

**Kyiv National University of Trade and Economics**  
**Department of international economic relations**

**FINAL QUALIFYING PAPER**

**on the topic:**

**“Formation of a country`s international image in terms of its investment attractiveness”**

**(based on the data of Ministry of Economic Development and Trade of Ukraine)**

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**ВИПУСКНА КВАЛІФІКАЦІЙНА РОБОТА**

на тему:

**«Формування міжнародного іміджу країни у вимірі її інвестиційної привабливості»**

(на матеріалах Міністерства економічного розвитку і торгівлі України)

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**Kyiv National University of Trade and Economics**  
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**SUMMARY**  
**TO THE FINAL QUALIFYING PAPER**  
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**The object of investigation** is the process of formation of international image in terms of its investment attractiveness.

**The subject of investigation** the theoretical and methodological methods of improvement and strengthening of international image with respect to its investment attractiveness.

**Organization that is a basis for writing final qualifying paper** is Ministry of Economic Development and Trade of Ukraine.

**Purpose of final qualifying paper:** to reveal and investigate the theoretical and practical issues of a country's image formation in terms of its investment attractiveness.

**Task:** make research on the factors that influence the investment attractiveness; investigate the main approaches towards forming and measuring the international country image; make observations towards the latest dynamics of foreign direct investment inside and outside of Ukrainian economy; make research on the global rankings in order to define the factors that influence the perception of Ukraine worldwide; make conclusions and forecasts of strengthening Ukraine's positions in the world economic system.

**Methods of investigation:** the research was held on the basis of system-functional, dynamic and complex research approaches. Scientific analysis was used (in the study of methods towards evaluating all possible country risks when making investment decisions), method of expert evaluation (when calculating competitiveness on the macroeconomic level and making suggestions on investment attractiveness from the economic and legal perspective); generalization and systematization; economic and statistical methods (in the collection and grouping of data); graphic and tabular methods (when illustrating the results).

**In the introduction** to the work the actuality and the practical value of the chosen topic are explained; the purpose and the urgency of its practical significance are formulated, the research object, the subject of research and its tasks are represented. Also methodological and theoretical part of the study, methods that were used in the work are described.

**In the first part of work** “Theoretical aspects of increasing investment attractiveness in global scale” the main approaches towards measuring investment attractiveness were analyzed; methods of formation of international image of the country were discovered; comprehensive tools of evaluating the investment attractiveness were investigated.

**In the second part** of the work "Research and evaluation of Ukraine`s investment attractiveness” dynamics and structure of foreign direct investment into Ukrainian economy were observed as well as the impact of international ratings on investment attractiveness of Ukraine has been assessed; institutional foundations for the formation of the international image were determined.

**In the third part** of the work "The ways of strengthening Ukrainian investment positions worldwide” the directions for improvement Ukraine`s international image were justified; different options of marketing measures in order to raise the investment attractiveness of national economy were examined; finally, the levels of investment attractiveness of Ukrainian economy in the medium term were forecasted.

**Conclusions and proposals** contains theoretical generalization and ascertain solutions to the given scientific problem, the essence of which is in the comprehensive study, assessment of international image of Ukraine`s economy and the possible measures to increase its perception worldwide as well as to make it more attractive from the investment point of view.

## АНОТАЦІЯ

### Ганжа А. Формування міжнародного іміджу країни у вимірі її інвестиційної привабливості

Випускна кваліфікаційна робота на здобуття освітнього ступеня магістра за спеціальністю 051 “Економіка”, спеціалізацією “Міжнародна економіка”. Київський національний торговельно-економічний університет, 2018.

У випускній кваліфікаційній роботі визначено основні підходи до формування іміджу країни у світовому масштабі. Обґрунтовано методи покращення інвестиційної привабливості економічної системи в цілому та України зокрема.

Здійснено аналіз інвестиційних потоків в економіку України загалом та виявлено найбільш привабливі з точки зору інвестицій галузі української економіки. Здійснено методичний аналіз інвестиційної привабливості з економічної та правової точки зору на основі даних міжнародних рейтингів.

Виявлено основні напрями покращення міжнародного іміджу України. Крім того, запропоновано специфічні маркетингові заходи щодо покращення інвестиційної привабливості вітчизняної економіки. Зроблено прогнозування щодо об'ємів інвестицій в українську економіку у середньостроковій перспективі.

Ключові слова: міжнародний імідж, прямі іноземні інвестиції, інвестиційна привабливість, міжнародні рейтинги, конкурентоспроможність, економічна діяльність.

## ABSTRACT

### **Ganzha Anna “Formation of a country`s international image in terms of its investment attractiveness”**

Final qualifying work in order to obtain a master's degree in specialty 05.051 "Economics", specialization "International Economics". Kyiv National University of Trade and Economics, 2018.

In the final qualifying work the main approaches to the formation of the country's image on a global scale. The methods of improving the investment attractiveness of the economic system in General and Ukraine in particular are substantiated.

The analysis of investment flows in the economy of Ukraine as a whole and identified the most attractive in terms of investment sectors of the Ukrainian economy. The methodical analysis of investment attractiveness from the economic and legal point of view on the basis of international ratings data is carried out.

The main directions of improvement of the international image of Ukraine are revealed. In addition, specific marketing measures to improve the investment attractiveness of the domestic economy are proposed. Certain predictions have been made about the volume of investments in the Ukrainian economy in the medium term.

Keywords: international image, foreign direct investment, investment attractiveness, international ratings, competitiveness, economic activity.

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## INTRODUCTION

Since the world economy has become more globalized and many countries provide the policy of open borders and free trade, the notion of international image occupied a very important place in the hierarchy of values of most countries. The way in which a particular country is perceived leaves a big footprint on its ability to attract enterprises, tourists and investors in order to achieve its goals towards development and global prosperity.

Actuality of the topic lies within the fact that modern economic system in today`s high-tech society implies fast growth and development of new economies. Thus, the competitiveness between countries is becoming more severe and in order to be attractive from the investment point of view, countries as long as their major representatives pay an increasing attention to their international image. Yet, the concept of international image remains relatively new and needs further observations.

The question of international country image has been researched by L. Zak, A. Kashliev, E. Galumov, V. Shepel, A. Kononenko, J. Nay, G. Pocheptsov, F. Kotler, P. Van Hem and others.

Object of the study – process of formation of international image of the country in terms of its investment attractiveness.

Subject of the study – methods of improvement and strengthening of international image with respect to its investment attractiveness.

The purpose of the qualification research: to reveal and investigate the theoretical and practical issues of a country`s image formation in terms of its investment attractiveness.

In order to reach the purpose of the paper, the following tasks were assigned:

- Research on the factors that influence the investment attractiveness;
- Investigate the main approaches towards forming and measuring the international country image;
- Make observations towards the latest dynamics of foreign direct investment in and out of Ukrainian economy;

- Research on the global rankings aiming at defining the factors that influence the perception of Ukraine worldwide;
- Make conclusions and forecasts of strengthening Ukraine`s positions in the world economic system.

The theoretical background of the research included statements and concepts introduced by internationally well-known organizations and scientists on, data of UNCTAD, World Bank, World Economic Forum and OECD.

The research was held on the basis of system-functional, dynamic and complex research approaches. Scientific analysis was used (in the study of methods towards evaluating all possible country risks when making investment decisions), method of expert evaluation (when calculating competitiveness on the macroeconomic level and making suggestions on investment attractiveness from the economic and legal perspective); generalization and systematization; economic and statistical methods ( in the collection and grouping of data); graphic and tabular methods ( when illustrating the results).

The practical value of the thesis is to develop possible strategies and direction of increasing the international image of Ukraine`s economy and can be used by Ministry of Economic Development and Trade of Ukraine when making predictions towards investment attractiveness of Ukraine and its regions, using the following research as an additional material for reports concerning investment attractiveness, observations over the country risks and their influence on the investment flows.

Qualification paper contains: 85 p., Illustrations -14, Tables -8, Annexes -2.

## **PART 1. THEORETICAL ASPECTS OF INCREASING INVESTMENT ATTRACTIVENESS IN GLOBAL SCALE.**

### **1.1 Essence and Main Approaches towards Measuring Investment Attractiveness**

An important driving element of the welfare and growth of living standards of the country's population is its investment attractiveness. The development of the economy and the solution of social and economic issues largely depend on the volume of investment and the direction of capital investments. At the same time, the problem of lack or insufficient investment is relevant for any state that seeks growth and wants to be successful. This problem has several planes. On the one hand, the country, and especially the one that is on the way of reforms (economic, social, political and legal, etc.), wants to grow, but does not have investments for this. Her government, in the process of implementing those reforms, was working hard to create favourable conditions for increasing the country's investment attractiveness and, consequently, for attracting additional capital to its economy and social projects. On the other hand, when the reforms finally give a positive effect, and the expected development of the state takes place, the need for investment grows again. Therefore, ensuring the investment attractiveness of a country is a process, the regulation of which involves taking into account changes in the dynamic environment: within the country and in its environment. The situation is complicated by the constant simultaneous increase in the requirements of both investors and the needs of the country, as well as by the General limitation of global financial and material resources. Thus, there is an aggravation of competition for the possession of these resources, and the growing importance of the rating of investment attractiveness of the country. All of these aspects of the problem of increasing investment attractiveness are directly related and are extremely relevant for Ukraine as a state, is now in a state of active reform, has significant potential for development and seeks to take a stable position on the world stage.

It is worth noting that the science of assessing the investment attractiveness of the world is relatively young, its history is about 40 years. Among the first studies in this area were the scientific developments of representatives of the Harvard business

school, when the assessment was based on the expert scale, which was based on the study of characteristics such as investment legislation for foreign and national investors, the possibility of capital export, the stability of the national currency, the political situation and the level of inflation in the country, the possibility of actively attracting domestic investment processes of the national capital of this country.

The main objective of the investor is to make investments in already high-performance mechanism of work in the region. Based on this, the government of the region should first of all think about the issue of mobilizing all existing industries and resource bases that are already present in the region, establish their work, and even further think about the issue of attracting the necessary investments from the outside.

I. A. Blank [2] considers investment attractiveness as one of the factors of investment decision. He believes that the assessment of investment attractiveness is necessary in the development of investment policy of the enterprise or investor, representing the strategy of capital use, which is to select and implement the most effective forms of real and financial investments in order to ensure high rates of development of the country.

Since investments are tied not only to specific enterprises, but also to regions, industries and countries, the investor should also be informed about their investment attractiveness when making a decision. Therefore, investment attractiveness is considered at different levels [6, p. 5]:

1. macro level - investment attractiveness of the country;
2. meso-level – investment attractiveness of the region, investment attractiveness of the industry;
3. micro – level – investment attractiveness of the enterprise.

Despite the fact that the state occupies a central place in the investment process, since it is the direct object of investment, such influence is mutual because the territories and industries, having their own investment attractiveness, in turn, depend on the investment attractiveness of enterprises belonging to this industry in a certain geographical area.

