

Секция: Экономические науки

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THE INFLUENCE OF FOREIGN INVESTMENTS ON THE INNOVATIVE DEVELOPMENT OF THE UKRAINIAN ECONOMY

Impetuous growth of speculative component in economy leads to transition of main source of economic growth from innovation to monetary capital and turns it into a relatively independent way of profit's accumulation. In addition, in Ukraine investments in production sector are devoted exclusively to low-technology industries. It contributes to the further transformation of Ukraine into raw materials appendage of more developed countries. So, in our country except politics, economics and military we have innovative crisis too. Problem of innovative development is one of the most difficult for Ukraine. Its solution is impossible without attracting foreign investment. Current economic conditions and integration of Ukrainian national economy into the world's economic system impact that foreign investment is an essential ingredient of economic policy and economic practice, an important source of replenishment of funds for investment. This necessitates a theoretical study of problems of foreign investment. Ukrainian scientists made an important contribution to solve problem of attracting investment in domestic innovation sector. In this case, descriptive and analytical

types of research have been applied. Descriptive research was used to collect and summarize data about correlation between level of economic expansion, development of innovation sector and level of foreign direct investment in different countries. Also we represented data about top investors in Ukrainian economy and main sources of investments in domestic innovative sector. Analytical type of research was used for understanding causes of low level of attracting FDI in Ukrainian industry.

In modern terms foreign investment was an inherent part of economic policy in all countries with developed market economies, a form of integration into the world`s economy. The rate of foreign investment in the past two decades almost 5 times outpaced the growth of international trade. Worldwide experience shows that restructuring of economic system, reduction of technical and technological backwardness of economy and ensuring competitiveness of domestic products in global market are impossible without extensive attraction of foreign capital.

Transition to innovative development model means firstly search of financial sources such as foreign investment for promotion of innovative activities. It is necessary to adopt appropriate regulations to establish incentives and create conditions for attracting foreign capital and development of venture businesses.

According to Ukrainian Law foreign investments are values that were invested by foreign investors in objects of investment for profit or achieving social effect.

Foreign investment provides long-term relationships and continues concern and control by a resident of country (foreign investor) in respect to company which is the object of foreign capital`s placing. Foreign direct investments are long-term involvement of foreign investors into capital funding to create capacity, which would ensure profitable implementation of manufactured goods or services.

This definition focuses on three main features of foreign direct investment long-term nature of the investment; control and constant interest of foreign investors to object of their investment; a profitable business as ultimate goal of investment.

In second half of the 20th century in process of deploying of new wave of scientific and technological revolution scientists received a number of theoretical and empirical evidence of impact of innovation activities on economic growth. For example, American economist Robert Solow was first in American literature (1957) who evaluated autonomous scientific and technical progress, showing that in the mid 50-ies of last century, it accounts for nearly 70% of US economic growth. During this scientific result R. Solow received the 1987 Nobel Prize.

In modern terms of socio-economic development Ukraine need innovative approaches for development and implementation of revised investment policy, while it is important to use international experience, which empirically substantiate a possibility of creating favorable investment climate and strengthening investment potential.

China is an example of a country which has achieved considerable success in attracting FDI. As a result of government policies to stimulate FDI inflows over the past decade China has received about 25% of the total investment directed to developing countries. Thus, over 70% were invested in industry.

The main motive to invest in Chinese economy is low cost of production factors and growing demand in domestic market. An equally important factor is a possibility of participation of foreign investors in privatization of state enterprises, due to stable demand for the product of these companies.

Brazil is an example of a country which has a lot of foreign investment without providing special incentives, largely thanks to liberalization and structural reforms, privatization and deregulation. Tax credits and other benefits provided by Brazil`s Government and local authorities without discrimination to

both foreign and domestic firms, which leads to a proportionate participation in investment process.

On the basis of international experience we can argue that balanced investment policy, aimed at creating a positive environment for development of investment process, which can be expressed in many innovative decisions and orders of the authorities is a main cause of successful involvement of FDI. It is also important the presence of direct contact between government organizations and investors to eliminate barriers of development of investment process by accepting compromise solutions and help in resolving current business issues.

In addition to lack of innovation funding from budget those data indicate relatively small size of foreign investments and instability of foreign investments in different years. Unstable political environment, imperfect legislation, high levels of bureaucracy and inflation, poor infrastructure, inadequate tax system and lack of information's provision are main negative factors that affect on the attraction of foreign investment in Ukraine.

Moreover a lack of interest of foreign investors based on orientation of Ukrainian economy on resource sector, not on innovation. According to the current structure of domestic economy to attract large amounts of foreign investment is not possible due to lack of interest of foreign contracting parties to invest in low-tech and resource industries. Therefore the state should pay priority's attention to IT, high-tech industries and development of alternative energy sources.

Foreign investment is an important and integral part of modern international business. It contributes to transferring technological know-how, new organizational, managerial and marketing practices and affect on competitiveness of members of international production networks, enterprises, domestic industries and economy as whole. Given the fact that investment is the basis of structural reforms, there is a need in Ukraine to develop an effective system of foreign direct investment. Main problems of attraction of foreign investors in our country

are unstable political environment, imperfect legislation, high levels of bureaucracy and inflation, poor infrastructure and resource-oriented economy.

For increasing of investment activity in Ukraine our government must develop and implement National strategy to attract foreign capital and create a lot of special organizations as Ukrainian Association of venture capital and private equity. First of all for improving the investment climate in Ukraine we need to find economic mechanism that would help balance the rate of return, risks, incentives and guarantees for foreign investments in privatization and development of export potential and modern technologies.

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