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**THE ASPECT OF FOREIGN INVESTMENTS OF VINNYTSYA REGION IN UP-TO-DATE ECONOMICAL SITUATION**

The article deals with the problems of foreign investments in Vinnytsya region and the number of issues connected with them. It says that in there is a great inner shortage of finances so it's one has to look for the foreign investments as a solution to the problem. The term of foreign investment is given as well as the term of foreign investor. The names of well-known scientists dealing with the problem are mentioned here. The author determines one has to solve the problems considering the tendencies of world financial crisis and globalization of economical relationships. The author emphasizes the increase of foreign investments which can bring serious changes in the development of production and financial condition of the country and its regions. The author mentions the importance of foreign investments under the conditions of globalization of economical relationships. The conditions of foreign investments of Vinnytsya region are analyzed. All the drawbacks of investment climate of Vinnytsya region are determined. The prospective of all ineffective methods are named and the ways of solutions to the problems. The data of foreign investments in industry of Vinnystya region are given in each field and also in agriculture.

**Key words.** Foreign economic politics, investment activity, corruption, essential changes, production development, Vinnytsya region. 1 chart, literature.

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**АСПЕКТИ ІНОЗЕМНИХ ІНВЕСТИЦІЙ ВІННИЦЬКОЇ ОБЛАСТІ В СУЧАСНИХ ЕКОНОМІЧНИХ УМОВАХ**

У статті розглядаються проблеми іноземних інвестицій у Вінницькій області, а також ряд питань, пов'язаних з ними. В статті наголошується, що існує велика внутрішня недостача фінансування країни, отже доводиться шукати іноземних інвестицій в якості вирішення проблеми. Подається термін іноземних інвестицій, а також поняття іноземного інвестора. В статті наводяться імена відомих вчених, що займаються цією проблемою. Авторка визначає проблеми, що доводиться вирішувати з урахуванням тенденцій світової фінансової кризи і глобалізації економічних відносин, разом з тим підкреслюючи, що збільшення іноземних інвестицій можуть внести серйозні зміни в розвиток виробництва і фінансового стану країни та її регіонів. Наголошується на важливості іноземних інвестицій в умовах глобалізації економічних відносин. Проаналізовано умови іноземних інвестицій Вінницької області. Визначено всі недоліки інвестиційного клімату Вінницької області. Наводяться дані іноземних інвестицій в промисловості Вінницької області, а також в сільському господарстві, які доводять доцільність іноземних капіталовкладень, вказуються недоліки та шляхи вирішення проблем.

**Ключові слова.** Зовнішньоекономічна політика, інвестиційна діяльність, корупція, істотні зміни, розвиток виробництва Вінницької області. 1 таблиця, література.

**Е.Г. Федорцова,**

**АСПЕКТЫ ИНОСТРАННЫХ ИНВЕСТИЦИЙ ВИННИЦКОЙ ОБЛАСТИ В СОВРЕМЕННОЙ ЭКОНОМИЧЕСКОЙ СИТУАЦИИ**

В статье рассматриваются проблемы иностранных инвестиций в Винницкой области, а также ряд вопросов, связанных с ними. Речь идёт о большом внутреннем дефиците финансов страны, о необходимости поиска иностранных инвестиций в качестве решения проблемы. Наводится термин иностранных инвестиций, а также термин иностранного инвестора. Перечислены имена известных ученых, занимающихся этой проблемой. Автор определяет проблемы, которые приходится решать с учетом тенденций мирового финансового кризиса и глобализации

экономических отношений, а также подчеркивает необходимость увеличения иностранных инвестиций, которые могут внести серьезные изменения в развитие производства и финансового состояния страны и ее регионов. Подчеркивается важность иностранных инвестиций в условиях глобализации экономических отношений. Проанализированы условия иностранных инвестиций Винницкой области. Определяются недостатки инвестиционного климата Винницкой области. Наведены данные иностранных капиталовложений в разные отрасли промышленности Винницкой области, а также в сельское хозяйство. Перечислены недостатки и названы пути решения проблем.