To date, in the domestic and foreign economic literature there are a variety of

approaches to the assessment of investment attractiveness, among which are the main groups based on the factors laid down in the methodology of its evaluation [22, p.52]:

- 1) based solely on financial indicators;
- 2) on the basis of financial and economic analysis, which takes into account not only financial but also production indicators;
- 3) based on the relationship of profitability and risk;
- 4) on the basis of a comprehensive comparative assessment;
- 5) based on the cost approach, where the main criterion is the market value of the company and trends to maximize its value.

The results of the analysis of investment attractiveness of countries presented by well-known investment, intermediary and consulting companies and rating agencies, as well as large corporations, exchanges and financial groups and business magazines representing their interests are very popular today. The most well-known are estimates of investment attractiveness of individual countries from World Bank, Institutional Investor, Euromoney, Business Environment Risk Index (BERI), Moody's Investor Service, methods of Tain-waters, Kotler-Heyzler, magazines "the Economist", "Fortune", "Euromoney" and others [5,11]. However, these estimates tend to provide a limited, mostly one-sided characterization of the country's investment attractiveness (IPC), that is, they do not provide an integrated approach. Most of the research conducted in this area makes it impossible to consider integrally the main existing problems that need to be overcome in order to increase the PKI, do not answer the question of what should be the ways of its growth, and what should be done to do this.

Since the formation of Ukraine's independence, scientists have paid great attention to the creation of an effective system of attracting foreign direct investment. At the same time, Ukraine is among the countries with an unattractive investment climate, as evidenced by a number of international ratings. For Ukraine, the importance of foreign investment is constantly growing, because they are the key to sustainable economic development, which will reduce the gap in the main macroeconomic indicators between our and other countries of the world, will help to create conditions for cooperation with other countries. The quality of life of the

population and other characteristics of the development of society depend on the rate of economic growth of the country, including investment. This expresses the need to deepen and accelerate Ukrainian reforms aimed at increasing the level of investment attractiveness of Ukraine.

Today, as a result of the economic recession, the conditions for investment in Ukraine are unfavorable. The creation of a favorable investment climate in Ukraine remains a priority, the solution of which depends on the economic stability in the country. Since the domestic stock market is still underdeveloped, foreign investment takes place mainly through foreign direct investment (FDI). Cheap labor force, competitive economic and geographical position, high availability of natural resources contribute to attracting FDI to Ukraine (fig. 1.1)[7]:

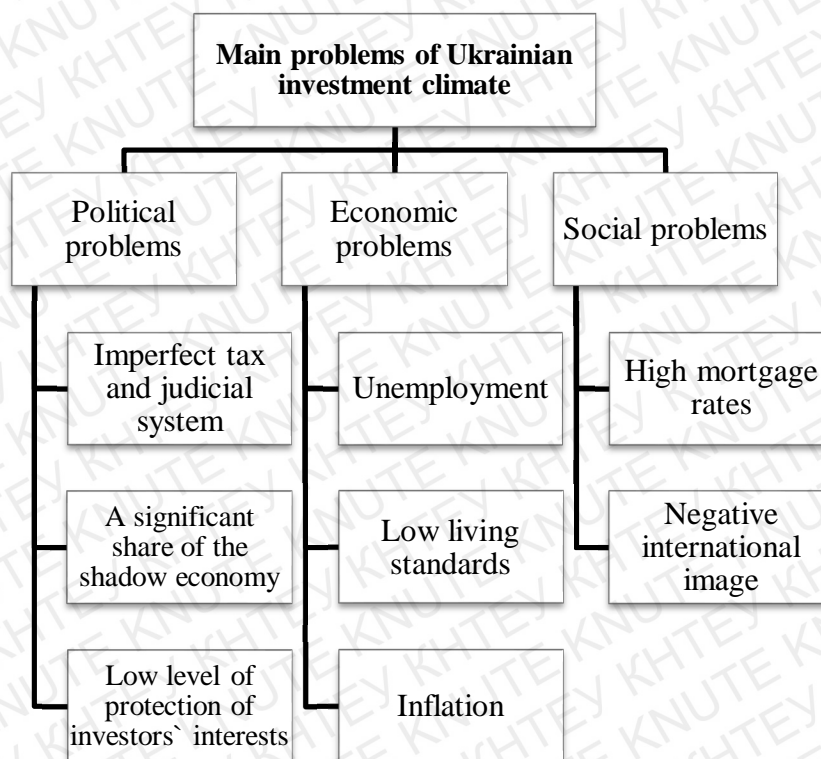


Figure 1.1 Problems of Investment Climate in Ukraine

Source: Compiled by the author based on [7]

After summarizing the data revealed that the main factors that reduce investor confidence in Ukraine are: the political situation (General instability, the conflict of power with the opposition, the incomprehensible vector of foreign policy of Ukraine);

complex tax administration (especially problematic are the issues of VAT refund and the transfer of losses of previous periods); increased pressure on business from the authorities and market regulation; corruption; imperfect legal environment (unsatisfactory changes in the Tax code and certain inconsistencies in the new code of Criminal procedure).; the absence of a law on the division of products for companies investing funds); the opacity of the judicial system (investors are not sure of the security of their business); technical barriers in the process of customs clearance and VAT refund; problems during the receipt of Bank loans. It follows that our state is unattractive for investors due to the unsatisfactory state of the legal, judicial and tax systems. And that is why we still do not have those millions of investments that could already enter the economy of Ukraine and “work for it”.

At the same time, it is worth emphasizing that Ukraine attracts investors with such positive facts and changes as: simplification of customs procedures in the context of the adoption of the new Customs code and Amendments to the law on permits; positive changes for international companies in the oil and gas sector and its business; maintaining a stable exchange rate of the national currency. This means that we have opportunities to improve the investment climate in the country. And here it is impossible not to pay attention to the experience of those countries that, being in a situation similar to ours today, and facing similar problems, have managed to increase their own investment attractiveness. In the TOP 10 investment attractive countries of the world along with traditionally the most economically strong countries-Germany, the UK and the United States, where the diversification of investment risks is the best of the former “socialist camp” included the Czech Republic and Latvia.

In particular, it is advisable for Ukraine to first of all solve the main problems that reduce the IPC. These include in particular [25]:

- the complexity and uncertainty of the political situation within the state, which sets an incomprehensible vector of Ukraine's foreign policy;
- weakness of the legal system – lack of a production sharing law for companies investing in;
- low efficiency of Antimonopoly regulation;

- imperfect tax system – complex tax administration, technical barriers in the process of VAT refund, pressure from authorities, corruption and regulation of business establishment and management;
- opacity of the judicial system;
- low level of business culture between the parties and a lack of trust between the subjects of economic activity – problems of obtaining Bank loans.

Ways to solve these problems for Ukraine, in our opinion, can be as follows:

- political stabilization and prioritization in foreign policy-a clear focus on the creation of a free trade area with the EU;
- adaptation of legislation and regulatory system to the EU legislation system – preparation, adoption and implementation of the law " on production sharing for investor companies”;
- creation of conditions for free competition-reduction of administrative barriers and preferences to the movement of capital, including in foreign trade;
- simplification of tax administration;
- elimination of technical barriers in the process of VAT refund and customs clearance of goods;
- application for investment purposes of the rate of return, which tends to zero due to the use of accelerated depreciation and a set of tax exemptions (as is done in the EU, where the tax system is built so that the company that decides to reinvest profits in production is exempt from taxation of these funds);
- development of the stock market, assistance in increasing the number of public companies and the quality of their financial statements disclosure;
- adoption of a package of laws to eliminate corruption, reduce administrative pressure on business and facilitate the separation of business from government (following the example of Georgia);
- non-interference of the authorities in the decision-making process of the judicial branch of power, and consequently, the preservation of the judicial system of independence and non-bias;



— complete and timely provision of information for business (investment ratings, forecasts of macroeconomic indicators, etc.) through the creation of specialized centers. A noticeable shift for Ukraine should be the implementation of the tasks set for the domestic economy in accordance with the Concept of the state target economic program for the development of investment activities, namely:

— creation of conditions for the transition to the investment and innovation model of economic development, promotion of private investment, improvement of legislation governing investment activities, removal of obstacles to investment; improvement of the methodology for the development, evaluation and selection of investment projects, as well as the definition of principles and mechanisms of public investment for the implementation of projects requiring public financial support;

— identification of priority investment projects aimed at the development of export-oriented and import-substituting production of high-tech competitive products, development of infrastructure and basic sectors of the economy, electric power facilities that produce electricity using alternative energy sources to provide state financial support;

— ensuring the development of the system of direct public investment on the terms of co-financing;

— rationale for improving the efficiency and transparency of public-private partnership mechanisms (concessions, joint activities, production sharing agreements, etc.) , development of the investment market and investment infrastructure;

— ensuring the development of the securities market and creating conditions for attracting investments in international capital markets (consolidation of stock exchanges, protection of the rights of consumers of investment services, creation of a Central securities Depository, clearing and settlement systems that minimize risks during transactions with securities);

— the establishment of state-owned enterprises internal relationship regarding the establishment of a variety of organizational forms of management market-oriented and attract private investment;

— ensuring transparency of the process of state financial support of investment projects aimed at the implementation of priority tasks of social and economic policy of the state, as well as the introduction of a mechanism for assessing the results of public investment.

In turn, given the international experience, to improve the investment climate in Ukraine should focus on:

— provision of preferential tax treatment in the implementation of large investments in the economy of Ukraine;

— promotion of investments in the real sector of the economy through the development of the system of state guarantees provided to the investor in the priority areas of investment for Ukraine;

— increase in joint public-private financing of investment projects with the involvement of foreign capital;

— implementation of antitrust measures and provision of internal competitive environment for the development of investment activities;

— organization of tenders and auctions for the provision of strategically important objects in the state concession to domestic and foreign investors. Therefore, at the first ("breakthrough") stage, it makes sense to focus on the development of such areas of management as agriculture, energy, wood processing, processing of household and industrial waste, as well as tourism, because these are the areas in which Ukraine "wins" from other countries in many positions (return on invested capital, speed and high efficiency of adequate transformations, significant potential, and the like), and therefore, with the development of these areas, our country will become attractive for investment and at the same time have a great impetus for the disclosure of its potential.

On the other hand, there is a feedback: developing these areas, we develop the strengths of our country, increasing the level of its IPC. In addition, these areas are characterized by the coincidence of public and private interests, as well as the interests of economic life and raising funds in these promising areas of business, which in the future should have a positive impact on the overall development of the economy (including its other sectors, less attractive to investors), improving production

efficiency and addressing many socio-economic issues. And this, in turn, will contribute to the revival of domestic and foreign investors

## 1.2 Approaches towards Formation of International Image of the Country

Despite a significant number of scientific sources, the authors do not have a common position on the definition of the essence of the concepts of "country image" and "country brand". The paper proves that the methodological basis for the disclosure of the essence of the categories is the image and brand of the product, as well as the ratio between them. It is proved that: the presence of the brand stable positive emotional connections leads to similar connections in the perception of the image; image cannot guarantee stable quality in the absence of a brand. It is shown that these principles are implemented in the relationship of the concepts of "image" and "brand" of the country (fig.1.2) [47,p.81-83].

