Тернопільський національний економічний університет

Навчально-науковий інститут міжнародних економічних відносин

ім. Б. Д. Гаврилишина

Міждисциплінарна курсова робота

на тему:

«GROWING UKRAINE'S ATTRACTIVENESS FOR MULTINATIONAL COMPANIES OF EU AND US»

Студент(ка) 5 курсу, групи АМЕТм-11

Кош А. О.

Галузь знань: 05 Соціальні та поведінкові науки

Спеціальність: 051 Економіка

Магістерська програма: Міжнародна економіка (англомовна програма)

Керівник:

к.е.н., доцент

Таранов І. М.

Національна шкала__________________

Кількість балів ______Оцінка ECTS______

Члени комісії:

____

____

____

Тернопіль – 2017

Topic actuality

Today Ukraine is facing a lot of political and economical challenges. Revolution, war, economic recession. To overcome this obstacles it needs some initial help to be back on her feet.

At present, the transnational corporations through foreign direct investment is constantly increasing their influence on the development of both international economic relations, and competitiveness of the national economy. Income from investment of capital is the basis for development of local infrastructure, production and attract foreign technology increases the competitiveness of domestic products in foreign markets.

So for multinational companies time is good for buying. Distress assets may be acquired for pennies and potential buyers will likely have a stronger negotiation position.

Even for performing business targets political, financial and global risks will lead to a lower purchase price. Thus multinational companies will still invest in Ukraine. But the country itself should meanwhile to enforce its domestic growth to make its assets more expensive, thus the investments larger. And using this experience of other competitive management to build its own strong economy.

Nowadays the country desperately needs investments and some good example of how to develop an economy from countries who has already done that. The criteria by which Ukraine is attractive for the activities of multinational companies of EU and USA is considered , taking also into account the factors that reduce the competitive advantage.

The actuality of the work lies in the fact that taking the right steps to improve the investment climate in Ukraine we will get a number of competitive advantages associated with the operation of multinational companies of EU and US on the territiry of Ukraine and will be able to make the Ukraine's economy stronger.

The goal and tasks of research;

To find out if the Ukraine is interesting for multinational companies, what is the obstacles that reduce participation of the latter in it, what are the advantages of Ukraine to the above mentioned companies and what should be done to make benefits for Ukraine bigger..To determine the investment strategies of transnational companies in the case of entering the Ukrainian market, as well as general trends in foreign direct investment, influencing the investment attractiveness of Ukraine.

Overview of literature on the problem;

So far as the research is about Ukraine's attractiveness, among the authors who study the activities of multinational companies and their role in the globalisation of the Ukrainian economy, most of the literature is written by Ukrainian scientists. We should mention the works of : Pitelis, Christos; Roger Sugden (2000), Roy D. Voorhees, Emerson L. Seim, and John I. Coppett, Koenig-Archibugi, Mathias; Holstein, William; Henry Bruner,

Ietto-Gillies, Grazia

At the same time poorly understood at present, there are still problems of formation of the investment strategies of foreign companies entering the Ukrainian market, the choice of strategic priorities in the investment activities of transnational companies of US and EU.

"At present, the activity of multinational corporations and foreign direct investment in Ukraine is considerably inferior to other countries of Western Europe and the CIS, but, despite this, Ukraine has significant potential for foreign market"[50]

The subject and object of research;

Subject is mechanisms used in participation of multinational companies in Ukraine's economy.

Object of the research is Ukrainian economy, multinational companies of EU and US, the economic relationships between the Ukraine and transnational companies of European Union and United States

Novelty of research;

Defining features of the current investment processes in Ukraine, studying aspects of participating of multinational companies in Ukraine's economy on mutually beneficial terms.

Provision of appropriate measures to improve the investment climate in Ukraine will get a rational approach for a number of competitive advantages associated with the operation of multinational companies.

Further research program of the government need to create appropriate legislation to regulate incentives to attract foreign multinationals and damper system possible negative consequences of transnationalization.

The methods of research

analysis and synthesis, comparison, deduction, induction

Based on the comparison of data on dynamics of foreign investment in Ukraine's economy in the previous time and investment of multinational companies of EU and US in other countries, analyze the features of foreign direct investment in Ukraine.

qualitative method -describe details using surveys and observations

theoretical approach of extracting data from archives

quantitative method using numerical and statistical explanations

The glossary of key concepts

transnational corporation, investment attractiveness, foreign investors, investment climate, foreign direct investment, globalisation, economy of scale

The scheme of major cause and effect relationships pertaining to the problem of research;

In the era of globalisation it is impossible to stay out of line. And althought It is no secret that the investment climate in Ukraine, in general, has worsened over last few years. There are a number of political and economic reasons for that both domestic and international. Making a good base for multinational companies of EU and US to attract them to participate in Ukraine's economy , we can learn to make our own economy economy of scale.

Chapter 1. Theoretical and Methodical concepts of Multinational corporations attractiveness forming

At the present stage of the world economy development transnational corporations (MNCs) have become one of the main driving forces of globalization. They account for over 50% of world production, over 75% of world trade and international migration of capital, more than 80% of international technology transfer. In recent years, multinationals have become the main structural element of the economies of most countries, the leading force of their development and efficiency increase. The internationalization of production and capital, liberalization of foreign trade and the emergence of crossborder strategic alliances shifted MNCs in the centre of the world economic development. MNCs today actually solve the key issues of the new economic and territorial division of the world, having formed the largest group of foreign investors and bearers of new technologies in production and nonproduction areas.

1.1 Theoretical and Methodical aspect s of formation and operation of transnational corporations

Multinational corporation(MNC) also called transnational corporation, is a corporation that is registered and operates in more than one country at a time. It can be also called a worldwide enterprise [1],a corporate organization that owns or controls production of goods or services in one or more countries other than their home country. [2] Also MNC is referred to as an international corporation , a transnational corporation , or a stateless corporation . [3] There are subtle but real differences between these three labels, as well as those labels of multinational corporation and a worldwide enterprise .

Generally the corporation has its headquarters in one country and operates wholly or partially owned subsidiaries in other countries. Its subsidiaries report to the corporation's central headquarters. MNC has become a concept with the establishment of the first MNC, Dutch-East India Company in the 17th century. The company was the first that took the risks of international trade and allowed collective ownership through share issuing that was the impulse of globalization.

The modern MNCs were formed mainly in Europe, particularly in Belgium (Cockeril), Germany (Bayer), Switzerland (Nestle), France (Michelin) and UK (Lever) in the 19th century and applied FDI strategies in order to overcome the difficulties in exports resulted from tariffs. The aim of MNC is to get capital where it is cheapest and produce where they get the highest rate of return.

A multinational corporation (MNC) is usually a large corporation incorporated in one country which produces or sells goods or services in various countries.[4] The two main characteristics of MNCs are their large size and the fact that their worldwide activities are centrally controlled by the parent companies.[5]

MNCs import and export goods and services, make significant investments in a foreign country, buy and sell licenses in foreign markets, engage in contract manufacturing—permit a local manufacturer in a foreign country to produce their products and open manufacturing facilities or assembly operations in foreign countries.

MNCs may gain from their global presence in a variety of ways. First of all, MNCs can benefit from the economy of scale by spreading R"D expenditures and advertising costs over their global sales, pooling global purchasing power over suppliers, and utilizing their technological and managerial know-how globally with minimal additional costs. Furthermore, MNCs can use their global presence to take advantage of underpriced labor services available in certain developing countries, and gain access to special R"D capabilities residing in advanced foreign countries. [6]

The problem of moral and legal constraints upon the behavior of multinational corporations, given that they are effectively "stateless" actors, is one of several urgent global socioeconomic problems that emerged during the late twentieth century.[7]

Potentially the best concept for analyzing society's governance limitations over modern corporations is the concept of "stateless corporations". Coined at least as early as 1990 in Business Week , the conception was theoretically clarified in 1992: that an empirical strategy for defining a stateless corporation is with analytical tools at the intersection between demographic analysis and transportation research. This intersection is known as logistics management, and it describes the importance of rapidly increasing global mobility of resources. In a long history of analysis of multinational corporations we are some quarter century into an era of stateless corporations - corporations which meet the realities of the needs to source materials on a worldwide basis and to produce and customize products for individual countries. [8]

One of the first multinational business organizations, the East India Company , arose in 1600. [9] After the East India Company, came the Dutch East India Company , founded March 20, 1602, which would become the largest company in the world for nearly 200 years. [10]

The main characteristics of multinational companies are:

In general, there is a national strength of large companies as the main body, through the way of foreign direct investment, which we'll discuss below or acquire local enterprises, established subsidiaries or branches in many countries;

It usually has a complete decision-making system and the highest decision-making center, each subsidiary or branch has its own decision-making body, according to their different features and operating to make decisions, but its decision must be subordinated to the highest decision-making center;

MNCs seek markets in worldwide and rational production layout, professional fixed-point production, fixed-point sales products, in order to achieve maximum profit;

Due to strong economic and technical strength, with fast information transmission, as well as funding rapid cross-border transfer, multinational companies have, so it has stronger competitiveness in the world;

Many large multinational companies have varying degrees of monopoly in some area, due to economic and technical strength or production advantages.