**Ключевые слова.** Внешнеэкономическая политика, инвестиционная деятельность, коррупция, существенные изменения, развитие производства Винницкой области. 1 таблица, литература

In an unstable economy, there is an internal shortage financing so it is necessary to find the way out in addressing search for external sources -foreign investment scope that can make significant changes in the development of production and financial condition of the state and its particular regions. In this regard, the work highlights the question of how to: 1) examine the role and characteristics of foreign investment in the region in the context of globalization of economic relations; 2) estimate the state of foreign investment in Vinnytsya region section of the main types of economic activity; 3) identify weaknesses of the investment climate in Vinnytsya region, its prospects and to analyze all dead methods of investment areas and ways of overcoming problems. The problems of efficiency of foreign policy at the present stage gain exceptional value. Firstly, this is due to a number of factors of internal character finding economy in transferring to a market economic system, which is in the objective situation of imbalance in the structure of the economy and its slow restructuring; specific resource consumption and excessive energy sectors of the economy; low competitiveness of national production; gradual decline of scientific, technical and industrial potential of high-tech and others. Successful investing activities provided investment purposes to achieve them, according to William Buffett, must be directly owned companies generating cash flow and provide a stable return on equity above average. Participation in these companies through the purchase of liquid shares may be carried out through subsidiaries. This annual allocation of invested capital to be determined value and prospects of companies that need investment. [1].

One should take into consideration the system of external factors: excessive (20 to 90%) dependence of Ukraine's economy from import monopoly market supply of strategic commodities (energy, raw material and other resources) for vital industries; the presence of thousands of Ukrainian enterprises engaged in the production cycle, the final products are manufactured outside of Ukraine; high dependence of the process of structural and technological reform Ukraine's economy from various forms of external financing; the lack of a developed foreign trade infrastructure (informational, legal, marketing, organizational, trader, stock, exhibition, advertising, etc.); storage of Ukraine status of "merchant outsider" in world trade due to lack of full or associate membership in the World Trade Organization (WTO), European Union (EU), the Central European Free Trade Agreement (CEFTA) and other trade and integration groupings and because of this weak protection competitiveness of foreign economic activity of Ukraine in the highly competitive international markets of goods, capital and services; some pressure of other countries to external economic activity of Ukraine through direct and indirect forms of various trade, investment trade standard, phytosanitary, technological and financial constraints. [2]. It is noted that foreign investments are values invested by foreign investors into objects of investment activity according to the legislation of Ukraine for profit or achieving social effect. [3]. Investment, including foreign, is not the only mechanism for development, but also the way of economic regulation by transfusion of capital. At the present stage of market development the foreign investments are the main

source of new competitive technologies. Purchase Ukrainian companies whose shares, i.e. the implementation of mergers; foreign investors are seen as an attractive way of investing with the positions that reduces the risk by inefficient management. However, investments are increasing the chances of best practices in obtaining new technology and working capital during the protracted crisis.

Foreign investment - all kinds of values that are placed by foreign investors in objects of business or other activity for profit or achieving social effect. Foreign investors are subjects of other countries which carry out investment activities in the country, namely: 1) legal entities established under law other than the law of the country; 2) individuals - foreigners who have permanent residence in the country and not limited in capacity; 3) foreign states, international governmental and non-governmental organizations; 4) other foreign subjects of investment activity recognized as such under the legislation of the country. Let's name the types of foreign investments in Ukraine. Foreign investments may be made in the form of: 5) foreign currency recognized as convertible by the National Bank of Ukraine; 6) currency Ukraine - in the case of reinvestment in the object of initial investment or in any other investees under the legislation Ukraine provided tax expense (income); 7) any movable and immovable property and related property rights; 8) Stocks, bonds, other securities and corporate rights (ownership rights (share) in the authorized capital of a legal entity established under the laws of Ukraine or legislation of other countries) expressed in convertible currency; 9) monetary claims and rights to claims on contracts which are guaranteed by first-class banks and have value in convertible currency confirmed according to laws (procedures) of the investor's country or international trade procedures; 10) any intellectual property rights, the value of which in convertible currency is confirmed according to laws (procedures) of the investor's country or international trade procedures and confirmed by expert estimation in Ukraine, including legalized on the territory of Ukraine copyrights, inventions, utility models, industrial designs, trademarks and service know-how, etc; 11) the rights to economic activities, including the right to use the subsoil and natural resources provided under the legislation or agreements, the cost in hard currency is confirmed according to laws (procedures) of the investor's country or international trade procedures.