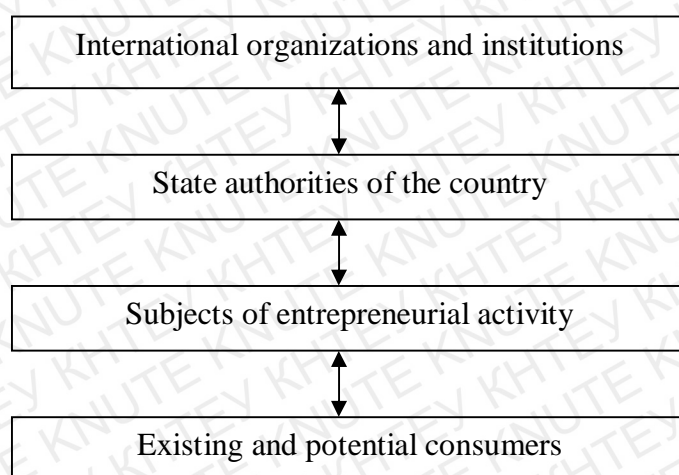


Figure 1.2 Levels of Perception of International Image of the Country

*Source: based on [47]*

At the level of consumer perception, the international image of the country is reflected in the tourist flows, the attractiveness of the country for tourists, recreation and the choice of the country as a place to live, as well as the attractiveness of the goods and services that the country produces. Subjects at this level are both existing and potential consumers within the country and consumers in other countries. The

economic interests of subjects at this level are to meet the needs of the individual (personal interest).

At the level of perception of the subjects of entrepreneurial activities of the international image of the country is manifested in the implementation of the national enterprises with international activities, the exit of companies from national brands to international markets. The subjects are private and public national companies of different forms of organization and ownership engaged in international activities.

The economic interests of countries at this level are manifested in additional opportunities for international transactions, obtaining loans and the influx of highly qualified specialists into the country. The result is an increase in the welfare of the population, the economic growth of the country and additional opportunities for the realization of the country's interests at the level of international organizations and supranational institutions.

The perception of the international image of the country at the level of supranational institutions means the global recognition of the country by the world community due to its economic power and influence on the adoption of both economic and political decisions in the world, the high status of the country in the world community [7].

Classical subjects of this level are international economic organizations, such as the international monetary Fund, the World Bank, the world trade organization, etc.

The economic interests of the countries at this level are the prospects for equal entry into the system of world economic relations and obtaining a certain place in the civilizational development, which makes it possible to increase not only the investment attractiveness of the country, but also to become an active participant in solving global problems.

Economic factors include: the country's economic development, the level of infrastructure development, commercial risks, the efficiency of enterprises, the assessment of the geo-economic situation and the international activities of national companies. To political and legal: domestic and foreign policy, the image of the country's leaders. In the scientific and technical group of factors of formation of the

international image of the country should be noted factors of innovation policy, factors of high-tech production and technological developments and factors of development of information space. Natural factors included the assessment of the country's geographical location, availability of natural resources, climatic conditions and the level of environmental security of the country.

Trends in the formation of the international image of the countries are identified:

- 1) focus on the subjects of all levels of perception of the international image of the country;
- 2) focus on the innovative component of the country's development;
- 3) creation of conditions for attracting highly qualified specialists or labor force [39, p.89]:

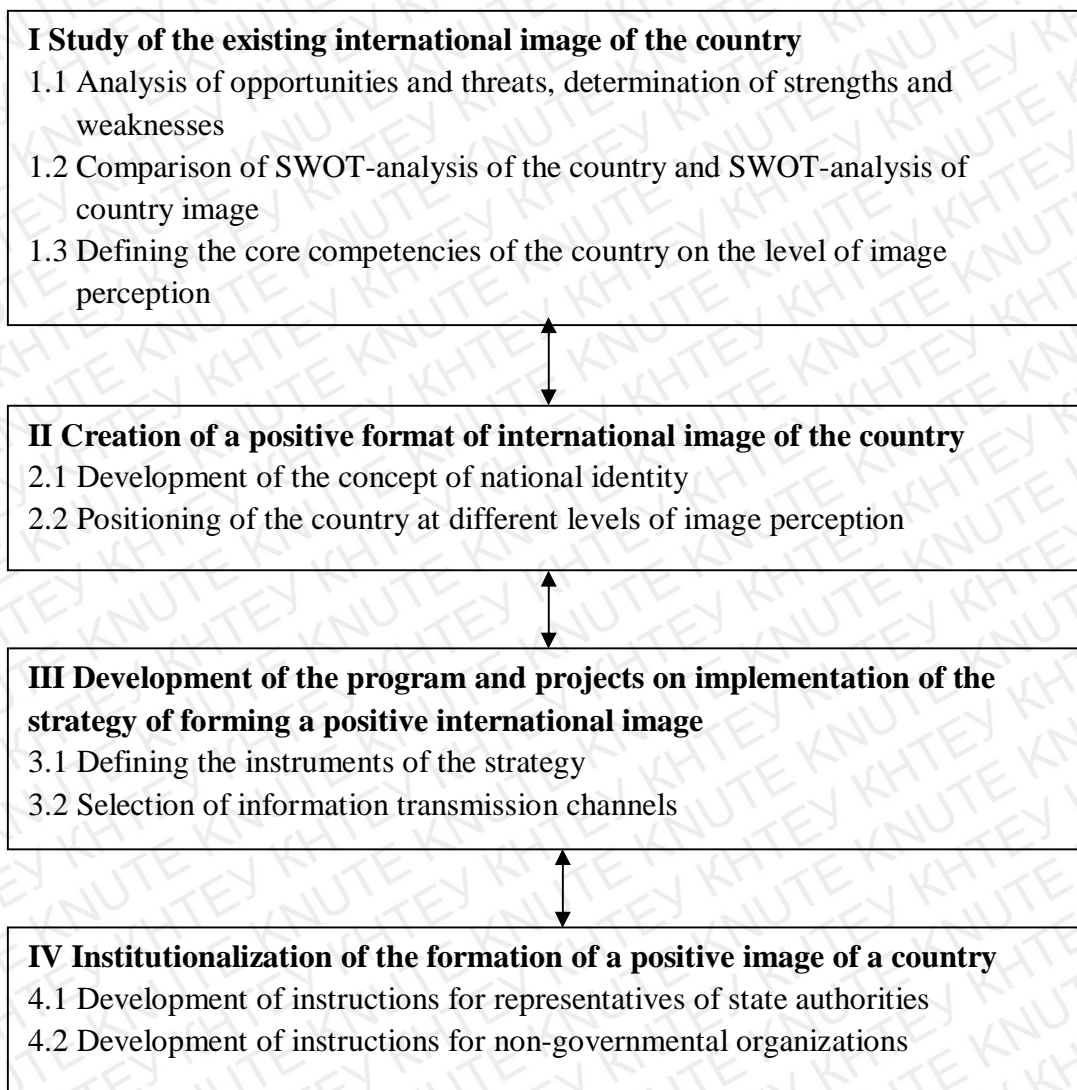


Figure 1.3 Stages of Developing a Strategy for Positive International Image

Source: based on [39]

The study of world experience in the formation of the international image of the world allows us to establish that the program of formation of the international image of the country are implemented at the first two levels of perception of the international image of the country, namely, at the level of consumer perception and business entities, as countries apply the strategy of positioning the country as an investment attractive, the positioning of the tourist destination and national brands in international markets. Programs for the formation of the international image of the country and its promotion on the world stage are presented in the form of public, public-private and public programs with the participation of non-profit organizations. The main channels of information transmission to promote the international image of the country are printed publications, television and radio, as well as the computer network – the Internet slogans, themes, visual symbols and image and information events are used as marketing tools to promote the international image of the country.

Systematization of factors of formation of the international image of the country at the level of perception of business entities allowed establish links between the international image of the country and the factors of its formation, which are considered on the example of Poland, Russia, the United States of America and Ukraine.

On the basis of the analysis of factors of formation of the international image of the country the technique of an assessment of these factors which allows to define the international image of the country as positive, neutral or negative by means of an integral indicator of the international image of the country is offered. To determine it, it is necessary to assess each indicator of a separate group of internal factors at each level of perception of the international image of the country on a 10-point scale, where 1 is the lowest value and 10 is the highest. Taking into account the weighting factor for each factor of a separate level, the values of the integral indicator of the country's image from 1 to 3 will be evidence of a negative image, from 4 to 6 – neutral image and from 7 to 10 as a positive international image of the country [28, p. 119-124]

State programs for the formation of a positive international image of Ukraine are haphazard, which is associated with the change of responsible entities the formation

and promotion of a positive international image of Ukraine. In addition to state authorities, non-governmental and public organizations are engaged in the formation of an international image, the activities of which can be productive subject to cooperation with state authorities. It is proposed to create a body for the formation of a positive international image of Ukraine, defined tasks and analyzed the interaction with other subjects of the formation of the international image of the country.

At the level of international organizations and supranational institutions, the role of commercial diplomacy is to harmonize the interests of the country at forums and conferences of international economic and political organizations. At the level of national authorities, the role of commercial diplomacy is to coordinate interests and conclude agreements with state authorities of other countries involved in international economic activity, as well as to organize bilateral joint commissions, which include diplomats and business representatives of both countries through the network of chambers of Commerce. At the level of subjects of perception of entrepreneurial activity, subjects of commercial diplomacy are entrepreneurs who use the influence of state structures and act as actual agents of foreign economic policy.

Among the directions of improving the policy of formation of a positive international image of Ukraine identified key competencies at each level of perception of the international image of Ukraine, promotion tools and a strategy for positioning the country.

Key competencies of Ukraine at the level of consumer perception is a picturesque country with a great cultural heritage, the geographical location of which allows you to use such natural resources in the Crimea, as the Black sea, and in the Carpathians – ski resorts. For Ukraine, the formation of its image as a country whose culture is located on the border of Western and Eastern cultures and thus can occupy a unique niche, become an inter civilizational translator of cultural meanings and a nation that retains its unique cultural traditions that are attractive to foreign target audience. These key competencies are the basis for the promotion of the tourism industry in Ukraine, which has all the prerequisites for the intensive development of foreign tourism: geographical location and topography, favorable climate, rich natural,

historical, cultural and tourist-recreational potential [15]. At this level, there are opportunities for positioning Ukraine as an attractive country for tourists.

At the level of business entities, efforts should be directed towards creating an enabling environment for enterprises and industries with the best prospects for economic growth. Attention should be paid to development of export-oriented industries and enterprises, highly profitable industries, high-tech enterprises. For Ukraine, the key competencies at this level are the development of heavy industry. Ukraine has opportunities to increase the output of competitive products, for this it has both significant natural resources and highly qualified personnel. Many industrial products, such as metal, launch vehicles, aircraft and many others are in great demand in the world market. Despite the impact of the global financial crisis, Ukraine has competitive advantages in rocket, tank and manufacture of aircraft engines.