The actions of multinational corporations are strongly supported by economic liberalism and free market system in a globalized international society. According to the economic realist view, individuals act in rational ways to maximize their self-interest and therefore, when individuals act rationally, markets are created and they function best in free market system where there is little government interference. As a result, international wealth is maximized with free exchange of goods and services. [11]

To many economic liberals, multinational corporations are the vanguard of the liberal order.[12] They are the embodiment par excellence of the liberal ideal of an interdependent world economy. They have taken the integration of national economies beyond trade and money to the internationalization of production. For the first time in history, production, marketing, and investment are being organized on a global scale rather than in terms of isolated national economies. [13]

International business is also a specialist field of academic research. Economic theories of the multinational corporation include internalization theory and the eclectic paradigm . The latter is also known as the OLI framework.

A transnational corporation, this paper considers, differs from a traditional multinational corporation in that it does not identify itself with one national home. While traditional multinational corporations are national companies with foreign subsidiaries,[14] transnational corporations spread out their operations in many countries to sustain high levels of local responsiveness. [15]

An example of a transnational corporation is Nestlé who employ senior executives from many countries and tries to make decisions from a global perspective rather than from one centralized headquarters. [16]

Another example is Royal Dutch Shell , whose headquarters are in The Hague, Netherlands, but whose registered office and main executive body are headquartered in London , United Kingdom .

1.2 Influence of Foreign direct investment on modern multinational corporations

The main channel of MNCs' influence on the national economy and way of most MNCs' creation is foreign direct investment (FDI). The Organization for Economic Co-Operation and Development (OECD) and the International Monetary Fund (IMF) have reached a common definition of FDI with their collective studies. Accordingly FDI means the international investment in foreign country done by a resident company in one economy with the intention of the creation of long-lasting business relation.

In Ukraine, foreign investors may invest through the establishment of wholly foreign owned companies, branches, joint ventures, or the purchase of entire ownership of existing entities, or the acquisition of a portion of shares in existing firms [44].

A foreign direct investment (FDI) is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. [17] It is thus distinguished from foreign portfolio investment by a notion of direct control.

Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) of an enterprise resident in another economy (FDI enterprise or affiliate enterprise or foreign affiliate). FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in another economy. Investments are classified as direct if they provide 10 percent or greater participation in the authorized capital of the enterprise and (or) a significant part in the management of its activities. FDI involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates. It covers equity capital, reinvested earnings and intra-company loans.

FDI inflows and outflows comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to a FDI enterprise, or capital received by a foreign direct investor from a FDI enterprise. Data on FDI flows are presented on net bases (capital transactions' credits less debits between direct investors and their foreign affiliates). Net decreases in assets or net increases in liabilities are recorded as credits (with a positive sign), while net increases in assets or net decreases in liabilities are recorded as debits (with a positive sign). Hence, FDI flows with a negative sign indicate that at least one of the three components of FDI is negative and not offset by positive amounts of the remaining components. These are called reverse investment or disinvestment. FDI stock is the value of the share of their capital and reserves (including retained profits) attributable to the parent enterprise, plus the net indebtedness of affiliates to the parent enterprises.[38]

The origin of the investment does not impact the definition as an FDI: the investment may be made either "inorganically" by buying a company in the target country or "organically" by expanding operations of an existing business in that country.

Definition.

Broadly, foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans". In a narrow sense, foreign direct investment refers just to building new facility, a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. [18] FDI is the sum of equity capital , other long-term capital, and short-term capital as shown the balance of payments . FDI usually involves participation in management, joint-venture , transfer of technology and expertise. Stock of FDI is the net (i.e., outward FDI minus inward FDI) cumulative FDI for any given period. Direct investment excludes investment through purchase of shares . [19]

FDI is one example of international factor movements . A foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another country. Foreign direct investment is distinguished from foreign portfolio investment , a passive investment in the securities of another country such as public stocks and bonds , by the element of "control". [17] According to the Financial Times , "Standard definitions of control use the internationally agreed 10 percent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies. Moreover, control of technology, management, even crucial inputs can confer de facto control." [17]

Theoretical background

According to Grazia Ietto-Gillies (2012), [20] prior to Stephen Hymer 's theory regarding direct investment in the 1960s, the reasons behind Foreign Direct Investment and Multinational Corporations were explained by neoclassical economics based on macro economic principles. These theories were based on the classical theory of trade in which the motive behind trade was a result of the difference in the costs of production of goods between two countries, focusing on the low cost of production as a motive for a firm’s foreign activity. For example, Joe S. Bain only explained the internationalization challenge through three main principles: absolute cost advantages, product differentiation advantages and economies of scale. Furthermore, the neoclassical theories were created under the assumption of the existence of perfect competition. Intrigued by the motivations behind large foreign investments made by corporations from the United States of America, Hymer developed a framework that went beyond the existing theories, explaining why this phenomenon occurred, since he considered that the previously mentioned theories could not explain foreign investment and its motivations.

Facing the challenges of his predecessors, Hymer focused his theory on filling the gaps regarding international investment. The theory proposed by the author approaches international investment from a different and more firm-specific point of view. As opposed to traditional macroeconomics-based theories of investment, Hymer states that there is a difference between mere capital investment, otherwise known as portfolio investment, and direct investment. The difference between the two, which will become the cornerstone of his whole theoretical framework, is the issue of control, meaning that with direct investment firms are able to obtain a greater level of control than with portfolio investment. Furthermore, Hymer proceeds to criticize the neoclassical theories, stating that the theory of capital movements cannot explain international production. Moreover, he clarifies that FDI is not necessarily a movement of funds from a home country to a host country, and that it is concentrated on particular industries within many countries. In contrast, if interest rates were the main motive for international investment, FDI would include many industries within fewer countries.

Another observation made by Hymer went against what was maintained by the neoclassical theories: foreign direct investment is not limited to investment of excess profits abroad. In fact, foreign direct investment can be financed through loans obtained in the host country, payments in exchange for equity (patents, technology, machinery etc.), and other methods. The previous criticisms, along with assuming market imperfections, led Hymer to propose the three main determinants of foreign direct investment:

Firm-specific advantages: Once domestic investment was exhausted, a firm could exploit its advantages linked to market imperfections, which could provide the firm with market power and competitive advantage. Further studies attempted to explain how firms could monetize these advantages in the form of licenses.

Removal of conflicts: conflict arises if a firm is already operating in foreign market or looking to expand its operations within the same market. He proposes that the solution for this hurdle arose in the form of collusion, sharing the market with rivals or attempting to acquire a direct control of production. However, it must be taken into account that a reduction in conflict through acquisition of control of operations will increase the market imperfections.

Propensity to formulate an internationalization strategy to mitigate risk: According to his position, firms are characterized with 3 levels of decision making: the day to day supervision, management decision coordination and long term strategy planning and decision making. The extent to which a company can mitigate risk depends on how well a firm can formulate an internationalization strategy taking these levels of decision into account.

Hymer's importance in the field of International Business and Foreign Direct Investment stems from him being the first to theorize about the existence of Multinational Enterprises (MNE) and the reasons behind Foreign Direct Investment (FDI) beyond macroeconomic principles, his influence on later scholars and theories in International Business, such as the OLI (Ownership, Location and Internationalization) theory by John Dunning and Christos Pitelis which focuses more on transaction costs. Moreover, “the efficiency-value creation component of FDI and MNE activity was further strengthened by two other major scholarly developments in the 1990s: the resource-based (RBV) and evolutionary theories" (Dunning " Pitelis, 2008) [21] In addition, some of his predictions later materialized, for example the power of supranational bodies such as IMF or the World Bank that increases inequalities (Dunning " Piletis, 2008).

Types of FDI

Horizontal FDI arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI. [22]

Platform FDI Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.

Vertical FDI takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country. [22]

Methods.

The foreign direct investor may acquire voting power of an enterprise in an economy through any of the following methods:

by incorporating a wholly owned subsidiary or company anywhere

by acquiring shares in an associated enterprise

through a merger or an acquisition of an unrelated enterprise

participating in an equity joint venture with another investor or enterprise [23]

Importance and barriers to FDI.

