка переживає важкі часи. Україна, відносно молода країна, в даний час зіткнулася з труднощами щодо пошуку іноземних інвесторів. Це відбувається через несприятливе податкове законодавство та відсутність прозорості в країні. Україна, зокрема Донецьк, має великі можливості щодо залучення іноземних інвестицій в нові технології і зростанню сільськогосподарського ринку. Однак, Донецьк може досягти економічної вигоди в умовах повної прозорості. Америка, в свою чергу, має більш сформований ринок, однак відчуває труднощі в залученні іноземних інвесторів через надзвичайно високі податки. Америка пропонує іноземним інвесторам високі заробітні плати, як найважливішу перевагу, так і готовність до негайного інвестування в нові технології та інновації.

Ключові слова: іноземні інвестиції, міжнародна торгівля, внутрішні інтереси, податкове законодавство, податкові канікули, міжнародні інвестиційні компанії.

Стори Р. Ситуация в области иностранных инвестиций в Украине и Америке.

Следует сказать, что сегодняшний рынок иностранных инвестиций невероятно сложный, поэтому и Украина и Америка переживает тяжелые времена. Украина, относительно молодая страна, в настоящее время столкнулась с трудностями относительно поиска иностранных инвесторов. Это происходит из-за неблагоприятного налогового законодательства и отсутствия прозрачности в стране. Украина, Донецк в частности, имеет большие возможности по привлечению инвестиций в новые технологии и росту сельскохозяйственного рынка. Однако, Донецк может достичь экономические выгоды в условиях полной прозрачности. Америка, в свою очередь, имеет более сформированный рынок, однако испытывает трудности в привлечении иностранных инвесторов из-за чрезвычайно высоких налогов. Америка предлагает иностранным инвесторам высокие заработные платы, как важнейшее преимущество, так и готовность к незамедлительному инвестированию в новые технологии и инновации.

Ключевые слова: иностранные инвестиции, международная торговля, внутренние интересы, налоговое законодательство, налоговые каникулы, международные инвестиционные компании.

Story R. The foreign investment situation in Ukraine and America.

It is worth mentioning that today's current foreign investment market is incredibly challenging and both Ukraine and America are facing hard times. Ukraine, a relatively new country, is currently experiencing difficult times finding foreign investors due to challenging taxation laws, and a lack of transparency. It is considered that Ukraine, Donetsk in particular, also has exciting opportunities to grow invest in new technology and grow existing markets such as agriculture. If to talk about Donetsk it can experience economic gains by fully utilizing transpiration opportunities. Besides, America is a more established market, it is also facing downward foreign investment due to high taxation. In this circumstances America is appealing to foreign investors by offering high wages, excellent benefits, as well as showing a willingness to rapidly invest in new technologies and innovations.

Keywords: foreign investment, international trade, domestic interests, tax legislation, tax holidays, international investment companies.

Foreign investment in Ukraine poses unique opportunities and threats. Today's investment situation, although better than previous years, still leaves investors skeptical. I will first discuss the opportunities within the Donetsk region specifically, followed by general fears about investment, and finally methods for promoting investment. Foreign investment in Ukraine is crucial to the survival and growth of the nation, and 2012 accounted for \$52.67 billion of foreign direct investment. In order to approve upon this number, some legal changes need to occur.

First, Forbes names Donetsk as the best Ukrainian city for doing business. This is due to Ukraine being home to several different industries, including; coal, electric power, metals, transport equipment, etc. and according to Ukraine Today, Donetsk region is the richest region in Ukraine. It is home to 12% of all natural resources of the country. Donetsk is also exploring other opportunities for enhancing their natural resources which could

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be used to lower dependence on imports as well as possibly lead to the exportation of additional resources such as; iron ore, rare metals, feldspar and others. Donetsk also appeals to investors because it is home to the largest skilled labor market in Ukraine (2 million people). These facts prove that potential exists in Donetsk for foreign investors.