At this level, not only the promotion of national brands in the field of heavy industry, but also the positioning of Ukraine as an investment attractive country becomes relevant.

As an economic category, the international image of the country in the context of globalization of world economic processes characterizes and determines the country's place on the world stage. The positive impact of the international image of the country on leveling the negative consequences of globalization is found out.

The methodological basis for the disclosure of the concept of "international image of the country" is a theoretical approach to the analysis of the economic nature of the concepts of image and brand of the product [15]. The formation of your own brand is extremely important not only for companies but also for countries. This relevance is due to the conditions of the global environment because when any obstacles are leveled and there is free access to almost all goods on the world market, it is the international image of the country that creates a competitive advantage that will allow the country to take an appropriate place in the world economic system.

The existence of an image without a brand is an uncontrollable process, which in the case of the image of the country leads to negative consequences, while the basis for



the formation of a positive international image is the formation of the country's brand, on the basis of which the image management process becomes possible.

Therefore, the country's brand is defined as its key competence, which determines its place in the formation of the global socio-economic system and civilizational development. And the international image of the country as its image arising at subjects of perception of the international image of the country at the level of consumer perception, level of perception of subjects of business activity, level of perception of public authorities and perception at the level of the international organizations and supranational institutes as a result of understanding of its key competences formed under the influence of system of factors of the market environment and forms their attitude to the country as positive, neutral or negative.

The perception of the international image of the country differs depending on the subjects of international economic relations, and therefore it is advisable to consider it at four levels, namely: consumer perception subjects are existing and potential consumers within the country and consumers of other countries; at the level of perception of business entities are private and public national companies of different forms of organization and forms of ownership engaged in international activities; at the level of perception of public authorities, the subjects are the public authorities of the country of other countries, which are responsible for the implementation of international economic relations; at the level of international organizations and supranational institutions, the subjects are international economic and political organizations [19].

Assessment of the international image of the country is based on the analysis of market environment factors. It is worth to divide the factors on internal and external.

Where the external factors of formation of the country's international image include: the country's participation in international organizations, the country's place in the international official rankings, the country's participation in integration groups, the volume of foreign direct investment. The internal factors of formation of the international image of the country include: political and legal, economic, scientific and technical, socio-cultural, natural and demographic.

Factors of formation of the international image of the country vary depending on the level of perception of the international image of the country by the subjects of international economic relations, which is due to the difference in the economic interests of the subjects of perception of the international image of the country. At each level, the factors of international image formation are identified, which countries should take into account to determine their key competencies, which are the basis for the formation of the country's brand.

Based on the analysis of perception levels of the country's international image and their agents the international image of the country at each level and determined the integrated indicator of the country's international image, on the basis of analysis and significance of factors shaping the international image of the country at each level of perception of the country's international image. This will allow not only to define the existing international image of the country as negative, neutral or positive, but also to identify priority strategies for positioning the international image of the country at each level.

Programs for the formation of the international image of the country are implemented at the first two levels of perception of the international image of the country, namely, at the level of existing and potential consumers and business entities, as countries apply positioning strategies as investment attractive, positioning of tourist destinations and national brands in international markets. Programs for the formation of the international image of the country and its promotion in the world space are presented in the form of public, public-private and public programs with the participation of non-profit organizations [40]. The main channels of information for the promotion of the country's international image are print media, television and radio, as well as the Internet. Marketing tools to promote the international image of the country are slogans, themes, visual symbols and image and information events. Also, the tendencies of the formation of the international image of the country at the level of perception by public authorities are determined, which is manifested in the form of positioning of countries as innovative and those that are attractive for attracting highly qualified specialists.

The formation of a positive international image of the country be undertaken in accordance with the stages: 1) study the existing international image of the country; 2) create a format for positive international image of the country; 3) development of programs and projects to implement the strategy of formation of positive international image of Ukraine; 4) institutionalization of forming a positive international image of the country [40, p. 119].

The creation of a separate state body for the formation of a positive international image of Ukraine will allow coordinating the activities of private enterprises and non-profit organizations to promote the state program for the formation of a positive international image of Ukraine. The role of commercial diplomacy in the process of forming a positive international image of the country at the level of perception of business entities, the perception of public authorities, international organizations and supranational institutions is proved and determined.

### **1.3 Methodical Tools for Evaluating the Investment Attractiveness of the Country**

In the literature there are many approaches and methods to assess the investment attractiveness of a particular country. Among the well-known tools for assessing investment attractiveness it is worth highlighting: economic and mathematical methods, analysis of influence factors and the method of export valuation.

Evaluation of investment attractiveness can be divided into 6 stages [51, p.27]:

1. First stage. Construction of the scheme of structural properties of indicators of investment attractiveness of the country.
2. Second stage. Information collection and pre-processing.
3. Third stage. Transition from the absolute values of the measurements for each indicator to the total scale of the measurement.
4. Fourth stage. Calculation of a complex indicator of the territory for each group of factors.
5. Fifth stage. Determination of a comprehensive indicator and rating assessment of the investment potential of a given country.

6. Sixth stage. Determination of the rating assessment of the attractiveness of the territory.

Investment attractiveness of a certain territory can be divided in the following parts (fig.1.3) [33, p.240]:

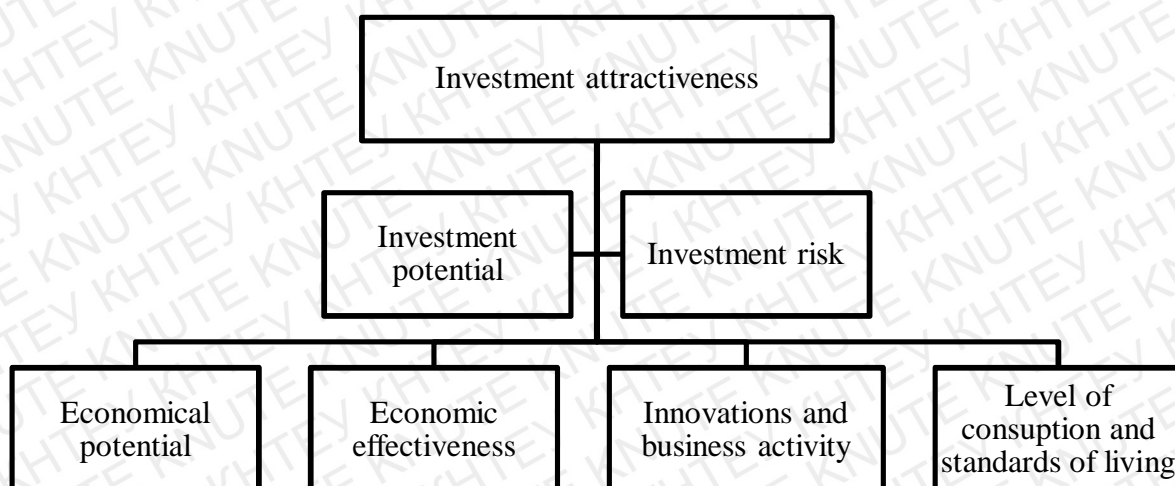


Figure. 1.3 Components of Investment Attractiveness of the Country

Sources: Compiled by the author based on [33].

Among the methods of evaluation by rating indicators can be highlighted [21]:

- formed on the basis of expert assessment (the methodology of Harvard business school, the methodology of Euromoney, the method of determining the credit rating);
- formed using statistical data (methodology of the Economic Department of the Bank of Austria, methodology I. Blank);
- formed with the help of interest rates of incentives to raise funds (methodology of the Economic Department of the Bank of Austria).

Harvard business school offers an assessment of the investment attractiveness of the territory on the basis of the following factors: political stability in the country, the legal framework for non-residents, the possibility of unimpeded export of capital outside the country. The above grounds characterize the risks of investment receipt to a greater extent than the investment attractiveness as a whole. Nevertheless, this method is the leading one among other attempts to evaluate investment promotion.

Euromoney magazine identifies nine groups of indicators for assessing the investment attractiveness of the territory: the openness of the economy, political risks, the presence and level of public debt, service of internal and external debt of the state, the credit rating of a particular state, short-term and long-term lending, the ability to raise funds.

One of the most in-depth methods of assessing investment attractiveness is the method of "credit ratings". This method uses data from international investment agencies, such as Moody's. These agencies assess the state from the standpoint of the probability to fulfill its obligations, which in turn indicates the feasibility of attracting investment capital in the selected country.

According to the given method of assessing the investment attractiveness of countries are divided into five groups depending on the level of risk[17,p.41]:

- high (0-2) – high credit risk and there is no possibility to fulfill the assumed debt obligations;
- above average (2-4) – investment climate largely depends on favorable economic environment;
- medium (4-6) – changes in economic conditions can lead to destabilization of the financial system;
- below average (6-8) – a sufficient level of financial stability in the country, which allows the state to operate in adverse economic conditions;
- low level of risk (8-10) - high level of financial stability in the economic system of the state.

A similar method is used in the evaluation of investment attractiveness in the Agency "Standard & poor's". Ratings are used for long-term and short-term loans. The letters from the lowest category "D" in the highest "AAA" are used to indicate the place in the ranking. The symbols "+" and "-" are also used for a more complete description of the dynamics of the investment attractiveness of the country.

The methodological tools of the economic Department of the Austrian Bank are based on the definition of the risk of attracting investments from different countries. At the same time, the economic, political and social situation of a certain state is taken

into account. This methodology aims not only to identify potential investment risks, but also to justify the positive or negative dynamics of the investment environment. Based on the specified methodology, the Bank prepared the report "Regional Risk Rating in Ukraine". The report includes the investment rating of the state and its regions in particular.

As a result of the collected materials, a rating is formed, where all countries are divided into 6 classes [17, p. 43]:

- 1 class – a favorable investment environment;
- 2 class – a relatively favorable environment;
- 3 class – a controversial situation;
- 4 class – an unfavorable investment environment;
- 5 class – a seriously unfavorable environment;
- 6 class – a dangerous environment for investment.

Blank's methodology is based on the comparison of important social and economic indicators for the state: economic growth, the level of infrastructure development, demographic shifts, the quality of relations in international markets and the development of Commerce, the level of security of raising funds.

In addition, there are many other tools to assess the investment attractiveness of the country. Among them is to highlight[4, p.128]:

— the technique of Guseva K., which is based on definition of "market reaction of the territory". Much attention is paid to the differences in the "starting conditions" of territorial units entering the market, the peculiarities of industry development and the availability of natural resource base, as well as the standard of living of the population. The main idea of K. Guseva is the justification of the "market reaction" as a consequence of the influence of traditional factors that determine investment activity, as well as the result of reforming the system of regional relations. The author forms such concept as "positive market reaction" that means visibility of prerequisites for improvement of investment climate. Conversely, "weak market reaction" is the cause of stagnation in economic relations.