The rapid growth of world population since 1950 has occurred mostly in developing countries. This growth has been matched by more rapid increases in gross domestic product, and thus income per capita has increased in most countries around the world since 1950. [24]

An increase in FDI may be associated with improved economic growth due to the influx of capital and increased tax revenues for the host country. Host countries often try to channel FDI investment into new infrastructure and other projects to boost development. Greater competition from new companies can lead to productivity gains and greater efficiency in the host country and it has been suggested that the application of a foreign entity's policies to a domestic subsidiary may improve corporate governance standards. Furthermore, foreign investment can result in the transfer of soft skills through training and job creation, the availability of more advanced technology for the domestic market and access to research and development resources.[25] The local population may benefit from the employment opportunities created by new businesses. [26] In many instances, the investing company is simply transferring its older production capacity and machines, which might still be appealing to the host country because of technological lags or under-development, in order to avoid competition against its own products by the host country/company.

Developing world.

A 2010 meta-analysis of the effects of foreign direct investment (FDI) on local firms in developing and transition countries suggests that foreign investment robustly increases local productivity growth. [27] The Commitment to Development Index ranks the "development-friendliness" of rich country investment policies.

1.3 Investment climate and investment positions of biggest Multinational corporations.

Definition.

The economic and financial conditions in a country that affect whether individuals and businesses are willing to lend money and acquire a stake in the businesses operating there. Investment climate is affected by many factors, including: poverty, crime, infrastructure, workforce, national security, political instability, regime uncertainty, taxes, rule of law, property rights , government regulations, government transparency and government accountability . An unfavorable investment climate is one of the many hindrances faced by underdeveloped nations. Regulatory reform is often a key component of removing the barriers to investment. A number of nonprofit organizations have been established for the purpose of improving the investment climate and spurring economic development in these countries. Also, some investors are willing to take on the high level of risk and volatility associated with investing in an unfavorable climate because of the potential that the high risk will be rewarded with high returns.

Factors forming business climate.

Political Risk

Limited Government

Carbon Disclosure Rating

Property Rights

Poverty

Regulatory Risk

International Poverty Line

Transparency

Market barriers

Business risk

Legal and regulatory system

Dispute resolution

Corruption

Political violence

Labor issues

Intellectual property rights

Limited Government.

A limited government is one whose legalized force and power is restricted through delegated and enumerated authorities. Countries with limited governments have fewer laws about what individuals and businesses can and can’t do. In many cases, such as the United States, it is a constitutionally-limited government, bound to specific principles and actions by a state or federal constitution.

The idea of a limited government is one that was pioneered by classic political liberalism and free market liberalism, though politicians and economists differ on the exact parameters. In its truest, most basic form, a limited government is a body whose main function is the protection of people and their property , and it levies just enough taxes to finance services related to these purposes, such as national defense or law enforcement. Otherwise, it stays out of people's – and businesses' – affairs. It does not concern itself with matters such as employee wages, higher education, how individuals invest funds for retirement or how many miles per gallon a vehicle should attain.

Another interpretation defines a limited government as one that exercises only the specifically named powers that its constitution assigns to it; it can also be characterized by a separation of powers and a system of checks and balances, as in the U.S. government. For example, the U.S. government is only supposed to exercise the specifically-named powers that the Constitution assigns to it; its core functions include safeguarding individual liberty and protecting private property.

The opposite of a limited government is an interventionist government.

How Does Limited Government Affect a Country's Finances?

Everything a government does is paid for by taxes. By restricting itself to a bare minimum of public services, a limited government tends to impose a relatively low tax burden on businesses and individuals. With lower taxes, households and businesses have more disposable income to spend, save and invest, which helps the economy grow. That doesn't mean services typically provided by governments, like roads, can't exist; if there is a demand for them, the private sector will provide them instead.

Limited government means there are fewer rules that must be followed and enforced. The resources that would otherwise be devoted to complying with regulations can be dedicated instead to more productive uses or to leisure time. Ultimately, limited government is about having more individual freedom and the right to do what you want, as long as you don't infringe on anyone else's rights.

Political Risk.

Political risk is the risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control. Political risk is also known as "geopolitical risk," and becomes more of a factor as the time horizon of an investment gets longer.

Political risks are notoriously hard to quantify because there are limited sample sizes or case studies when discussing an individual nation. Some political risks can be insured against through international agencies or other government bodies. The outcome of a political risk could drag down investment returns or even go so far as to remove the ability to withdraw capital from an investment.

Types of Political Risks:

Aside from business factors arising from the marketplace, businesses are also impacted by political decisions. There are a variety of decisions governments make that can affect individual businesses, industries and the overall economy. These include taxes, spending, regulation, currency valuation, trade tariffs, labor laws such as the minimum wage, and environmental regulations. The laws, even if just proposed, can have an impact. Regulations can be set at all levels of government, including federal, state and local, as well as in other countries.

Regulatory Risk

Regulatory risk is the risk that a change in laws and regulations will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

Utilities face a significant amount of regulation in the way they operate, including the quality of infrastructure and the amount that can be charged to customers. For this reason, these companies face regulatory risk that can arise from events - such as a change in the fees they can charge - that may make operating the business more difficult.

Another type of regulatory risk would be a change by the government in the amount of margin that investment accounts are able to have. While this is an unlikely change, if it were to be changed, the impact on the stock market would be material as this would force investors to either meet the new margin requirements or sell off their margined positions.

Poverty is a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well-being that's considered acceptable in society. Poverty status in the United States is assigned to people that do not meet a certain threshold level set by the Department of Health and Human Services.

Poverty rates in the United States, the percentage of U.S. population with poverty status, are calculated by the U.S. Bureau of Census , and precludes institutionalized people, people living in military quarters, those living in college dormitories and individuals under the age of 15. Poverty rates are an important statistic to follow as a global investor , as a high poverty rate is often indicative of larger scale issues within the country in question.

Poverty has decreased in developed countries after the industrial revolution. Increased production has reduced the cost of goods, making them more readily available to members of society. Advancements in agriculture have increased crop yields, helping to provide adequate food production for the world. 95% of global poverty has been concentrated in East Asia, South Asia and Sub-Saharan Africa since the mid-1990s.

The United Nations and the World Bank are major advocates in reducing the world's poverty. The World Bank estimates that approximately 702 million people were living in extreme poverty in 2015, this compares to 1.75 billion people in 1990. As of 2016, it is estimated that less than 10% of the world's population live in extreme poverty. In the United States, it is estimated that approximately 15% of the population live in poverty.

Chapter 2. Analysis of Multinational corporations functioning.

2.1 Analysis of multinational corporations in Europe.

Multinational companies and direct foreign investment in Europe Capital integration refers to a process that the different capital turn to a relationship of mutual penetration and dependence in the capital ownership and control rights. Capital integration means that the link between capitals has changed from the traditional market link to equity linked. Stock company is a typical form of capital integration. In the general case, the main way of capital integration is the formation of cross investment. In the process of economic integration in Europe, in order to seek the optimal allocation of resources, multinational companies choose to cross trade barriers and used international direct investment. They placed the product process within the European Region and achieved the integration of capital in the field of production. The result is to promote the development of the European capital integration process. According to relevant data, before the establishment of a customs union, foreign direct investment increased from 4 billion 53 million euros to 35 billion 344 million euros in the whole EC foreign direct investment. The total foreign direct investment accounted for the proportion increased from 18 % to 51 %. [39] After the establishment of the EU, with the further removal of liquidity and cost barriers, the total investment in the area of the member states of the European Union is always higher than total investment with extra regional countries. [39] Multinational company's mergers and acquisitions also promote the development of capital integration. After 90s, with the increase in the number of multinational firms, in order to compete for market and achieve more profits, competition among multinational companies is increasingly intense. Especially with the launch of the euro, merger appeared a blowout situation. From 1989 to 2000, number of mergers and acquisitions happened in the European Union almost account for 50 percent in the total global mergers. [39]

The development of intra-regional trade in Europe

International trade means a movement of production materials, intermediate products, manufactured goods, services and technology, across national borders. On the one hand, such activities can promote countries started international division of labor in accordance with the comparative advantages. On the other hand, it open up the market, make each country market closer and promote the formation of market integration. [39] From 1985 to 2011, the internal trade volume of EU member states accounted for more than 50 % in the total trade volume. [40] And there is a rising trend.

The adjustment of economic structure in Europe

The reason of existing difference in the international division of labor and national industry development is the development of productivity. From the view of the natural form of productive forces, the development of science and technology is the fundamental driving force of this change. [41] It provides material conditions for the international division of labor and industrial restructuring. An Industrial form mingled multi-state appeared.