The hesitation in foreign investment is due in large part to the lack of transparency throughout Ukraine. In addition to that, in the Bank's Doing Business Report for 2013, Ukraine is ranked 137 out of 183 countries. Table 1 shows additional numbers currently related to Ukraine's global investment climate. The current government has stated the desire to expand international investment, but little has actually been done to improve the current situation. Many investors fear their companies will be taken away from them due to selective justice. Corporate raiding is said to still exist in many regions significantly worrying investors. One example of this is when Neil Smith, a British financier, purchased Crimean Vodka Company (KVK), and a court froze all of his assets nearly bankrupting the business. Smith had to involve British diplomats and outside legal help to settle the issue, but he is now reluctant to keep the business. Having this sort of publicity concerning investment can significantly hinder operations.

Table 1 Global Indicators of Ukraine's Investment Climate

Measure	Year	Index/Ranking
Transparency International Corruption Index	2012	144 out of 176
Heritage Economic Freedom Index	2013	161 out of 177
World Bank Doing Business Index	2013	137 out of 185
MCC Gov't Effectiveness	FY2013	-.38 (16%)
MCC Rule of Law	FY2013	-.40 (25%)
MCC Control of Corruption	FY2013	-.44 (9%)
MCC Fiscal Policy	FY2013	-4.9 (30%)
MCC Trade Policy	FY2013	84.4 (90%)
MCC Regulatory Quality	FY2013	-.22 (41%)
MCC Business Start Up	FY2013	.982 (88%)
MCC Land Rights Access	FY2013	n/a
MCC Natural Resource Mgmt	FY2013	20.2 (34%)
MCC Access to Credit	FY 2013	47 (81%)
MCC Inflation	FY 2013	8.0 (21%)

Other issues include the current taxes and customs codes. The standard income tax rate is 17 percent, while the standard corporate tax rate is 21 percent. Many foreign investors thought Ukraine's hosting of EURO 2012 would help open foreign investment, but it did the opposite. Many investors realized the amount of obstacles and corruption they would face from the government and have not chosen to invest in Ukraine. In 2010, Ukraine made a law concerning government procurement that follows international standards, however, in 2012, additional amendments to this law were signed, expanding regulations on government procurements. Although this is not a significant problem for foreign investors, it has been stated that foreign investors cannot compete on an equal level for government procurements. Economically speaking, the more restrictions created the less foreign investment.

Moving in the correct direction, Tax Code deferrals were created in 2011 to promote investment. These deferrals are open to both domestic and foreign "attractive" business areas. These include bioenergy, hotels, and agribusiness. Also, Ukraine has established many bilateral investment agreements to open markets, see list 1. Donetsk also has a Chamber of Commerce which has information for foreign investors, and also has information on the legal matters or forms needed to do business in Ukraine. They have a website in Ukrainian, Russian, and English in order to help meet the needs of potential foreign investors. Donetsk Chamber of Commerce also post about international meetings, for example, locals recently met with businessmen from Cameroon, and after, information from this meeting was posted on the website. This is a great step, to show examples of work currently being done. Other potential investors can also view this to see what work is currently being done

List 1: Bilateral Agreements

Ukraine and the United States have shared a bilateral investment treaty (BIT) since 1996. Ukraine also has BITs with: Albania (2004), Austria (1996), Argentina (1995), Armenia (1994), Azerbaijan (1997), Belarus (1995), Belgium (2001), Bosnia and Herzegovina (2002) Bulgaria (1994), Brunei (2006), Canada (1994), Chile (1995), China (1992), Cuba (1995), Croatia (1997), Czech Republic (1994, amended in 2010), Denmark (1992), Equatorial Guinea (2005), Egypt (1992), Estonia (1995), Finland (2005), France (1994), Gambia (2006), Georgia (1995), Germany (1993), Great Britain and Ireland (1993), Greece (1994), India (2001), Indonesia (1996), Iran (1996), Israel (1995), Italy (1995), Jordan (2005), Hungary (1995), Kazakhstan (1994), Congo (2010), Korea (1996), Kuwait (2002), Kyrgyzstan (1993), Latvia (1997), Lebanon (1996), Libya (2001), Lithuania (1994), Macedonia (1998), Morocco (2001), Moldova (1995), Mongolia (1992), Nigeria (2010), the Netherlands (1994), OAE (2003), Oman (2002), Panama (2005), Poland (1993), Portugal (2003), Russia (1998), San Marino (2006), Saudi Arabia (2009), Singapore (2006), Syria (2002), Slovakia (1994), Slovenia (1999), South Korea (1996), Spain (1998), Sweden (1995), Switzerland (1995), Tajikistan (2001), Turkmenistan (1998), Turkey (1996), UK (1993), Uzbekistan (1993), Vietnam (1994), Yugoslavia (2001), Yemen (2002).