— method of Sazikina V. L. with which it is possible to determine not only the rank of the object in the data series, but also to assess how it is better than others. The idea is that the values of a group of indicators are equated to an "authoritative average". It is understood here that a certain sample of data is attached and distributed over the total. After that, each individual indicator is equated to the "authoritative average". Thus, it is possible to make a judgment about deviations of each of the characteristics of the sample from the mean of the entire series.

— the methodology of "private indices", formed as a result of attempts to assess the socio-economic infrastructure of the territory. Due to the lack of methodological approaches to the definition of socio-economic infrastructure, the calculation of the SEI index was proposed by M. Ilchenko and MA Jun. Under the socio-economic infrastructure, they understand the total number of enterprises providing services of an industrial nature or provide services to the population. Socio-economic infrastructure combines several indicators: economic opportunities of the individual (based on the level of GDP), business activity (based on the level of employment) and daily living conditions (health, education, housing). In addition, the socio-economic infrastructure takes into account the development of the transport network and the ecological purity of the individual territory.

— methods of investment promotion to administrative institutions, based on the analysis of economic and social factors of the country, the appropriateness of the use and distribution of budget funds, debt management of the country.

— methods of economic and mathematical methods: the method of correlation and dispersion, optimization and mathematical modeling.

— the United Nations UNDP Human development program, which publishes its own report each year. The basis of this technique is the index of growth of human capabilities. It takes into account: changes in life expectancy, level of education, the index of living standards. It should be noted that the ILM does not cover such economic components as: export, the effectiveness of the government, the effectiveness of the public administration.

— a technique that combines the investment potential of the country and the analysis of investment risks. Supporters of the first part prefer to assess the investment potential of the country, while others advocate the calculation of all possible risks of investment in the economy of the selected country. To assess the risks of this method include: political, social and criminal risks. In addition, the assessment of the components of the investment potential of the territorial unit is based on the results of expert surveys.

The most complete method of assessing the promotion of fundraising in a certain area is the integrated assessment. Using this methodology, the level of investment promotion is determined in relation to several indicators that combine factors at the institutional level, as well as taking into account the risks of raising funds. Investment risk is assessed on the basis of several parameters: social, economic and financial. Among the opportunities for investment are: consumer, industrial, labor, tourism, infrastructure, innovation and others. Using this technique, a comparative analysis of the investment attractiveness of countries is often performed. It should be noted that the investment promotion refers to the characteristics of a certain territorial unit with respect to this object, which enable the latter to achieve the goal as quickly and effectively as possible. Interested methods of evaluation of investment promotion can be divided into 2 groups: territories that require investment in their own development, and the territory that have the goal to attract their own funds.

The main objectives of investment attractiveness assessment include:

- Definition of the socio-economic development of a particular country;
- Assessment of the impact of investment attractiveness on the volume of investments;
- Development of directions of regulation of investment attractiveness.

It is necessary to highlight the methods that can be used in determining the conditions that have an impact on the development of territories. Among them: methods of economic and mathematical calculations, analysis of factors and the method of expert evaluation.

The most recent methods are those using quantitative methods for assessing



investment attractiveness. They are based on the use of expert assessments, as well as a combination of economic and mathematical modeling and expert assessments.

Among the privileges of methods using expert judgment is the ability to take into account seemingly insignificant details. On the other hand, the use of expert assessments requires a high level of specialization of respondents, compliance with the absolute disinterest in the results of the provided assessments.

Summing up, it is worth noting that the advanced countries are more attractive in terms of labor migration. This, in turn, creates favorable conditions for the economic development of the territory or the country as a whole. This ensures the flow of investment flows.

### **Conclusions to the Part I**

In the contemporary society based on the value of information and increasing influence of globalization, it is logical to take into consideration the system of international relations. From the one side, the process of adoption by the subjects of world politics of common values and principles constantly grows. From the other perspective, the struggle for cultural identity and upholding specific values emerges.

In international image of the country plays an important role in attracting all kinds of investments to its economy: young professionals, tourists, all forms of capitals. There are several determinants, which have direct and indirect influence on international image. Among them: cultural features of a particular nation, geographical position, the image of the most important representatives of the country, different cultural clubs across the world, availability of different youth exchange programs and so on. All this factors increase the notion of a particular country and establish special features in the minds of people, which are closely tied to its perception.

Thus, a state`s image has a big influence on the overall competitiveness of the country`s enterprises. For instance, positive image creates trust to the products and services made in that particular country. As a result, the foreign currency inflows increases in that country, the unemployment rates decrease and the consumer demands increase sharply.

## **PART 2. RESEARCH AND EVALUATION OF UKRAINE'S INVESTMENT ATTRACTIVENESS**

### **2.1 Analysis of Dynamics and Structure of Foreign Direct Investment into Ukrainian Economy**

Foreign Direct Investment (FDI) is defined in the 4<sup>th</sup> edition of the OECD Benchmark Definition of Foreign Direct Investments as follows: “Foreign direct investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. ...”[62].

Modern mechanisms for the development of economic systems influenced by the market transformations dictate the need for reforming of existing approaches to the provision of financial resources of the state. Unstable economic and political situation in Ukraine, exacerbated by the negative consequences of the global financial crisis, necessitates closer attention of the country's leadership to the processes of economic growth stabilization. Since Ukraine has chosen the way of European integration, an urgent need has arisen for the adapting of innovative development model that would ensure the economic growth of the country, increase its potential and economic security, and allow resolving existing problems of social protection of the population.

Over the past 20 years, Ukraine has created favorable conditions for investment activities promotion. Thus, a certain legal framework, which defines the main mechanisms for investment policy implementation in the country has been established. But, despite the positive trends at the level of government regulation, the state of

investment activities remains at extremely low level, which is significantly aggrieved by a permanent reduction of investment resources. Among the main reasons for the decline in investors` activity are limited domestic savings and the failure to recover capital investments [12].

The investment attractiveness is significantly influenced not only by the general state of the country`s economy but also the conditions of doing business, in particular, the degree of state intervention and the level of corruption. Over the past ten years, the volume of investment from the EU countries has increased significantly. Talking about the CIS countries, there is a significant reduction in the volume of foreign direct investment [58].

So, in 2017, foreign investors from 76 countries invested in the economy of Ukraine 1630,4 millions of dollars (fig.2.1) [48]:

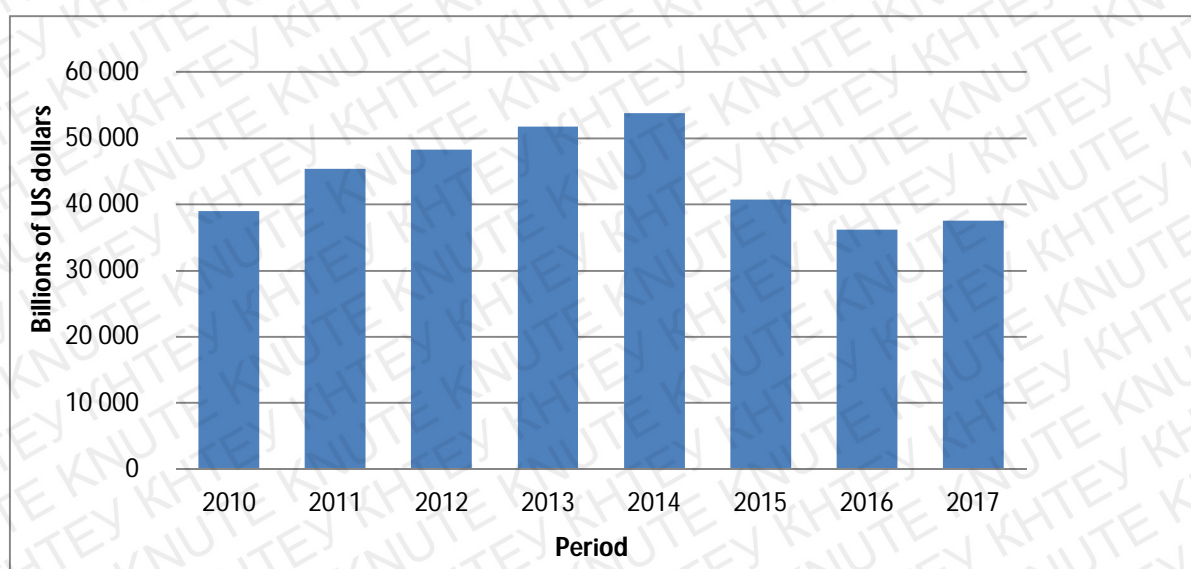


Figure 2.1 Dynamics of Foreign Direct Investment into Ukrainian Economy  
 Source: Compiled by the author based on [48]

The volume of initially invested foreign direct investments in the economy of Ukraine in 2017 amounted to 39144,0 millions of US dollars (fig.2.1). Investment flows are directed to highly-developed areas of economic activity. By the end of 2017, the most significant volume of direct investment was directed to institutions and organizations that carry out financial and insurance activities – 26,1%, and industrial enterprises – 27,3% [48].

Among the key investors are Cyprus – 25,6%, Netherlands – 16,1%, Russian Federation – 11,7%, Great Britain – 5,5%, Germany – 4,6%, Virgin Islands – 4,1%, and Switzerland – 3,9%. The volume of development of capital investments of Ukrainian enterprises in 2017 was 412, 8 billion of dollars, which is 22,1% more than the volume of capital investments for the corresponding period of 2016 (fig 2.2) [48]:

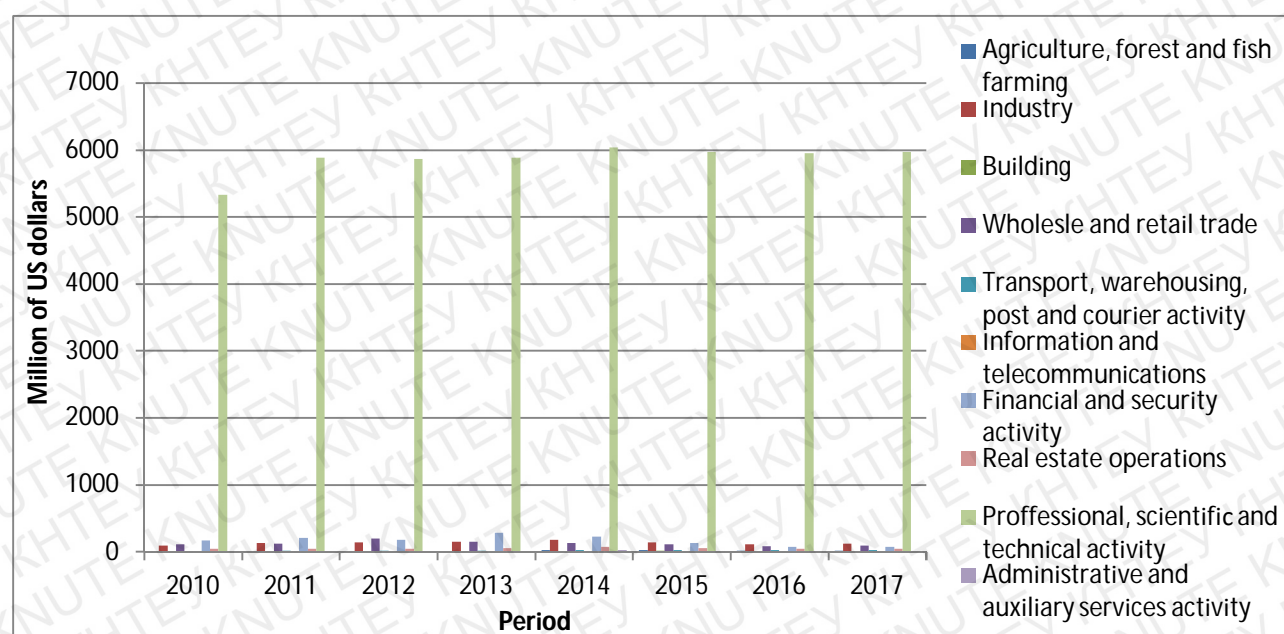


Figure 2.2 Dynamics of Foreign Direct Investment in Ukraine by source of economic activity

Source: Compiled by the author based on [48].