Multinational companies make use of their advantages about skills, equipment, capital, production and management to set up their own subsidiary system. Through the control of subsidiary, transnational corporations bring different countries into their system of international division of labor. [41] In a Multinational Subsidiary system, Subsidiary production management direction is decided by the country it served resources advantage. And the production technology is provided by the parent company. Under these circumstances, production and business activities of subsidiaries just product some products of an industry in different countries or the various parts of a product. This leads to the formation and development of the international division of intra industry and intra product specialization. The industrial form no longer become a symbol of recognition of traditional industry and modern industry, it is not the basis that differ between backward countries and developed countries. Actually difference in the status of industry and product value chain is the boundary between traditional and modern, developed and backward. Intra industry division of labor promoted by transnational corporations marks the international division of labor further refinement. The international division of labor has entered a new stage. In the modern international division of labor and industrial structure in the world, in general, the European science and technology and economic development level is higher than the general state. They occupy the high-end part in the industrial chain and product chain. Their main task is to provide the core products and core technologies for countries which is low-end in industrial chain and product chain. [42] With the development of science and technology increasingly Accelerating, the invention of new technology and new product development activities also appeared a new trend that international division of labor is increasingly refined. In the face of this trend, any country is also very difficult to complete the whole researching and developing new technology alone. Thus, this requires different countries organize the national science and technology research and development activities together. Moreover, due to the same position in the global industrial chain and product chain, competition among European countries is more fierce and cruel. Because of the same competition strength and the field competition, the homogenized competition is far greater than the heterogeneous competition. This competition is bound to produce a spillover effect that is beneficial to non-competitors instead of competitors.[42] So, in order to avoid the disadvantage from homogenized competition, countries should coordinate the relationship between competitions. Thus, maximum interests of competing parties can be realized.

The foreign direct investment of multinational companies continue to expand, more and more value-added activities cross borders and international production will continuously develop.[42] The purpose of the integration of international production system is to benefit from the difference in cost and quality among countries' all factors of production (such as natural resources, labor, and capital). In order to enhance competitiveness, it changes the cost structure, reduces the total cost and improves product quality and function. The integrated international production system is not only the result of changing the investment strategy, but also the direct reaction of multinational corporations under dramatic changes in the world economic environment. Especially, by changing the location of production and coordination of production activities, they aim to enhance competitive advantage. (Berend 2016) If the multinational corporation's countries build the integrated international production system in a certain area, obviously economic ties in this area of value chain will be greatly enhanced. In Europe, through this kind of foreign direct investment and international production, the integration of the international production system is established and developed continuously. Production organization in Europe of Fiesta car of The United States Ford Motor Co is a typical example. European Ford Motor Co subsidiaries which located in different parts of the UK are respectively responsible to produce charger, electrical distribution, instrument panel, meter, water meter, socket, and spark plug insulator. In Belgium, they produce body parts and wheels. (Berend 2016) Gearbox and engine are produced in Weil Flath of Germany. Chassis is produced in Cologne. Eventually, these product will be assembled in Valencia and Saarlouis. The main supply of products is the EU market. Ford Motor Co also gradually transfer some parts of study design, personnel training to different countries. They have established a complex international integrated production system. Thus it can be seen, direct investment of the multinational companies in Europe and even worldwide associated European production activities closely.

2.2 Analysis of multinational corporations in USA.

The largest number of MNCs are based in the U.S. Many of them are among the Fortune Global 500. MNCs rely upon infrastructure , both soft and hard, to establish and sustain healthy business environments in any given location. Hard infrastructure is the reason most MNCs are based in the U.S. and Western Europe. This consists of roads, bridges, ports, buildings and any structures falling under the heading of public works. Because hard infrastructure impacts transportation, its absence negatively affects the supply chain potential and the ability of MNCs to physically move materials and goods from place to place. Hard infrastructure is closely related with soft infrastructure and both are impacted by politics and economics. MNCs view their existence as trade facilitating indicators, necessary for investing and doing business in that country. The U.S. and Western Europe possess highly developed soft infrastructures and financial markets that enable companies located there to raise large amounts of money at a low cost. The presence of advanced technology and sophisticated management techniques is also an enormous advantage to these companies.

The United States consistently ranks as one of the top destinations in the world for this foreign direct investment (FDI) and has been the largest recipient of FDI since 2006, with investments totaling more than $1.5 trillion.

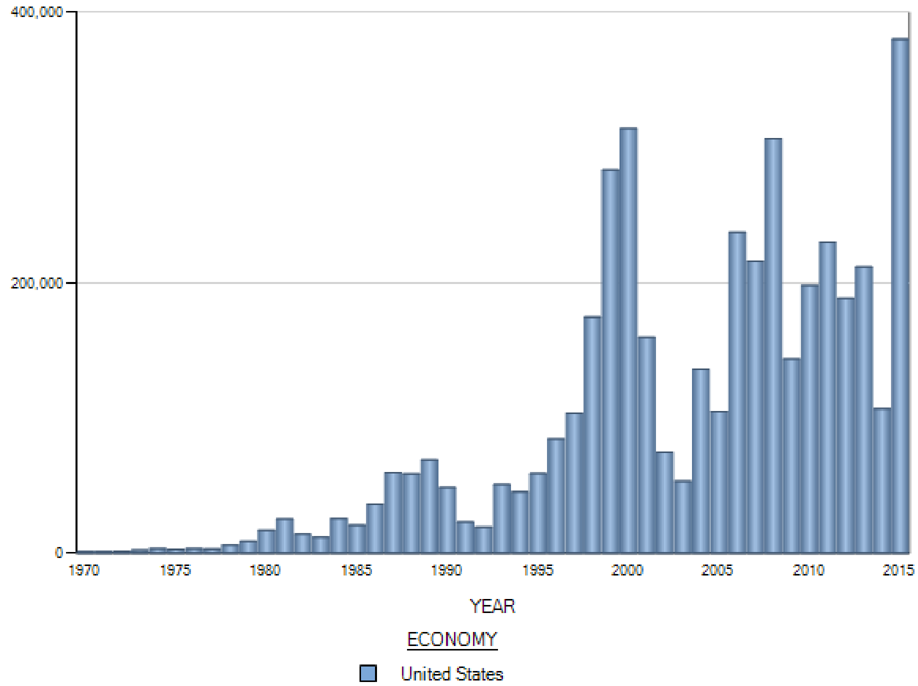


Fig.2 Foreign direct investment: Inward flows and stock in United States, annual, 1970-2015

Source: UNCTADSTAT

Foreign direct investment in the United States is substantial. The United States consistently ranks as one of the top destinations in the world for foreign direct investment (FDI), with inflows totaling $1.5 trillion in FDI just since 2006. For 2012, FDI inflows totaled $166 billion. □ The U.S. manufacturing sector draws a considerable share of FDI dollars, led by pharmaceuticals and petroleum and coal products. Outside manufacturing, wholesale trade; mining; non-bank holding companies; finance and insurance; and banking receive the greatest shares of foreign investment. Investment flows into the United States come mostly from a small number of industrial countries. Since 2010, Japan, Canada, Australia, Korea, and seven European countries 1 collectively have accounted for more than 80 percent of new FDI.

Although still small, flows from emerging economies like China and Brazil are growing rapidly.

U.S. FDI totaled $194[29] Billion in 2010. 84% of FDI in the United States in 2010 came from or through eight countries: Switzerland, the United Kingdom, Japan, France, Germany, Luxembourg, the Netherlands, and Canada. [30] A major source of investment is the real estate, the foreign investment in this area totaled $92.2 billion in 2013, [31] under various forms of purchase structures (considering the U.S. taxation and residency laws).

A 2008 study by the Federal Reserve Bank of San Francisco indicated that foreigners hold greater shares of their investment portfolios in the United States if their own countries have less developed financial markets, an effect whose magnitude decreases with income per capita. Countries with fewer capital controls and greater trade with the United States also invest more in U.S. equity and bond markets. [32]

White House data reported in 2011 found that a total of 5.7 million workers were employed at facilities highly dependent on foreign direct investors. Thus, about 13% of the American manufacturing workforce depended on such investments. The average pay of said jobs was found as around $70,000 per worker, over 30% higher than the average pay across the entire U.S. workforce. [28]

President Barack Obama said in 2012, "In a global economy, the United States faces increasing competition for the jobs and industries of the future. Taking steps to ensure that we remain the destination of choice for investors around the world will help us win that competition and bring prosperity to our people." [28]

In September 2013, the United States House of Representatives voted to pass the Global Investment in American Jobs Act of 2013 (H.R. 2052; 113th

Congress) , a bill which would direct the United States Department of Commerce to "conduct a review of the global competitiveness of the United States in attracting foreign direct investment". [33] Supporters of the bill argued that increased foreign direct investment would help job creation in the United States. [34]

In the short run, foreign capital invested in the United States raises U.S. gross domestic product (GDP). This means that U.S. residents are better off than they would be without foreign capital. Still, long-run scenarios of foreign ownership trouble many critics. The foreigners can exact big payment for use of their capital, the sustained inflows of foreign capital can give foreigners control of the U.S. capital stock, reduce job quality, or distort U.S. investment and research. These concerns can be dispelled by reviewing the extent of foreign investment in the U.S. economy vs. U.S. investment abroad, considering the motivations for foreign investment, and computing the negligible potential for foreign control.