Even with these steps, the Mayor of Donetsk, Andriy Shishatsky, is looking to further improve investment in Donetsk. The main way to accomplish this is to invest in future technologies. Currently Ukraine's two largest economic areas of investment include trade and repair, and agriculture (Table 2). Analyzing these numbers shows that the Gross Value Added at Market Price has significantly risen since 2009. The trade and repair industry is also showing tremendous growth. Investment in software and renewable resources are the best opportunities for Donetsk to move forward. This will ensure jobs remain, and help create a more dependable source of energy. Economically speaking, investing in new technology now will help Ukraine for many years. Donetsk is currently attempting to modernize agricultural and transportation equipment by participating in the international investment road-show "Invest in Ukraine" hosted in London. This event took place in October, and of the six Ukrainian companies to participate, three were from Donetsk. This is a great method to show dedication and a willingness to cooperate with international investors.

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Table 2

SDDS Data Category and Component	Unit Description	Observations		
		Date of Latest	Latest data	Latest-1 data
National Accounts (GDP) /				
* Gross value added at market prices	UAH, million at current prices	Q3/13	392 630	351 896
By Economic Activities				
**Agriculture, hunting and forestry, fishing	UAH, million at current prices	Q3/13	53 300	18 345
**Mining	UAH, million at current prices	Q3/13	23 565	23 033
**Manufacturing	UAH, million at current prices	Q3/13	42 855	46 195
**Production/distribution of energy	UAH, million at current prices	Q3/13	11 779	12 777
**Construction	UAH, million at current prices	Q3/13	9 677	8 602
**Trade and repair	UAH, million at current prices	Q3/13	62 646	57 820
**Transport	UAH, million at current prices	Q3/13	36 671	35 733
**Education	UAH, million at current prices	Q3/13	19 393	20 830
**Health and social securities	UAH, million at current prices	Q3/13	15 049	14 197
**Other activities	UAH, million at current prices	Q3/13	79 915	77 059
**FISIM	UAH, million at current prices	Q3/13	-9 385	-9 078
**Taxes on products	UAH, million at current prices	Q3/13	47 693	46 895
**Subsidies on products	UAH, million at current prices	Q3/13	-528	-512
By Expenditure Component				
*Final household consumption expenditure	UAH, million at current prices	Q3/13	282 220	262 082
*NPISH final consumption expenditure	UAH, million at current prices	Q3/13	2 629	2 678
*General government final consumption	UAH, million at current prices	Q3/13	62 662	73 952
**Individual final consumption	UAH, million at current prices	Q3/13	40 268	51 792
**Collective final consumption	UAH, million at current prices	Q3/13	22 394	22 160
*Gross fixed capital formation	UAH, million at current prices	Q3/13	65 483	53 718
*Change in inventories	UAH, million at current prices	Q3/13	19 477	-23 241
*Purchase minus disposable of valuables	UAH, million at current prices	Q3/13	28	84
*Exports of goods and services	UAH, million at current prices	Q3/13	180 186	165 391
*Imports of goods and services	UAH, million at current prices	Q3/13	-220 055	-182 768
*Gross value added at market prices	UAH, million at average quarterly prices of 2007	Q3/13	188 861	166 648
By Economic Activities				
**Agriculture, hunting and forestry, fishing	UAH, million at average quarterly prices of 2007	Q3/13	29 617	8 891
**Mining	UAH, million at average quarterly prices of 2007	Q3/13	8 846	8 405
**Manufacturing	UAH, million at average quarterly prices of 2007	Q3/13	25 570	28 422
**Production/distribution of energy	UAH, million at average quarterly prices of 2007	Q3/13	5 622	5 074
**Construction	UAH, million at average quarterly prices of 2007	Q3/13	2 796	2 650
**Trade and repair	UAH, million at average quarterly prices of 2007	Q3/13	25 114	25 408
**Transport	UAH, million at average quarterly prices of 2007	Q3/13	20 292	20 122
**Education	UAH, million at average quarterly prices of 2007	Q3/13	7 959	8 065
**Health and social securities	UAH, million at average quarterly prices of 2007	Q3/13	6 298	5 928
**Other activities	UAH, million at average quarterly prices of 2007	Q3/13	39 822	38 437
**FISIM	UAH, million at average quarterly prices of 2007	Q3/13	- 4 490	- 4 247
**Taxes on products	UAH, million at average quarterly prices of 2007	Q3/13	21 896	19 114
**Subsidies on products	UAH, million at average quarterly prices of 2007	Q3/13	-297	-290
By Expenditure Componen				
*Final household consumption expenditure	UAH, million at averagequarterly prices of 2007	Q3/13	161 844	146 694
*NPISH final consumption expenditure	UAH, million at averagequarterly prices of 2007	Q3/13	1 252	1 224
*General government final consumption	UAH, million at averagequarterly prices of 2007	Q3/13	28 600	33 378
**Individual final consumption	UAH, million at averagequarterly prices of 2007	Q3/13	17 371	21 634
**Collective final consumption	UAH, million at averagequarterly prices of 2007	Q3/13	11 340	11 566
*Gross fixed capital formation	UAH, million at averagequarterly prices of 2007	Q3/13	26 333	21 382
*Change in inventories	UAH, million at averagequarterly prices of 2007	Q3/13	8 930	-9 661
*Purchase minus disposable of valuables	UAH, million at averagequarterly prices of 2007	Q3/13	12	35
*Exports of goods and services	UAH, million at averagequarterly prices of 2007	Q3/13	63 829	56 956
*Imports of goods and services	UAH, million at averagequarterly prices of 2007	Q3/13	-88 549	-72 793
Industrial Production Index	2010 =100	Nov/13	107,0	109,8
Employment	Thousands	Q3/13	20 864,2	20 675,3
Unemployment	% of active population	Q3/13	6,2	6,9
Wages/Earnings	Average monthly earnings in UAH	Nov/13	3 268	3 283
Consumer Prices Index ^{3/}	2010 =100	Nov/13	108,3	108,1
Producer Prices Index ^{3/}	2010 =100	Nov/13	122,2	123,8