The leading spheres of economic activity in terms of development of capital investment remain [48]:

- industry – 33,1%
- building – 12,3%
- agriculture, forestry and fish farming – 14,0%
- information and telecommunications – 4,1%
- wholesale and retail trade, repair of motor vehicles – 7,0%
- transport, warehousing, post and courier activity – 8,7%
- public administration and defense, compulsory social insurance – 7,4%

Among the positive trends in 2017 the growth of the share of capital investments from public funds, especially from local budgets was observed (table 2.1). Thus, there are changes in the structure of capital investments in terms of financing resources in favor of increasing of the share of enterprises` own funds (up to 69,9% of the total volume of capital investments compared to 69% in 2016) and budgetary funds (up to 12,7% compared to 10,1% in 2016) [48].

Table 2.1

### Capital Investments in Ukraine by Source of Financing for 2013-2017

Source	2013	2014	2015	2016	2017
Total, billion, UAH, including:	247891,6	204061,7	251154,3	326163,7	412812,7
State budget funds	6243,5	1511,2	6114,5	7468,9	14324,6
Local budgets funds	7036,7	5276,8	12423,2	23225,1	38175,9
Enterprises` own funds	157122,0	145883,7	169257,9	226398,9	288644,2
Bank credits and other loans	36650,0	17992,3	18299,5	23249,5	21826,9
Foreign investors funds	4009,5	5536,6	7834,8	9416,7	5667,1
Funds of population for housing construction	21770,0	21365,6	30283,2	29117,9	32288,1
Other sources of financing	9143,7	6495,5	6941,2	7286,7	11885,9

*Source: Compiled by the author based on [48].*

Along with direct investments, capital investments are of utmost importance for the economy of the country. The volume of capital investments increased by 22,1% in 2017 compared to 2016. Among industries that still have high investment potential are: manufacturing industry - 33,1%, construction -12,3%, agriculture, forestry and fisheries – 14,0% [48].

No less important is the issue of how to increase investment opportunities and potential of regions of Ukraine. Analysis of the current practices of investments promotion for regions development shows that it is impossible to solve high-priority tasks of local authorities by means of market self-regulation.

Deepening of regional disparities requires authorities close attention to the issue

of providing regions with investment resources, as well as studying the factors that shape the investment climate and increase the investment activity of the regions.

The social and economic state of the regions of Ukraine is characterized by crisis phenomena, the emergence and development of which is caused by not only external challenges and unfavorable macroeconomic trends, but to a large extent by the negative consequences of industrial enterprises` restructuring and political crisis. The increase in the volume of domestic and foreign investment is an important prerequisite for the gradual recovery of economic growth which can be reached by creating favorable investment environment in Ukraine that will provide the appropriate regulatory and legal guarantees to foreign and domestic investors [45].

It is worth to take a look at the investment inflows of Ukrainian regions (fig.2.3) [48]:

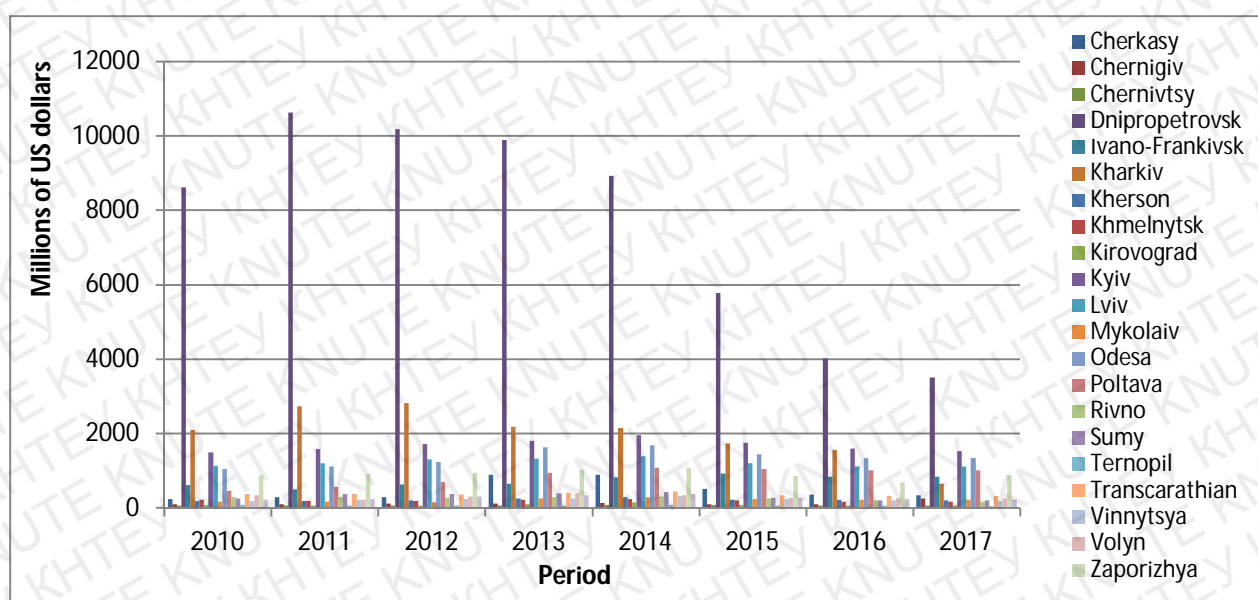


Figure 2.3 Dynamics of FDI in Ukraine by Region, 2010-2017

Source: Compiled by the author based on [48].

From the chart upstairs, we can see that Dnipropetrovsk was the biggest recipient of investment flows during 2010-2017. To other major regions according to the investment amounts belong Kyiv, Lviv and Kharkiv. Chernivtsy and Ternopil can be judged as the least attractive from the investors` point of view.

Taking into account the insufficiency of budgetary funds at region level especially the issue of attracting investment funds remains quite urgent as well as assessment of investment attractiveness of the regions. It is the investment attractiveness of the region that makes it possible to attract resources and provide financing for the programs of social and economic development of the region.

Consequently, Ukraine remains attractive for investment, at the same time it is not outside the world's processes, it is sufficiently integrated into the world economy. Thus, violation of macroeconomic stability on foreign markets has a strong influence on Ukraine.

It should be noted that in the rating of Moody's Investors Service Ukraine has improved its credit rating in the international economic list. It has changed from Caa3 to Caa2 [55], which means changing the forecast from "stable" to "positive". Thus, the improvement of the indicators was influenced by the implementation of structural reforms in Ukraine, which helped the country to cope with the debt burden and improve its position on foreign markets.

In the ranking of the Global Competitiveness Index, Ukraine has improved its position by 4 points and ranked 81<sup>st</sup> out of the 137 countries studied [55].

In order to further improvement of the investment climate in Ukraine, the current issue is the improvement of the legal and organizational framework in order to increase the capacity of mechanisms of ensuring a favorable investment climate and the formation of the basis for the preservation and enhancement of the competitiveness of the domestic economy.

A number of positive steps in this direction have already been made [37, p.435]:

1. To date, Ukraine has created a legal framework for investing and developing public-private partnerships. The legislation of Ukraine defines the guarantees of activity for investors, the economic and organizational principles of the implementation of public-private partnership in Ukraine.
2. On the territory of Ukraine, the national regime of investment activity is applied to foreign investors, that is, equal conditions of activity with domestic

investors are provided. Foreign investments in Ukraine are not subject to nationalization

3. Signed and ratified by the Supreme Council of Ukraine intergovernmental agreements on the promotion and mutual protection of investments with more than 70 countries of the world.

To sum up, even though there are a large amount of gaps towards mobilizing investments into Ukrainian economy, some visible improvements have been already done. In 2016 Ukraine has signed an Agreement on Free Trade with EU, as well as introduced a lot of reforms in the legislative and political spheres. The GDP amounts have started to increase and the minimum salary went up for approximately 40%. These signs could seem to be the beginning of opening a great potential of Ukraine`s economy.

## **2.2 Assessment of the Impact of International Ratings on Investment Attractiveness of Ukraine and its International Image**

The last decades are characterized by increase in the scale of international capital movements, the creation of international production complexes. Foreign direct investments are made with an intention of the merger of transnational corporations (TNCs) to sources of resources or consumers. At the same time, TNCs choose countries with a high potential market capacity and return on investment with a minimum risk. The majority of the world`s governments pursue a liberal policy towards foreign investors and, thus, benefit from the division of offices throughout the territory, create new jobs, transfer modern technologies and models of effective management, cover the deficit of investment resources [43, p. 108] .

Consequently, in the context of globalization the competition for foreign investors between countries increases. For this purpose, governments create favorable investment climate, offer tax breaks or incentives to representatives of international companies. The ratings of the investment indicators of countries serve as a guideline for TNCs when choosing a country for direct investment.



Investment attractiveness is mainly considered as a generalizing description of the advantages and disadvantages of foreign direct investment from the perspective of an investor. The assessment of investment attractiveness is applied in relation to the country, industry, region, enterprise or a separate project. From this definition it follows that the concept of investment attractiveness is subjective for the investor. The attractiveness of the country largely depends on the degree of welfare in the investment climate, such as from the aggregate of political, economic, social, cultural, organizational and legal and geographical factors, that induce or repel investors to invest their money in this or that economic system (the economy of a country, region, and enterprise). Currently, several international projects are being implemented to evaluate one or another aspect of an investment attractiveness of the country.