Foreign Investment in the United States.

The United States has been the world’s largest recipient of foreign direct investment (FDI) since 2006. Every day, foreign companies establish new operations in the United States or provide additional capital to established businesses. With the world’s largest consumer market, skilled and productive workers, a highly innovative environment, appropriate legal protections, a predictable regulatory environment, and a growing energy sector, the United States offers an attractive investment climate for firms across the globe.

- In 2012, net U.S. assets of foreign affiliates totaled $3.9 trillion

Between 1982 and 1990 U.S. current account deficits—the amount by which imports of goods and services plus foreign aid exceeded U.S. exports of goods and services—totaled over $900 billion. The deficits were financed by net capital inflows—foreign investment in the United States less U.S. investment abroad. Although U.S. holdings of foreign assets rose, foreign holdings of U.S. assets rose by $900 billion more. U.S. assets abroad minus foreign assets in the United States went negative in 1985 for the first time since 1914.

Despite the notoriety of Japanese investors, the British have the largest U.S. direct investment holding—with the Dutch not far behind—as has been the case since colonial times. In 1990 the United Kingdom held about 27 percent of foreign direct investment in the United States, significantly greater than Japan's 21 percent. The European Economic Community (EC) collectively holds about 57 percent. Moreover, according to research by Eric Rosengren, between 1978 and 1987, Japanese investors acquired only 94 U.S. companies, putting them fifth behind the British (640), Canadians (435), Germans (150), and French (113).

Why Do Foreigners Invest in the United States.

The United States has a fundamentally " open economy " and low barriers to FDI. [28] With no restrictions on movements of labor or capital, each tends to flow to any host country where wages or returns are higher than at home. During the eighties laborers migrated to western Europe from eastern Europe, southern Europe, and Turkey, and to the Arab Gulf states from Africa and southern Asia because of higher wages. Capital migrated to the United States because of higher returns. The U.S. stock market's annual appreciation of over 15 percent (not counting dividends) was exceeded among the major Western industrial countries only by the Japanese stock market's rise of nearly 20 percent. In comparison, average stock market increases were about 11 percent in France, 12 percent in Germany, 14 percent in Italy, and 12 percent in the United Kingdom.

Tax differences also influence international capital flows. Both defenders and critics of the Reagan administration's 1981 tax cuts agree that they caused increased capital inflows during the eighties. Defenders argue that U.S. investments became more profitable after tax than non-U.S. investments, both to U.S. investors and to foreign investors, while critics argue that large federal deficits drew the capital inflows.

Consistent with the defenders' view, U.S. investors were selling off foreign assets in the early eighties to finance domestic investment.

The United States attracts capital not only because of lower taxes, but also because of greater U.S. consumer wealth and labor productivity. At purchasing power parity—GDP adjusted for differences in exchange rates and prices—U.S. wealth (per capita GDP) was one-third greater than Germany's. On a production-per-employee basis, the message is the same: U.S. labor is the most productive in the world.

Foreign Investment consiquences.

Foreign investment increases the amount of capital—equipment, buildings, land, patents, copyrights, trademarks, and goodwill—in the host economy. The increase in the quantity and quality of tools for labor's use in converting one set of goods (labor and other inputs) into another (finished output) raises labor productivity and GDP. Because about two-thirds of GDP goes to labor as wages, salaries, and fringe benefits, rising output means higher wages or more employment. Thus, foreign investment raises labor productivity, income, and employment. Workers are better off with more capital than with less and are usually indifferent to the nationality of the investor.

The Long-Term Consequences of Foreign Investment in the United States.

The availability of foreign capital lowers the cost of capital to corporations. This makes additions to plant and equipment cheaper, permits some investment projects that otherwise would not be profitable, and raises the value of firms. Thus, even though most foreign capital inflows do not substantively alter the ownership of U.S. firms, they benefit asset owners as well as labor by lowering interest rates and the cost of capital.

Yet some critics, such as Martin and Susan Tolchin, warn of desperate long-run consequences from foreign capital even while conceding its short-run benefits. They worry about loss of skilled employment opportunities, loss of technological advantage, slower growth, and a declining standard of living. All of these worries are based on two implicit assumptions. First, they assume that foreigners will obtain control of the U.S. economy. Second, they assume that foreigners will use this control to systematically reduce the efficiency of the host economy.

Benefits of FDI and multinationals presence.

Foreign direct investment benefits the U.S. Economy. It strengthens economy by supporting good-paying jobs for millions of American workers, expanding exports, and funding research and development.

In 2011, value-added by majority-owned U.S. affiliates of foreign companies accounted for 4.7 percent of total U.S. private output. □ These firms employed 5.6 million people in the United States, or 4.1 percent of private-sector employment. In the 2008-09 recession and subsequent recovery, employment at U.S. affiliates was more stable than overall private-sector employment. As a result, U.S. affiliates' share of total U.S. manufacturing employment rose from 14.8 percent in 2007 to 17.8 percent in 2011. Compensation at U.S. affiliates has been consistently higher than the U.S. average over time, and the differential holds for both manufacturing and non-manufacturing jobs. The underlying strengths of the U.S. economy that make firms want to invest: an open investment regime, a large economy, a skilled labor force, community colleges, world-class research universities, predictable and stable regulatory regime, adequate infrastructure, and new energy sources

Foreign Direct Investment in the United States

The U.S. economy is the largest in the world, and with median household income of $51,017, offers a large and steady demand for a variety of products. 4The workforce is highly skilled and innovative. Business regulations are among the most transparent and least cumbersome, including appropriate intellectual property protections. Exporting from the United States is relatively easy and inexpensive. 6 5 To these long-standing American strengths, we add the more recent increases in energy availability and decreases in energy costs. In the past, low wages and cost competitiveness were considered synonymous, with businesses "chasing low wages" with an eye on achieving cost savings, regardless skill and productivity differences between the low-wage and American workforces. However, experience in low-wage countries has given businesses a more nuanced point of view, especially as wage inflation in some countries has exceeded productivity growth. Put another way, businesses have learned that today's low wages may be gone tomorrow and that other costs and risks can offset the savings from cheap labor. The United States' strong community college system increasingly emphasizes industry-focused training for high-demand occupations, with those efforts bolstered by various Administration efforts to ensure the availability of skilled workers for all firms operating in the United States.

Those investments further benefit from the world's best intellectual property (IP) protection regime. Government fees for obtaining a U.S. patent are among the lowest in the industrialized world. 9, 10 Appropriate trademark protections protect companies' investments in brand and reputation. The U.S. Patent and Trademark Office bolsters those protections by performing "relative grounds examination" of trademark applications, ensuring that potential trademarks are not likely to be confused with currently active, registered trademarks. This up-front vetting of a brand or mark guards against potentially costly trademark disputes in the future. These protections benefit the owners of the IP and may benefit the United States as a whole. Empirical evidence points to a positive correlation between such protection of IP and economic growth. 11 This appropriate IP regime is just one example of the stable and predictable regulatory environment that the United States has on offer. This makes doing business easier. In 2013, the World Bank ranked the United States fourth out of 185 countries in terms of the "ease of doing business." Also important to the ease of doing business is the ability to move goods and services around. Although U.S. infrastructure would benefit from significant investment, as the President has proposed, the United States does have world class ports plus a freight rail, air transportation, and a road network that are capable of not only serving the large U.S. market but making the United States a base for exports as well.

Increased domestic energy production has brought down prices and brightened the energy outlook, most notably for natural gas. Between 2007 and 2012, U.S. prices dropped nearly 60 percent as production rose and new reserves were uncovered. The country's natural gas boom has catalyzed domestic and foreign investment in petrochemical manufacturing as well as in the manufacturing of steel and equipment needed for gas extraction. Multiple industries benefit directly from inexpensive U.S.-produced natural gas because of its diverse industrial uses, ranging from on-site electricity generation to process heating, space heating, steam generation, and petrochemical processing. [37]

Though the U.S. still boasts the largest number of MNCs compared to other countries, the percentage of the largest MNCs headquartered in there has dwindled in recent years. 60% of the world's top 500 MNCs were headquartered in the U.S. in 1962. By 1999, that number had dropped to 36%.