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REAL SECTOR									
National Accounts (GDP) 1/	Quarter	2007 q IV	2008 q I	2008 q II	2008 q III	2009 q I	2009 q II	2009 q III	2009 q IV
* Gross value added at market prices	UAH, million at current prices	212,781	186,635	232,47	278,344	183,217	207,096	251,263	261,73
By Economic Activities	Quarter	2007 q IV	2008 q I	2008 q II	2008 q III	2009 q I	2009 q II	2009 q III	2009 q IV
**Agriculture, hunting and forestry, fishing	UAH, million at current prices	13,365	4,963	8,737	35,276	5,084	8,998	35,719	15,716
**Mining	UAH, million at current prices	8,318	9,682	13,779	14,898	7,869	7,819	9,236	10,161
**Manufacturing	UAH, million at current prices	44,485	36,943	47,902	50,07	26,78	35,99	38,996	40,092
**Production/distribution of energy	UAH, million at current prices	6,934	8,403	6,658	6,158	9,056	7,199	6,395	8,801
**Construction	UAH, million at current prices	10,946	6,863	8,647	10,622	3,576	5,159	5,852	6,675
**Trade and repair	UAH, million at current prices	28,435	25,365	32,464	37,822	26,589	28,768	32,459	34,428
**Transport	UAH, million at current prices	19,228	19,367	21,117	24,231	21,042	23,103	26,506	30,429
**Education	UAH, million at current prices	11,58	9,954	13,271	9,881	11,535	13,366	10,31	12,557
**Health and social securities	UAH, million at current prices	6,596	5,929	7,435	7,19	6,987	8,241	7,668	8,628
**Other activities	UAH, million at current prices	46,285	38,364	48,527	57,149	49,767	55,355	65,882	67,405
**FISIM	UAH, million at current prices	-7,122	-7,244	-8,538	-9,507	-13,845	-12,191	-12,891	-11,712
**Taxes on products	UAH, million at current prices					29,131	26,323	25,534	39
**Subsidies on products	UAH, million at current prices					-354	-1,034	-403	-450
By Expenditure Component	Quarter	2007 q IV	2008 q I	2008 q II	2008 q III	2009 q I	2009 q II	2009 q III	2009 q IV
*Final household consumption expenditure	UAH, million at current prices	129,432	125,327	138,924	155,612	131,91	139,475	154,333	165,589
*NPISH final consumption expenditure	UAH, million at current prices	1,49	1,557	1,732	1,783	1,96	1,959	2,141	2,263
*General government final consumption	UAH, million at current prices	43,224	33,494	43,856	40,574	38,145	46,45	39,271	51,511
**Individual final consumption	UAH, million at current prices	26,271	21,437	28,316	23,146	25,806	30,851	24,031	33,293
**Collective final consumption	UAH, million at current prices	16,953	12,057	15,54	17,428	12,339	15,599	15,24	18,218
*Gross fixed capital formation	UAH, million at current prices	62,291	46,817	60,906	73,091	31,2	31,358	43,033	51,791
*Change in inventories	UAH, million at current prices	-3,259	-139	4,652	17,199	-13,353	-9,124	13,643	-2,507
*Purchase minus disposable of valuables	UAH, million at current prices	106	82	77	91	85	180	78	106
(13)*Exports of goods and services	UAH, million at current prices	87,537	88,537	117,12	132,696	87,125	95,421	114,962	126,218