Other values in accordance with the laws of Ukraine. The issue of foreign investment has been and remains relevant in today's economy, the issues which are highlighted in fundamental and applied research of foreign and domestic scientists. Among them, we note the work of William Sharpe, John. Bailey, M. Butko, S. Tereshchenko, L. Fedulova, D. Béchar and others. The main issues that were considered by them,,: theoretical and methodological basis of the macroeconomic environment of foreign investment, analytical assessment of direct investments and their impact on the modernization of Ukraine's economy, analytical assessment of the prospects of the investment climate for foreign investors, government regulatory mechanisms of foreign investment and so on. However, there are questions that need further study, given the global trends financial crisis and globalization of economic relations. So, in terms of economic instability there is domestic deficit financing, is necessary in addressing search external sources -foreign investment scope and focus that can make significant changes in the development of production and financial condition of the state and its particular regions. In this regard, the work highlights the question of how to: 1) examine the role and characteristics of foreign investment in the region in the context of globalization of economic relations; 2) assess the state of foreign investment in Vinnytsya region section of the main types of economic activity; 3) identify weaknesses of the investment climate in Vinnytsya region, its prospects broken analyze all methods of investment areas and ways of overcoming problems. The ability to reproduce production capacity in the commodity finance export-import transactions implemented through foreign investment. [4]. Direct foreign investments have the potential to create new jobs, are able to ensure the exchange of experiences on implementation of technological know-how, stimulate exports and maintain economies in Development. Thus creating a favorable investment

climate is one of the main objectives of economic development of each country. At the international level regulatory functions in the field of investment confer on the relevant committees and organizations. In particular, the basic functions created in the 1964 United Nations Conference on Trade and Development (UNCTAD) was defined normalization of relations and the promotion of international trade in the direction of formation of organizational and economic conditions and mechanisms of modern international economic relations. Within the UNCTAD meeting in 2012 was noted that the main vector of the investment policy of the new generation is finding a balance between public policy objectives and development on the one hand, and the rights of investors - on the other. [5] Moreover, although the liberal approach is seen as a tool for creation of favorable investment climate, today's focus reoriented foreign direct investment in priority sectors increasing production capacity, implementation of social and environmental problems. According to experts not conducive investment activity in Ukraine is language law demanding mandatory labeling in regional languages. Most investors refer to negative changes: increase of fiscal pressure, fluctuations in the exchange rate and monetary policy of the NBU, the increasing complexity of the political situation in connection with elections, corruption and a weak judicial system. [6]. Experts believe the level of bureaucracy and government regulation of business in Ukraine is one of the highest in the world, and for good reason, because according to experts EBRD in 2012, the highest value in Ukraine is characterized by bureaucracy rate (80.1%). This leads to the need to protect property rights and minimize risks involved in money and stimulate investment. The biggest drawback of the investment climate in Ukraine is an extremely high level of corruption. It is believed that when a Gross Domestic Product (GDP) per capita is below 8 thousand USD, such a state can be corrupted. In Ukraine according to data (including all social benefits and payments), the figure is no more than 5 thousand dollars. [7]. As the investment climate of any country is determined primarily by its economic stability and political situation, it is clear is the fact that Ukraine is recognized as one of the most risky countries in Eastern Europe on investments. Serious criticisms cause scientists and direct foreign investors inconsistent and therefore unpredictable legal leverage foreign investment. Besides, investment conditions for non-residents in Ukraine have been chanced for 6 times over the years of independence. It is often a new law repealing or even negates the previous one. There are different ways of action of law key branches. On the whole, it has been manipulating the legal framework, which is not recognized by the civilized market. Remain a number of problems in this area. This is due to especially difficult economic situation of our country. In addition, existing inadequate legislation is the main reason that explains the fact that the volume of foreign investment in the enterprises of Ukraine still remains low compared to other post-socialist countries of Eastern and Central Europe. This is a result of lack of confidence in the seriousness of the non-resident of the Ukrainian side.