2.3 Analysis of multinatinational corporations in Ukraine

Most of the multinationals which are presented in the Ukrainian market are specialized in the food industry and trade. These branches provide rapid circulation of capital and low commercial risks. Large industrial concerns, such as, Westinghouse, Exxon Mobil, are absent in Ukraine,with the exception of Mittal Steel. The influence of MNCs on Ukrainian enterprises must also be assessed from the positive and negative side. A positive feature of their activity is the revival of competition and the quality of domestic products improvement. MNCs play an important role in promoting international standards in production of goods and services and the training qualified staff. All of this leads to the productivity growth. Their work makes domestic firms invest in developing new technologies to reduce costs and to compete for the consumer. The negative feature is the reducing of output or closing of domestic enterprises which can not compete with powerful multinationals in volume of capital.

Activities of multinationals have a direct impact on the balance of payments, production volumes, foreign trade turnover, employment, competitiveness of the host economy. Investments in a particular sector of the recipient country are often accompanied by movement of labour, technology and other resources.

This table contains information on foreign direct investment (FDI) inward flows and stock, expressed in millions of dollars. These figures correspond to the Statistical Annexes of the UNCTAD World Investment Report 2016.

Expansion of foreign MNCs in the Ukrainian market has been one of the most significant consequences of the integration processes. However, MNCs in Ukraine are not working at full capacity, so Ukraine still has a chance to make a real impact on their activities in its territory and, as a result, especially needs a comprehensive and balanced public regulatory policy. Analyzing the activities of MNCs in Ukraine, first of all, it should be noted that lagging behind in infrastructure development and modernization of national industries does not allow Ukraine to enjoy its geopolitical advantages. Ukraine's participation in the global value chain and global production networks was extremely limited. According to UNCTAD (World Investment Report 2004) in 1999, Ukraine had 7,362 foreign affiliates of MNCs, data for 2010 indicate a significant reduction in their number to 872, while in many other Central European countries this figure was much higher. In particular, the number of foreign multinationals in Lithuania reached 2430, Estonia – 1079, Poland – 7016, Hungary – 28994, Czech Republic – 56808. [43]. Arrival of multinationals in a country and expansion of national firms on the global commodity and financial markets testifies to a country's integration into the world economy, its involvement in the process of globalization. However, the most common method is to create a joint venture in the form of jointstock companies and limited liability companies. Each of the above methods of entering the Ukrainian market by MNCs, to some extent, affects the level and development trajectory of national competitiveness. This is due to the fact that activities of multinational corporations on the Ukrainian market leads to changes in the competitive environment, threat to the balance of competitive forces. An important aspect of the impact of MNCs on the national economy is aspiration of corporations to cut costs, namely by reduction of labor costs and costs connected with ensuring safety in the workplace and environmental production. The impact of MNCs on the development of a country's competitive environment also appears to be ambiguous. Positive aspects include the creation of additional jobs, access to technology, exchange of experience. In the Ukrainian economy one could observe a string of negative effects from MNCs' activities. The goal of many MNCs in Ukraine is to create marketing networks to promote their products on the Ukrainian market or establish enterprises processing agricultural products and minerals. The former results in the fact that Ukraine actually subsidizes the production of developed home countries, the latter often implies environmental degradation and depletion of resources. Ukraine has significant potential for foreign investors, driven by a relatively large and growing market, availability of inputs, infrastructure, and favourable geographical position. However, instability and uncertainty of tax legislation, lack of transparency in financial markets and privatization processes, insufficient protection of property rights, the bureaucratization of management and unreasonably high degree of state involvement in economic life made up an incomplete list of factors hampering arrival of foreign capital in Ukraine and its integration into the global financial system. This list has been supplemented with macroeconomic instability caused by the volatility of fuel prices and a high level of political instability. Thus, the national economy does not make full use of existing opportunities to increase FDI, hence the problem in FDI attraction still remains vital for Ukraine. According to State Statistics Service, inward FDI stock in Ukraine on January 1, 2013 amounted to $ 54,5 billion dollars. Dynamics of inward FDI stock in Ukraine for the period 1995–2013 is shown in fig. 3

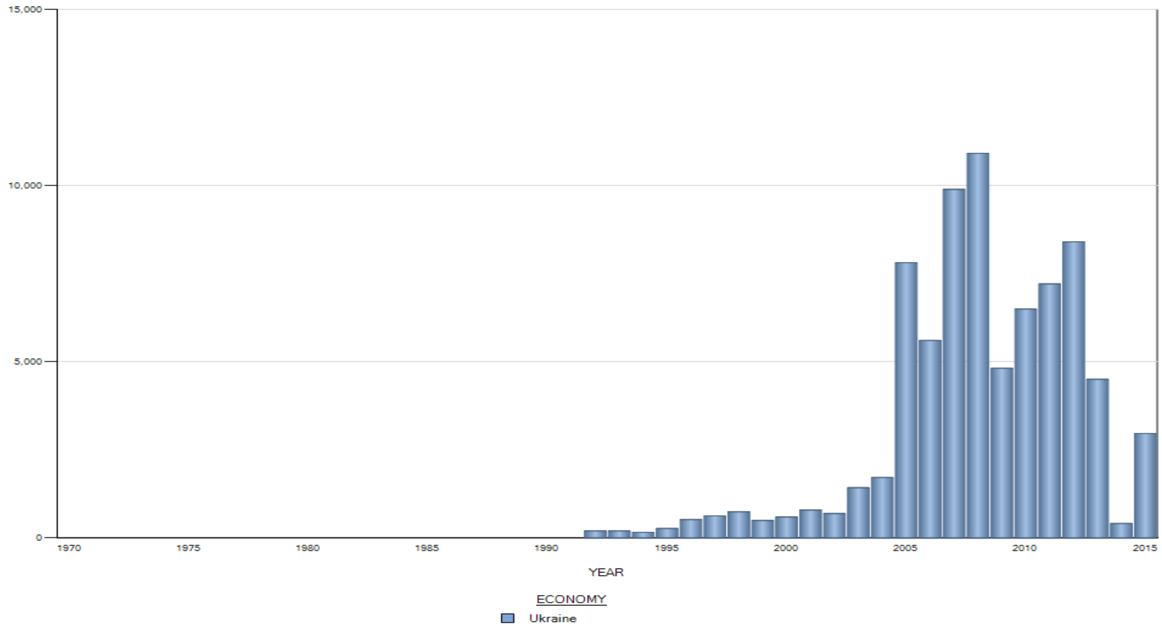
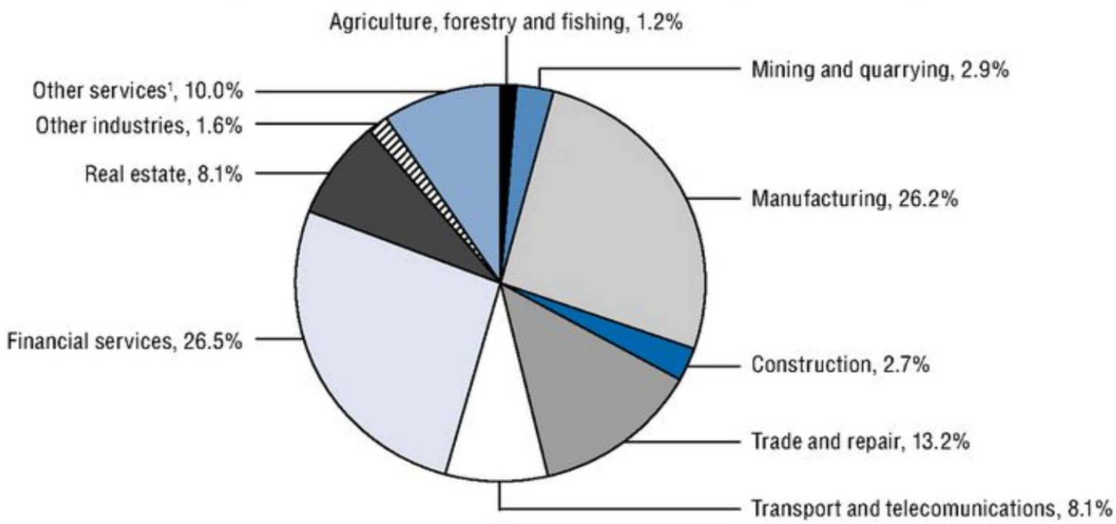


Fig.3 Foreign direct investment: Inward flows and stock in Ukraine, annual, 1970-2015

Source: UNCTADSTAT

Most of foreign TNCs' capital has been accumulated in the food and tobacco industry, commerce, finance, real estate, i.e. in areas with rapid turnover of capital and secured markets. The share of FDI in agriculture, engineering and metallurgical production is unreasonably low. Strategic industries do not attract the necessary amount of capital to upgrade morally and physically obsolete fixed assets.