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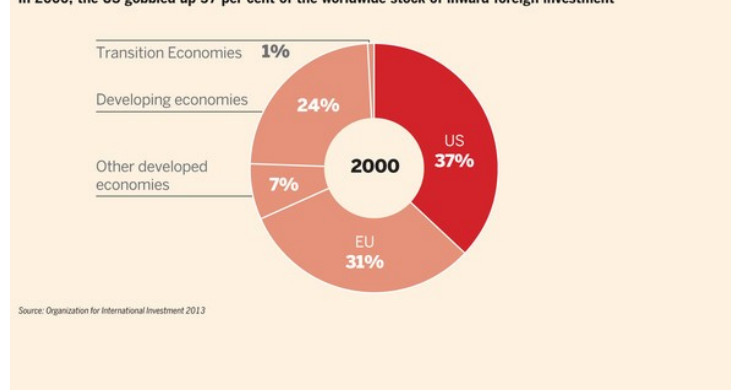
(14)*Imports of goods and services	UAH, million at current prices	-108,04	-109,04	-134,797	-142,702	-93,855	-98,623	-116,198	-133,241
*Gross value added at market prices	UAH, million at average quarterly prices of 2007					124,23	147,231	175,448	169,047
By Economic Activities	Quarter	2007 q IV	2008 q I	2008 q II	2008 q III	2009 q I	2009 q II	2009 q III	2009 q IV
**Agriculture, hunting and forestry, fishing	UAH, million at average quarterly prices of 2007					4,617	6,951	29,843	14,549
**Mining	UAH, million at average quarterly prices of 2007					6,639	6,71	7,636	7,606
**Manufacturing	UAH, million at average quarterly prices of 2007					22,129	25,793	25,676	27,548

**Production/distribution of energy	UAH, million at average quarterly prices of 2007					5,279	4,072	4,565	5,759
**Construction	UAH, million at average quarterly prices of 2007					2,434	3,642	3,23	3,585
**Trade and repair	UAH, million at average quarterly prices of 2007					17,092	21,931	20,838	21,248
**Transport	UAH, million at average quarterly prices of 2007					14,017	17,478	17,939	18,156
**Education	UAH, million at average quarterly prices of 2007					6,564	8,769	7,382	8,672
**Health and social securities	UAH, million at average quarterly prices of 2007					4,324	5,707	5,342	5,738
**Other activities	UAH, million at average quarterly prices of 2007					32,6	37,035	40,57	42,468
**FISIM	UAH, million at average quarterly prices of 2007					-6,765	-5,917	-6,226	-5,796
**Taxes on products	UAH, million at average quarterly prices of 2007					15,041	14,351	20,916	20,379
**Subsidies on products	UAH, million at average quarterly prices of 2007					-250	-691	-633	-598