As the first step, it might be useful to learn about the country risk, when making a decision to invest in a particular country. This information can be taken from the reports published by the PRS Group. It usually makes researches for central banks, multilateral organizations, transnational firms and leading academics. (Annex A) . It is worth to take a look at the changes of Ukrainian Country risk during 2013-2017 years (Fig.2.4) [60]:

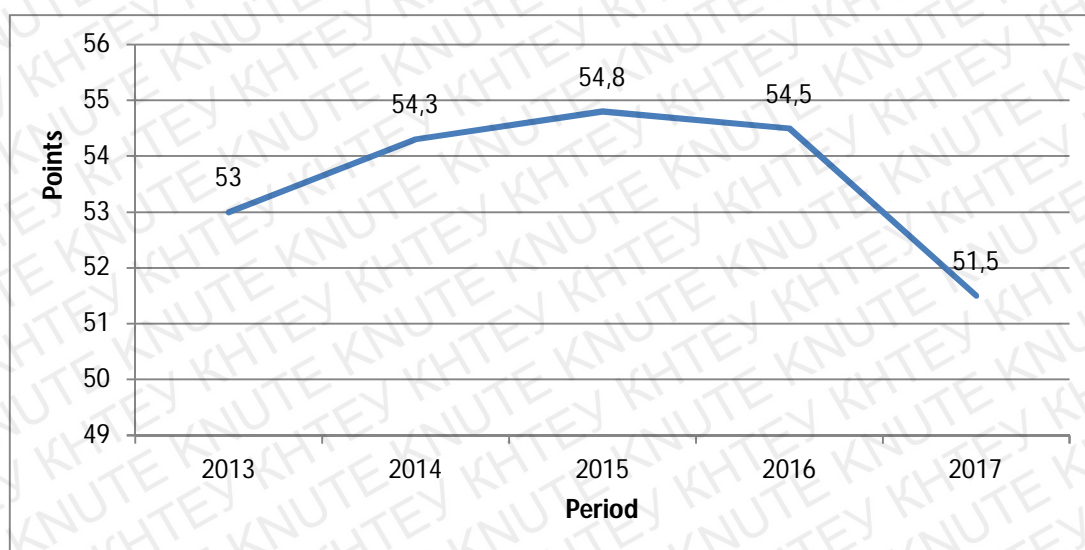


Figure 2.4 Country Risk Index for Ukraine, 2013-2017

*Source: Compiled by the author based on [60]*

Looking at the graph, it is clearly visible that the situation in the country is quite unstable. There was a slight increase in the riskiness during 2014-2016, but already in 2016, the indicators started to decrease. Already in 2017, the point went down to its lowest indicator since the time span observed – 51.5 point.

However, there is a need for a comprehensive assessment of the rating of the countries` investment attractiveness, which will help:

- to form actions in order to improve the conditions for activities of foreign investors;
- acts as a tool in scientific research dedicated to comparative analysis of investment attractiveness of the selected countries.

Rankings reflecting the investment climate and attractiveness of countries for investors are presented below (table 2.2):

Table 2.2

#### International Ratings for Investment Assessment

<b>Rating</b>	<b>Ranking authority</b>	<b>Estimated parameter</b>	<b>Information sources</b>
Doing business	World Bank	Legal environment for doing business	Statistical and legal information, expert surveys
Global Competitive index	World Economic Forum	Social and economic parameters of countries	Statistical information and company executives surveys
State incapacity index	Foundation For Peace	Risk level for people and companies present in the country	Internal system for collecting and analyzing information

*Source: Built by the author based on [53, 55,56]*

In the Doing Business report (Annex B) annually published by the World Bank, which sometimes presents the rating of countries of the world on the creation of favorable conditions for doing business. Analysts evaluate and monitor changes in regulatory and legal acts, which regulate the activities of small and medium-sized companies during their life cycle from creation to liquidation.

Doing Business measures aspects of business regulation and their implications for firm establishment and operations. It does not include all the issues that are relevant for businesses` decisions, but it does cover important areas that are under the

control of policy makers. Governments worldwide recognize the economic and political benefits of improved business regulation. In fact, 119 of the 190 economies measured by Doing Business 2018 enacted at least one business regulation reform in 2016/2017[55]:

Doing Business measures the processes for starting a business, obtaining a building permit, getting an electricity connection, transferring property, paying taxes, taking a commercial dispute to court, and resolving an insolvency case, as well as credit and equity market regulations and logistics of importing and exporting goods.

The overall measure of the ease of doing business gives an indication of where it is easier for domestic small and medium-size firms to do business (fig.2.4) [55]:

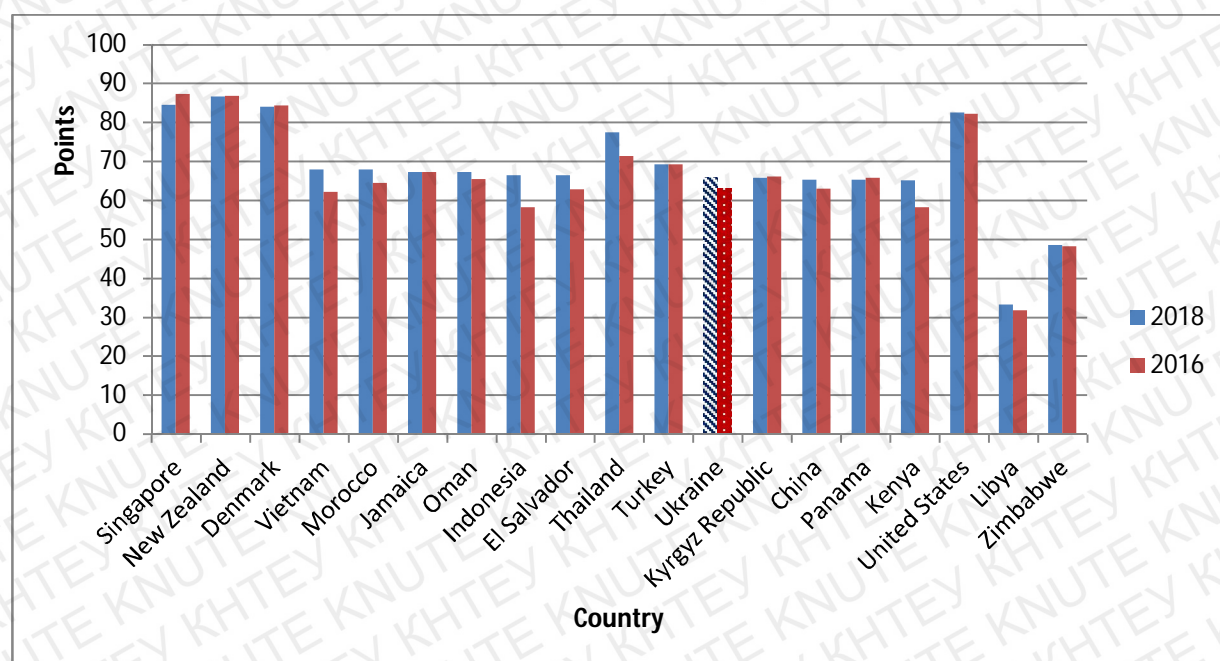


Figure 2.4 Rankings of countries by the Ease of Doing Business for 2016, 2018

Source: Compiled by the author based on [55]

It is clearly seen from the bar chart that Ukraine embraces the middle position between the highest performing countries like Singapore and New Zealand and the less perspective from the point of easiness of doing business, for instance, Libya and Eritrea. In 2018 the ease of Doing business in Ukraine has increased by roughly 5 points in comparison with 2016. This can be the result of implementation of certain reforms in Ukrainian economy. In the last reported year Ukraine showed about the

same level of readiness for business as Jamaica, Oman, Indonesia and El Salvador. The above points can be considered as too low for an average European country. Although, it can be predicted that the situation will change dramatically if the arm conflict on the east will be solved. In any case, the business environment in Ukraine has an upward trend.

Nevertheless, for a more in-depth knowledge of the investment climate in Ukraine it is worth to take into account the distribution of investment flows per capita (fig.2.5) [48]:

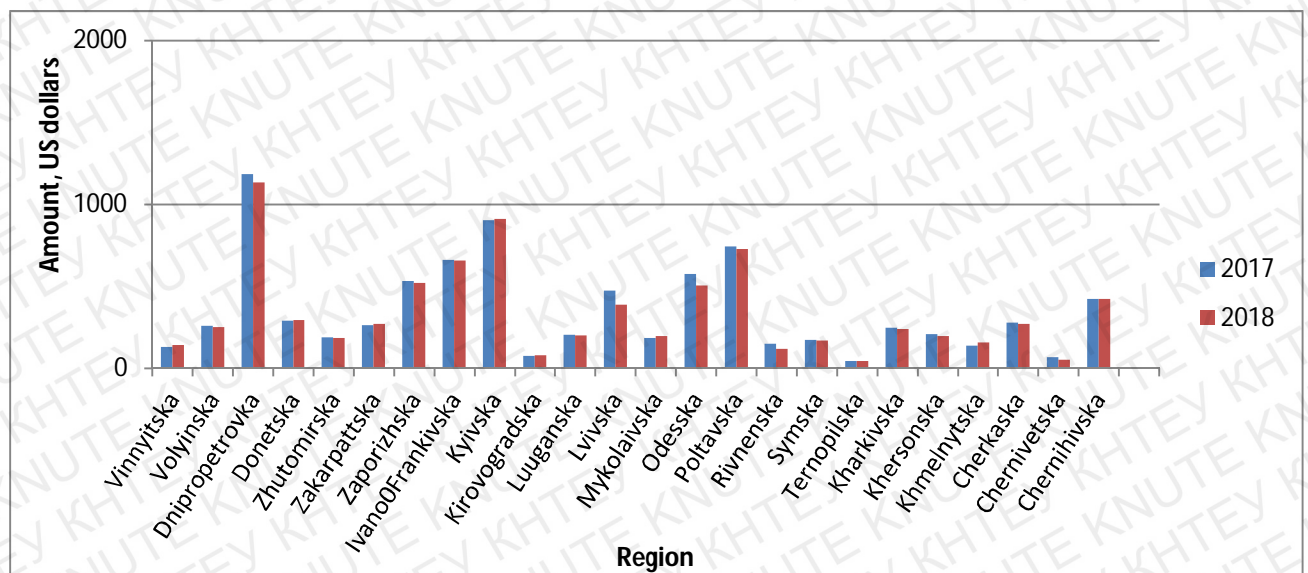


Figure 2.5 FDI per capita in Ukraine by Region for 2017-2018

*Source: Compiled by the author based on [48]*

It can be observed that the most investment attractive regions of Ukraine are Dnipropetrovsk, Kyiv and partly Poltava. To the less attractive can be referred Ternopil, Chernivtsy and Kirovograd.