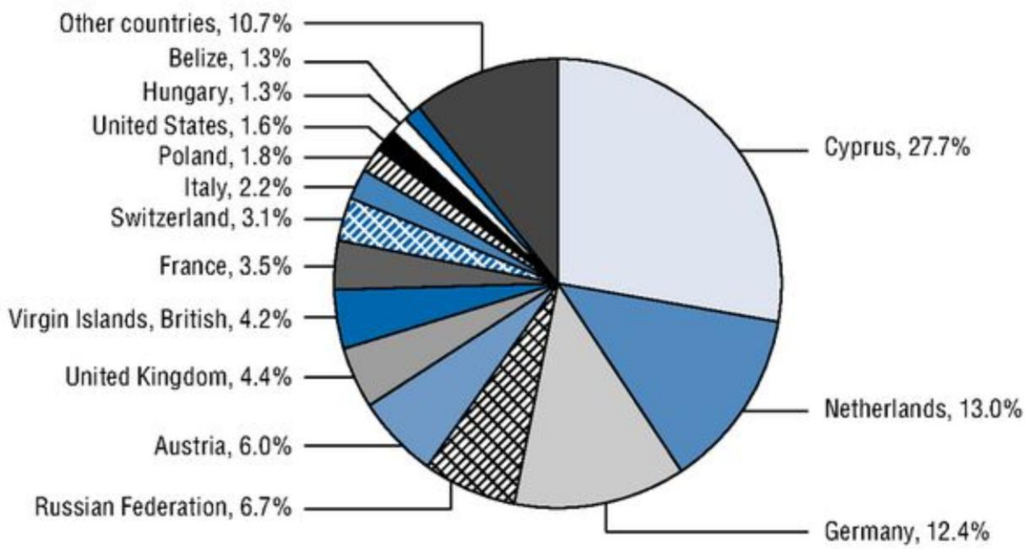
1. Other services are mainly business and professional services, accommodation, health and social services.
Source: Based on State Statistical Service of Ukraine (2015), *https://ukrstat.org/uk/druk/publicat/kat_u/publ10_u.htm* (accessed on 1 December 2015).

StatLink http://dx.doi.org/10.1787/888933355777

Fig. 4 Inward FDI stock by sector(October 2015)

Source: OECD Investment policy reviews: Ukraine 2016

Geographical structure of inward FDI also remains adverse. Much of the foreign investment in Ukraine is made by offshore firms that launder dirty capitals. That is why Cyprus is one of the leading sources of FDI in Ukraine.



Source: State Statistical Service of Ukraine (SSSU), https://ukrstat.org/en (accessed on 8 January 2016).
StatLink http://dx.doi.org/10.1787/888933355759

Fig.5 Inward FDI stock by country of origin(October 2015)

Source: OECD Investment policy reviews: Ukraine 2016

Quantitative and qualitative analysis of MNCs' activities in Ukraine indicates that the national economy is only beginning to benefit from the placement of MNCs' affiliates in its territory. To improve economic performance Ukraine ought to create conditions for further expansion of foreign MNCs and uphold the integration of domestic enterprises into the global economy. Development of measures aimed to induce foreign MNCs to use technologies developed by Ukraine is also of great importance. Understanding the strategy of the corporation helps avoid situations where the activities of its subsidiaries lead to suppression of competing Ukrainian companies or formation of an oligopoly or even monopoly.

MNCs in Ukraine, on the one hand, carries with it a positive impact on the domestic economy, as corporations usually demonstrate high labour and capital productivity, bring in new technologies and efficient management.

On the other hand, MNCs are completely indifferent to the Ukrainian economy as a whole, for they are interested in bringing only profitable sectors of the Ukrainian economy to the system of international division of labour. Such an orientation of MNCs may lead to decline in less profitable segments of the national economy. Economic reforms in Ukraine envisage further transnationalization of Ukrainian enterprises to improve their competitiveness and financial capacity. Assessing Ukraine's present stage of economic development, it should be noted that transnationalization of the economy can become a mechanism that will generate new priorities of socio economic development, foreign policy strategies and benefits from Ukraine's participation in the international exchange. One of the main strategic objectives of public policy should be further establishment of national MNCs, which will result in increasing social production efficiency, better customer satisfaction and improving competitive positions of the national economy.

Improving investment climate.

Ukraine changes to attract foreign investment are already taking place. Today Ukraine is carrying out a grand-scale project for its transformation. In the 2 and a half years since the EuroMaidan more changes have been made than in the previous 25 years of independence. Despite ongoing Russian agression Ukrainian authorities have been able to stabilize the economy and introduce a series of important reforms. The economy is stabilising. International reserves kept growing:

February 2015 5,6 billion

September 2016 15,6 billion

In April 2017, Ukraine’s International Reserves Amounted to USD 17.2 Billion [35]

The GDP is growing:

2015 -9,9 %

1st half of 2016 +0,8%

2016 estimate +1,5%

2017 forecast+3%

The inflation rate is dropping:

2015-43%

2016 estimate 12%

2017 forecast 8,1% [36]

The banking system has improved according to Moody's rating agency

2015 - negative forecast

2016 - stable forecast

Today Ukraine is attracting foreign investors and is seen as a reliable partner. Ukraine's credibility is growing. Foreign direct investment have increased. On January the 1, 2016 the free trade area between Ukraine and the EU came into effect, which reduced the rates of import duties. Ukraine and Canada signed a free trade agreement.Ukraine continues to meet IMF guidelines and received the 3d tranche of funding. In cooperation with 12 donor countries and the EBRD, the

Reform Delivery Office was created to guide, track and report on the reform programs of the government.

" I want to conform that the European Union is ready to continue provide an extensive support to Ukrain in its way to economic growth, reforms and resistance to agression". Donald Tusk, President of the European Council.

" Over the past two years the country has passed many important reforms and laws. There is now a coherent and powerful architecture to drive and implement reform in Ukraine, for which I am very pleased."Francis Malige, Managing director for Eastern Europe and the Caucasus at the EBRD.

"We see that thise who showed that they are able to work for the benefit of the country and achieve results in reforms are among current members of the government".

Andy Hunder, Presidennt of American Chamber of Commerce in Ukraine.

Anti-corruption efforts continue. The National Anti-Corruption Bureau of Ukraine was established 175 detectives. On September 30, 2016 Judicial Reforms came into effect. The level of protection for those doing business in Ukraine increased.

Mandatory e-declarations of income and property was introducedfor all officials, prosecutors and judges.

Public e-procurement system- Prozorro. More than UAH 5 billion of budget funds have been saved.

Business climate is improving.Ukraine has risen an impressive 32 places in the World Bank's Ease of doing business Report since 2014.

The procedure for registering a new company has been simplified.

2014-40 days

2015-22 days

2016-7 days

Reduction of the number of permits-40%permits

-46% licences

-90% documents needed for certification

Open registers for VAT business refunds have been introduced eliminating the possibility of corruption.

A "Single Window" system has been introduced and time for customs clearance has been reduced.

Attracting foreign investment has been simplified. Mandatory registration has been cancelled. Investment promotion office provides support to investors.

"Every dollar, euro or hryvnia, invested into the Ukrainian economy will be successful and protected". Volodymyr Groysman, Prime Minister of Ukraine. Ukraine's investment attractiveness increases. In energy sector uniform market price turns gas production into an investment-attractive industry. As infrastructure concerns, in 2017 1,5 billion$ will be invested in reconstruction of roads and transport corridors.

In agricultural sector transparent circulation of lands creates favourable conditions for investors.

In 2015, FDI flows to transition economies fell by 38 per cent to $35 billion. The FDI performance of transition subgroups differed: in South-East Europe, FDI inflows increased by 6 per cent to $4.8 billion, as better macroeconomic situations and the EU accession process continued to improve investors' risk perception. In contrast, FDI flows to the CIS and Georgia declined by 42 per cent to $30 billion. The Russian Federation and Kazakhstan saw their FDI flows more than halve from their 2014 level, while flows to Belarus declined slightly. FDI to Ukraine, by contrast, increased more than seven times, to $3 billion.[43]

FDI flows to Ukraine increased from $410 million in 2014 to $3 billion in 2015, mainly owing to large recapitalization needs in the banking sector and the privatization of the 3G mobile network through licence sales.

Chapter 3. Perspectives of multinational corporations presence in Ukraine

3.1 Ways of increasing investment's attractiveness of Ukraine.

To create favourable conditions for attracting transnational capital to domestic economy, Ukraine's economic strategy should be formed on the basis of explicit projects involving establishment of international banks, formation of offshore mechanisms which serve them, tax havens, preservation and development of the transcontinental pipeline transport and infrastructure, telecommunications infrastructure, developing and maintaining port and storage facilities. This, in turn, requires efforts to improve transport and transit policy, customs and tax services, performance of banking and other financial and investment institutions in Ukraine.