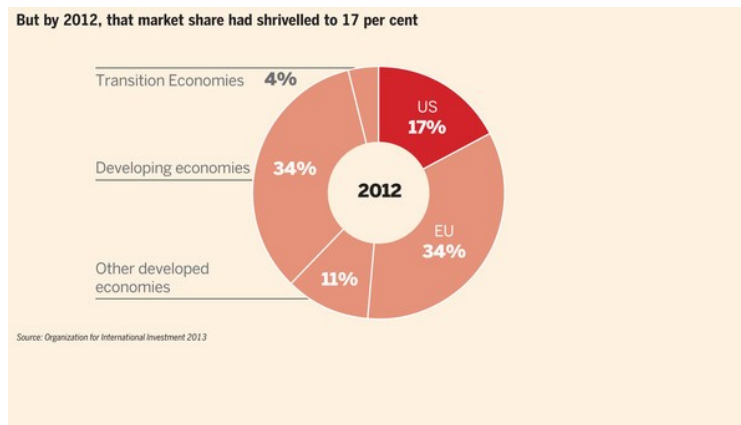
Another opportunity for growth would be to fully utilize current transportation opportunities for export. Creating the quality products at the metallurgy plants which can be exported to European and Asian countries out of ports in Mariupole will significantly help the economy here. Maximizing the possibility of the port, which has a capacity of 12 million tons of cargo annually, as well as optimizing use of Donetsk International Airport, which currently only makes 70% of freight turnover will help make Donetsk region a more desirable place to do business. The number one action needs to be investing in renewable energy and increasing transparency. This will create a more desirable market for foreign investors. If these recommendations are followed, foreign investment will improve.

The current investment situation in America, although very different, is also facing challenges right now. America has a more developed investment setting, and currently receives the most foreign direct investment of any country, yet went from having 37% of the worldwide stock of inward foreign investment to only 17% in 2012. Graphs 1 and 2 show how the worldwide stock reallocated investment out of the US and into developing economies. This is an issue America is currently addressing. In order to attract investment, the US introduced "brand USA" at an international conference. This is a great method to promote what the country can offer investors. Ukraine also participates in an international conference in London. Three companies presented from the Donetsk oblast and three others from the remaining regions. Tata, an Indian company has selected to invest big in America. Tata brings in \$8 billion in annual revenue and employs more than 18,000 people.

In 2000, the US gobbled up 37 per cent of the worldwide stock of inward foreign investment



ПРОБЛЕМЫ РАЗВИТИЯ ВНЕШНЕЭКОНОМИЧЕСКИХ СВЯЗЕЙ И ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ: РЕГИОНАЛЬНЫЙ АСПЕКТ



Corporate tax regulations, both national and state issued, accompanied by strict immigration laws are the leading issues currently hindering additional investment. Also, the fact that many countries are looking to invest in emerging markets and BRIC countries limits possibilities for existing markets. In 2011 a survey for the Organization for International Investment was conducted, stating that when deciding where to invest, companies consider; workforce skills, the corporate tax system and trade policy (Cronin, Brenda). As an established country for investment, the US must not grow stagnant. Chart 3 shows that even in 2013, growth is limited in America. This is a major issue because the need for a strong US economy lies beyond America. The US is one of the largest foreign investors and without the ability to continue to invest, the world would suffer. The interdependency of nations is significant and the current economic situation proves that. When one nation's stock market crashes, every economy suffers



America's greatest opportunity is having higher wages and more benefits than most countries. America also is open to investing in new technology and research. This is why many companies are open to investing in the US. Technology will forever be evolving, creating an ever growing market. This creates great economic opportunities. The US also has organizations designed to help promote international investment; for example the Organization for International Investment, which represents the US operations of many world leading companies whom insource millions of American jobs. Insourcing is an excellent way to gain outside help, while still keeping jobs in country, lowering transportation costs, and maintaining quality control. Ukraine can model this by investing in new technologies to further develop existing markets such as agriculture. Even though America and Ukraine are in different situations, they are both currently facing challenges in the foreign investment field.

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