The decline of investment sphere is the result of investment sphere idle control functions, complicated administration, lack of transparent and open mechanisms, domestic corruption. The negative impact on the investment attractiveness performs credit system that provides high interest rates on loans. Because of high bank interest rates on loans to businesses that are trying to implement investment projects, it is difficult to compete with loan recipients who need money for short-term transactions. In the area of monetary policy important task is to create favorable conditions to enhance long-term lending to the real economy. To overcome the above problems one should destroy all non-working methods of investment areas affected by corruption or carry signs of communism and the command economy providing foreign investors about the current legislation regarding foreign investment. As there's no single approach to the status and cancellation of previous laws, so it is difficult to determine which laws remain in force and which were canceled. [8].

Attractive to foreign investors legal environment must meet three conditions. Firstly, private investors, both foreign and domestic, should be assured that their investments are protected well developed system of laws. Secondly, investors have to be convinced that laws



are implemented in life: the most perfect legislation has no value if not implemented in practice. Thirdly, investors need stability and predictability of the system of jurisprudence. This is possible due to: mitigate interest policy; reorientation of credit banks into long-term credit; preferential tax profit from operations of commercial banks long-term credit; creation of special investment banks providing concessional credit terms investment programs. [9].

The needs for foreign investments are defined: 1) Extremely low investment activity of its own producers and citizens (in terms of prolonged economic crisis, stagnation of production, inflation frantic process of internal investment almost stopped recently); 2) Urgent need of technical and technological modernization, the entire market and social infrastructure by importing modern technology, machinery and equipment; 3) the need for implementation in all areas of economic management and new marketing framework that ensures investor protection and non-discrimination of foreign companies, the possibility of formation of new companies profit, conflict resolution. A key factor to attract large foreign capital in Ukraine's economy is his first participation in the privatization of strategic objects. On the one hand, about 50% of foreign investment is secured by foreign investors through participation in the privatization of Ukrainian enterprises. On the other hand, the objects offered for privatization involving foreign investors have for the last unattractive. The main reasons for this are: a weak legal framework, which significantly complicates the implementation of any real control outside the owner of the business where it has a controlling stake; a third of privatized enterprises still state reserves too large stakes (30%); the state continues to interfere in the development of important sectors (e.g. energy). With the belief of foreign experts for effective participation of strategic investors in the Ukrainian privatization should give up manual control of the economy, increase the role of self-regulation organizations to adopt clear and long-term privatization legislation. Despite the fact that all regions of Ukraine on December 31, 2011 Vinnytsya region ranked 18th in size of foreign investment, it remains one of the most promising areas for investors. In recent years, leaders of Vinnytsya region have intensified activities to attract foreign investors, resulting in a growth of foreign direct investment of 176.5 million Dollars. The United States in 2009 to 226 million USD. USA have invested in 2011 even more (growth was 28%) (Chart1). With the support of the Vinnytsya Regional Council in the ongoing implementation of 12 agreements on trade-economic, scientific-technical and cultural cooperation of Vinnytsya Region and the Republic of Poland (sold over than 200 partnership agreements), Belarus, Russia, Moldova, Romania and Transnistrian region of Moldova. A protocol of intent with Anhoi province of China and Osijek-Baranski Zhupania Republic of Croatia is signed [10].