To ensure a combination of foreign MNCs' corporate strategies and national economic development priorities Ukraine needs to shift the center of MNCs' interests from trade and distribution operations to production and R&D, reduce the risk of foreign capital flight in the form of repatriation of profits and outflow of shortterm speculative capital («hot money») resulted from reduction of confidence in the government and its economic policy.

Administrative, judicial and law-enforcement agencies that safeguard political and social stability are necessary to do business efficiently, as well as grow and convey specialized services to people. The absence of soft infrastructure means that there are institutional voids, such as a lack of regulatory systems, specialized intermediaries, educational institutions, talent and training. This makes it difficult for new corporations to access human capital or talent inexpensively and it is equally challenging for MNCs wishing to do business in Ukraine. Companies want openness in communication with the authorities, predictability in the actions of the relevant ministries. It is important to create conditions for investors and also create respective infrastructure.

Ukraine is a challenging market, but it can be very rewarding. It is emerging as a hidden gem for international investors targeting high returns in a strategically important location next to the major European markets. While the risk posed by corruption, complex legislation and the conflict in the east of the country should not be underestimated, these challenges can be overcome with careful planning and advice from local experts.

References.

1. Pitelis, Christos; Roger Sugden (2000). The nature of the transnational firm . Routledge. p. H72. ISBN 0-415-16787-6 .

2. "Multinational Corporations" .

3. Roy D. Voorhees, Emerson L. Seim, and John I. Coppett, "Global Logistics and Stateless Corporations," Transportation Practitioners Journal 59, 2 (Winter 1992): 144-51.

4. Doob, Christopher M. (2013). Social Inequality and Social Stratification in US Society . Pearson Education Inc.

5. http://trcollege.net/study-material/24-economics/47-role-of-multinational-corporations

6. Eun, Cheol S.; Resnick, Bruce G. (2013). International Financial Management,6th Edition . Beijing Chengxin Weiye Printing Inc.

7. Koenig-Archibugi, Mathias. "Transnational Corporations and Public Accountability" (PDF) . Gary 2004 : 106 . Retrieved 2 February 2015 . Krugman, Paul (20 March 1997). "In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better than No Jobs at All" . Slate . Retrieved 2 February 2015 .

8. Holstein, William J. et al., "The Stateless Corporation," Business Week (May 14, 1990), p. 98. Roy D. Voorhees, Emerson L. Seim, and John I. Coppett, "Global Logistics and Stateless Corporations", Transportation Practitioners Journal 59, 2 (Winter 1992): 144-51.

9. "GlobalInc. An Atlas of The Multinational Corporation" Medard Gabel " Henry Bruner, New York: The New Press , 2003. ISBN 1-56584-727-X" .

10. http://www.kb.nl/themas/geschiedenis-en-cultuur/koloniaal-verleden/voc-1602-1799

11. Mingst, Karen A. (2014). Essentials of international relations . W. W. Norton " Company. p. 310. ISBN 978-0-393-92195-3 .

12. Mingst, Karen A. (2014). Essentials of international relations . W. W. Norton " Company. p. 311. ISBN 978-0-393-92195-3 .

13. Gilpin, Robert (1975). Three models of the future . International Organization. p. 39.

14. Drucker, Peter F. (1997). The Global Economy and the Nation State (PDF) . Council on Foreign Relations. p. 167.

15. Case study: The Relationship between the Structure/Strategy of Multinational Corporations and Patterns of Knowledge Sharing within them (PDF) . Oxford University Press. 2009.

16. Schermerhorn, John R. (2009). Exploring Management . John Wiley and Sons. p. 387. ISBN 0-470-16964-8 .

17. a b c FT Lexicon

18. "Foreign direct investment, net inflows (BoP, current US$) | Data | Table" . Data.worldbank.org . Retrieved 17 November 2012 .

19. "CIA - The World Factbook" . Cia.gov . Retrieved 17 November 2012 .

20. Ietto-Gillies, Grazia (2012) Transnational corporations and international production: Concepts, Theories and Effects. Second Edition. Edward Elgar: Cheltenham, UK.

21. Dunning, John " Pitelis, C.N. (2008). Stephen Hymer's contribution to international business scholarship: and assessment and extension. Journal of International Business Studies, 39 (1), pp. 167-173

22. "What is Foreign Direct Investment, Horizontal and Vertical « Knowledge Base" . Guidewhois.com . Retrieved 17 November 2012 .

23. Slaughter and May (2012). "Legal regimes governing Foreign Direct Investment (FDI) in host

countries". http://a4id.org/sites/default/files/user/documents/FDI%20Legal%20Guide.pdf . Advocates for International Development. Retrieved 19 September 2013.

24. Healthmetrics.

25. UNCTAD (2010). "Foreign direct investment, the transfer and diffusion of technology, and sustainable development (2010)" (PDF) .

26. Slaughter And May (2012). "Legal Regimes Governing Foreign Direct Investment (FDI) In Host Countries" (PDF) . Advocates for International Development . Retrieved 21 August 2013 .

27. Tomas Havranek " Zuzana Irsova (30 April 2011). "Which Foreigners are Worth Wooing? A Meta-Analysis of Vertical Spillovers from FDI" . Ideas.repec.org . Retrieved 17 September 2012 .

28. "White House Touts Growing Foreign Direct Investment In The U.S. accepted ngp" . ABC News . 20 June 2011 . Retrieved 2 November 2012 .

29. http://www.esa.doc.gov/sites/default/.../fdiesaissuebriefno2061411final_0.pdf

30. "U.S. FDI and site selection" . Greyhill Advisors . Retrieved 19 October 2011 .

31. "China buys $22bn worth of US homes, leads global pack" . Russia Today . 9 July 2014 . Retrieved 26 July 2014 .

32. " Why Do Foreigners Invest in the United States? " (PDF) . Federal Reserve Bank of San Francisco. October 2008 . Retrieved 17 November 2012 .

33. "H.R. 2052 - Text" . United States Congress. p. Section 4(a) . Retrieved 11 September 2013 .

34. Kasperowcz, Pete (9 September 2013). "House passes bill aimed at boosting foreign direct investments in the U.S." . The Hill . Retrieved 11 September 2013 .

35. https://bank.gov.ua/control/en/publish/article?art_id=4868429

36. https://www.statista.com/statistics/296140/ukraine-gross-domestic-product/

37. FOREIGN DIRECT INVESTMENT IN THE UNITED STATES; Department of Commerce and the President's Council of Economic Advisers; October 2013.

38. UNCTADSTAT

39. Song junzhu. 2004. Cross border mergers, acquisitions, and economic development Accessed Nov 2016

40. Hellström, Jerker 2016. "China's Acquisitions in Europe: European Perceptions of Chinese Investments and their Strategic Implications" – via Swedish Defence Research Agency. Accessed Jan 2017

41. Moravcsik, Andrew 2013. European Integration Theory (2nd ed.). Accessed Jan 2017

42. Broscheid, Andreas& Coen David. 2006 Lobbying Systems in the European Union: A Quantitative Study. Accessed Nov 2016

43. World Investment Report 2004: The Shift Towards Services. – Geneva: UNCTAD. – Report Stable URL: www. unctad.org/wir. – (accessed 14/04/2013).

44. Investment Country Profiles: Ukraine (UNCTAD/WEB/DIAE/IA/2012/2). – Geneva: UNCTAD. – Available at: http:// unctad.org/en/Pages/DIAE/FDI%20 Statistics/InvestmentCountryProfiles.aspx

45. "Dukakis-Bensten-Gephardt." The Wall Street Journal, October 11, 1988, 22.

46. Ott, Mack. "Is America Being Sold Out?" Federal Reserve Bank of St. Louis Review, 71, no. 2 (March/April 1989): 47-63.

47. Rosengren, Eric S. "Is the United States for Sale?" Federal Reserve Bank of Boston, New England Economic Review, November/December 1988, 47-56.

48. Sinn, Hans-Werner. "U.S. Tax Reform 1981 and 1986: Impact on International Capital Markets and Capital Flows." National Tax Journal 41, no. 3 (1988): 327-40.

49. Tolchin, Martin, and Susan Tolchin. Buying into America—How Foreign Money Is Changing the Face of Our Nation. 1988.
50. Гайдуцький, І. П. Привабливість України для ТНК / І. П. Гайдуцький // Економіка АПК. – 2008. – № 4. – С. 68–71.)
51.http://www.econlib.org/library/Enc1/ForeignInvestmentintheUnitedStates.html
52. http://www.investopedia.com/terms/i/investmentclimate.asp