The experience of Central and Eastern Europe testifies to the expediency of restricting access of foreign direct investment in the banking sector, the production of and trade in weapons, explosives, ammunition; production and sale of electricity. This will reduce the importance of false investments and improve the socio-economic development. The stability of the legislative environment is one of the methods of minimizing false investments. However, the effectiveness commitment to stabilization is not unique. On the one hand, they increase the stability and predictability of the conditions of the investor and thus stimulate attraction of investments in long-term and medium-term projects. On the other hand, stabilization obligations pose a risk to realization of the sovereign rights of States acceptor investments on economic management and the introduction of legislative and regulatory measures. [11]. The priority areas of investment for foreigners are industry and real estate, renting and business activities. Total direct foreign investment and industry in Vinnytsya region for the period 2009-2011 amounted to 342 million, and in the direction of property and engineering operations - 137.4 million US Dollars.

It should be noted that the largest growth rate of foreign investments in Vinnytsya region characterized by construction, where investments from 2009 to 2011 increased by 1,179.2% (3.6 times) and utilities, where investments from 2009 to 2011 increased by 409.3% (2.3

times) [12-13]. Stable growth of investment income is characterized by processing industries. Their average level for 2009-2010 amounted to 90.1 million UAH which in the total foreign direct investment amounted to nearly 44%. This trend is caused by activities in the Vinnytsya region of large agricultural holding companies and corporations, the structure of which a large proportion of foreign trade. Among them, the American multinational 'Monsanto' future plans in which the seed plant construction worth more than 130 million USD. Thus, the USA will help to cut 10% of imports of maize seeds for the needs of local farmers. "Agrana Fruit Ukraine" which belongs to the holding company "Agrana Group" (France) successfully carries out its activities with production of juice concentrates in Vinnitsa region. It is one of the most powerful food producers in Europe, has 36 processing plants for agricultural products in 27 countries. Nemiroff Company heads for large enterprises and it is the leader in Vinnytsya region, Nemirovsky district and the city of Nemiroff.

**Chart 1. Rank of foreign investment in Vinnytsya region for the period of 2009-2011**

№	Type number	2009	2010	2011	On average for 2009-2011 p.	Deviation 2009 from 2011	
						Thou-Sand \$ USA	%
	Activities						
1	Agriculture, hunting and related services	18393,0	17704,1	19317,3	18471,5	924,3	5,0
2	Industry, including	10368,1	112881,4	125529,3	11406,3	21921,2	21,2
	- Mining	20191,3	23480,6	26289,8	23320,6	6098,5	30,2
	- processing	83416,8	88576,8	98421,6	90138,4	15004,8	18,0
3	- construction	358,2	3801,8	4582,1	2914,0	4223,9	1179,2
4	Trade; repair of motor vehicles, household goods and personal consumption	18306,0	21506,1	21553,6	20455,2	3247,6	17,7
5	Transport and communication	2887,7	2962,0	3426,0	3091,9	538,3	186
6	Real estate, renting, engineering and business activities	32856,5	53383,5	51175,0	45805,0	18318,5	55,8
7	Grant of public and individual services; activity in culture and sport	66,7	270,5	339,7	225,6	273,0	409,3
8	Other activities	30,0	33,6	71,0	44,9	41,0	136,7
9	Total:	176506,2	212543,0	225994,0	205014,4	49487,8	28,0

Nemiroff occupies 18th place in the ranking and it's one of the most promising budget fees during the period of 2008-2011. Average increase tax deductions amounted about 24% per year.[14]

Thus, the key to success, an important area of improving the conditions of enterprises of Vinnytsya region is investment. To attract foreign investment, expand investment needed government support. In general, foreign direct investment should meet the national interests of the country and will not threaten its economic security. Prospects for further research concerning the development of recommendations for the formation of the program to attract foreign investment, increase annual GDP per capita, fighting corruption and definition tools for marketing moves to increase the investment attractiveness of the region. Another, equally

important, the mechanism of investment activity regulation is land reform. It is necessary, following the relevant legal framework, to make it to market agricultural land would give the state more substantial financial resources to non - confidence in the seriousness of the Ukrainian side, resident - additional statutory resources in the creation of enterprises and powerful way to stimulate banks in long-term investing (through the development of a mechanism of mortgage of land). [15].

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