Geographical destinations into Ukrainian economy can be also of a particular interest as it provides the most relevant information about the major investors into the economy of Ukraine. It is very important to have the notion of resources of investment, since it may give better understanding of strengths and weaknesses of a particular country. It can be especially helpful when making decisions on budget allocation as well as implementation of laws on the macroeconomic level (fig. 2.6):

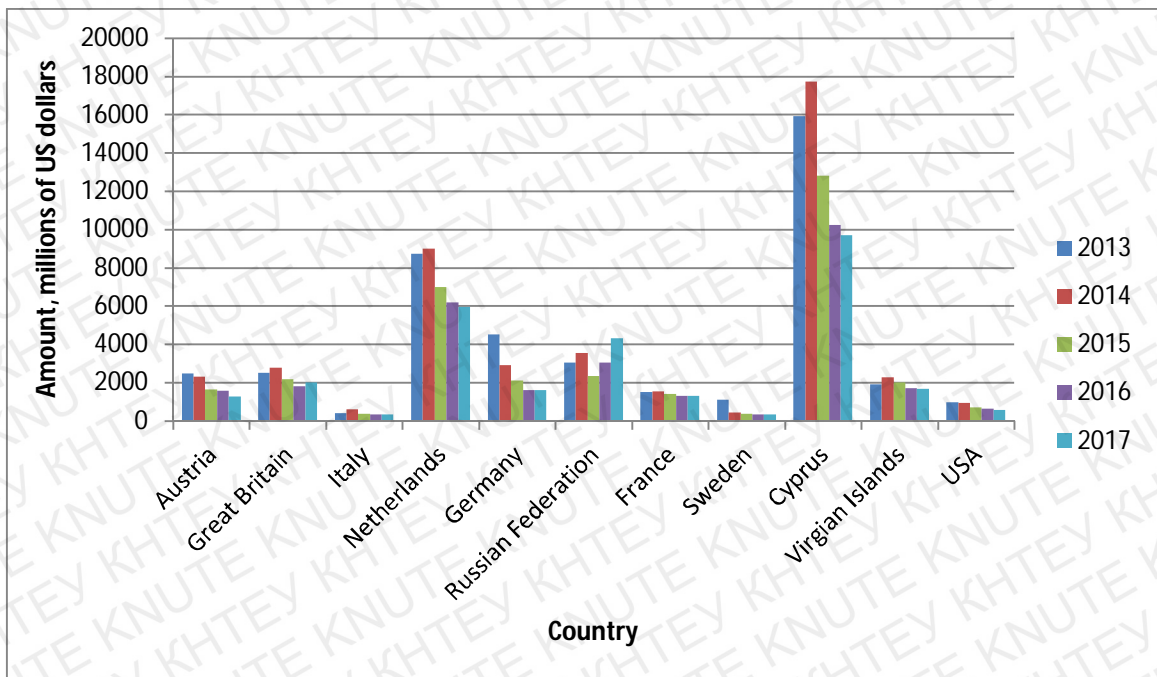


Figure 2.6 FDI in Ukraine by Source of Investment for 2013-2017

*Source: Compiled by the author based on [48].*

It can be clearly observed that the investment flows had a downward trend during the whole period of observations. The only exception was Russia Federation, which increased its investments into Ukrainian economy in 2017 in comparison with 2013. The major investors of Ukraine are Netherlands, Cyprus and Russian Federation.

World Bank experts have investigated the administrative procedures required to open an enterprise in the relevant country. It is one of the main factors that characterize the degree of complexity and ease of doing business in the country. However, this research doesn't take into account the economic potential of the country (market volume, the cost of labor force and so on), as well as the risks that potential investors may face.

The World Economic Forum defines competitiveness as “the ability of a country and its institutions to ensure stable economic growth rates that would be sustainable in the medium term”. The global competitiveness index is determined annually by the World Economic Forum together with a network of partner organizations (leading research institutions and organizations, which exist in different countries of the world) according to a methodology based on a combination of publicly available statistical data and global survey results of company executives. The global competitiveness

index is composed of 113 variables, two thirds of which are the results of a global survey of company executives to cover a wide range of factors affecting the business climate in selected range of countries. One third of the index consists of publicly available statistics. All variables are grouped into 12 groups determining national competitiveness: quality of institutions, infrastructure, macroeconomic stability, health and primary education, higher education and professional training, the efficiency of the goods and services market, the efficiency of the labor market, development of financial market, the level of technological development, size of the domestic market, competitiveness of companies, the innovation potential.

Another project characterizing such a component of the investment climate as the index of state incapacity is being developed by the “Foundation for Peace” organization [56]. In the annual compilation of the index of state disability, experts conduct analysis using a special system tool for assessing conflicts. The analysis is carried out on the basis of 12 criteria – “indicators of vulnerability” of the state, which are grouped into three groups: social, economic and political. Social indicators include: the level of migration, the presence of disgruntled and vengeful groups, steady and permanent migration out of the country. The economic indicators embrace: uneven economic development, the level of economic instability. Political indicators encompass the level of criminalization of state structures, the availability and quality of public services, the level of human rights, violations and the rule of law, the level of influence of the state security apparatus as a “state within a state”, the level of influence of group and clan elites, the degree of interference of other states or external political subjects.

In addition, well-known global rating agencies evaluate the attractiveness of investing in securities of companies and states. However, the purpose of this ratings is to determine the reliability of investments in a strictly defined asset (such as a company`s security), or government bonds. Such ratings cannot serve as a tool for assessing the investment climate of the country due to the fact that they have the main purpose of determining the degree of probability of interest payments in the principal amount of the debt.

The information below shows how ambiguous the investment attractiveness of countries is assessed in the ratings of various organizations. This confirms that the above ratings assess a particular parameter of doing business in the country, while global companies demand a comprehensive indicator of the investment attractiveness of countries (table 2.4):

Table 2.4

## Ukraine`s Investment Scores in International Rankings

Country	Ranking position		
	Doing Business	Global Competitiveness Index	Fragile State Index
Singapore	84,57	92,6	30,4
New Zealand	86,55	100	20,9
Denmark	84,06	100	19,8
Vietnam	67,93	75	68,4
Morocco	67,91	90	74,0
Jamaica	67,27	70	63,1
Oman	67,20	85	52,6
Indonesia	66,47	89,7	72,3
El Salvador	66,42	74,9	71,2
Thailand	77,44	89,9	75,0
Turkey	69,14	67,4	82,2
Ukraine	65,75	55,9	72,6
Kyrgyz Republic	65,70	75	78,6
China	65,29	98,3	72,4
Panama	65,27	89,8	49,5
Kenya	65,15	69,5	97,4
United States	82,54	99,6	37,7
Libya	33,21	67,9	94,6
Zimbabwe	48,47	65,1	102,3

*Source: Built by the author based on [53,55,56]*

For a comprehensive assessment of the investment attractiveness of a country, it is necessary to proceed from the position of a potential investor. When making a decision, the investor, as a rule, considers the potential profitability of investments, the

amount of necessary investments, and also risks. The following approach to determine the investment attractiveness of a country includes three main blocks [53]:

1. Economic attractiveness
2. Legal appeal
3. Risks when investing

The block “economic attractiveness” is an assessment of the possibilities for an investor to receive benefits when investing in a country. The potential profit of an investor depends on the general state of the economy, internal market size, qualifications and labor costs, infrastructure development and other factors. The source of information for this block is the report of the World Economic Forum [53].

The block “legal attractiveness” reveals how easy it is to make investments in the country’s economy, as well as how much money and time it is necessary to incur.

The block “risks when investing” is introduced because the assessment of the country’s investment attractiveness will be incomplete without determining the potential risks of investors, since not a single successfully developing company today can do without risk assessment and management.

The risks of an investment project may be of different nature: political, economic, cultural. For a comprehensive assessment of the risks of each country, it is proposed to use the Fragile State Index of the Foundation for Peace, which characterizes the ability or disability of state authorities to monitor the integrity of the territory, as well as the demographic, political and economic situation in the country.

In general, investment attractiveness can be observed from different points of view. A useful methodological approach towards measuring investment attractiveness of a territory lies within the evaluation of certain indicators. Thus, a system of factors has been formed for assessing the investment attractiveness of countries in three blocks based on the methodological approaches of international organizations analyzed above. The following parameters are (table 2.4) [51]:



Table 2.4

## Investment Assessment Parameters

Block	Indicator
1. Economic attractiveness	Macroeconomic stability (me)
	Effectiveness of labor market (l)
	Quality of infrastructure (inf)
	Quality of institutions (inst)
	Size of internal market (im)
	Level of technological progress (tech)
2. Legal attractiveness	Innovation potential (innov)
2. Legal attractiveness	Ease of doing business in the country from a legal point of view
3. Risks when investing	Demographic pressure level (dp)
	The presence of disgruntled and vengeful groups (gr)
	Level of criminalization of state structures (cr)
	Level of human rights violations (hr)
	Level of influence of group elites (el)
	Level of influence of the state security apparatus (sec)
	Degree of interference from other states (inf)

Source: Based on [55]

Taking into account the differences in information sources for assessing indicators from different blocks, as well as in order to clearly compare the investment attractiveness of a country with other countries, a matrix approach was developed, namely: to use the coordinate plane, where the integral rating of the “economic attractiveness” block is plotted along the X axis, and the Y-axis is the country’s rating in the “legal attractiveness” block. The size of the circle indicates the level of riskiness for the investor in the respective country. In order to compare, the ratings of countries in three blocks are determined by the same list of countries.

To assess the economic attractiveness of investing in the country, the original data of the World Economic Forum Report were used. The indicator on a scale of X is calculated by the following formula [53]:

$$OX = me + l + inf + inst + im + tech + innov, \quad (2.1)$$

where OX – the number of points for the country on a scale “economic attractiveness”

To assess the legal attractiveness of investing in the country, the Doing Business rating was used. The indicator on a scale is calculated by the formula [55]:

$$OY = \frac{r}{n}, \quad (2.2)$$

where OY – the number of points for the country on a scale “legal attractiveness”, r – place of the country in terms of rating “Doing Business”.

To assess the level of risk when investing in the country, the baseline data of the Fragile State's Index [56]. The indicator characterizing the level of risk when investing in the country and indicated in the matrix in the form of the size of a circle is calculated by the formula:

$$rk = \frac{1}{n}, \quad (2.3)$$

where rk – indicator characterizing the level of risklessness when investing in the country: the higher the indicator, the lower the risk of capital investment.

Let's now make some calculations to be familiar with the investment attractiveness from the economic perspective (table 2.5):

Table 2.5

## Investment Attractiveness from Economic Perspective

Country	Indicator							Σ of coefficients (OX)
	me	l	inf	inst	im	tech	innov	
1	2	3	4	5	6	7	8	9
Singapore	92,6	80,2	95,7	80,7	71,1	73,3	75,0	568,6
New Zealand	100	78,4	76,1	81,6	53,8	38,4	61,4	489,7
Denmark	100	78,0	86,3	75,9	59,6	100	75,4	575,2
Vietnam	75,0	55,6	65,4	49,5	70,9	12,5	33,4	362,3
Morocco	90,0	50,0	71,5	56,6	60,0	23,8	34,0	385,9

1	2	3	4	5	6	7	8	9
Jamaica	70,0	67,2	63,5	50,9	36,1	0,7	34,3	322,7
Oman	85,0	55,6	81,8	63,1	55,8	8,2	32,6	382,1
Indonesia	89,7	57,8	66,8	57,9	81,6	2,8	37,1	393,7
El Salvador	74,9	52,2	59,7	40,7	43,2	4,3	26,9	301,9
Thailand	89,9	63,3	69,7	55,1	74,9	20,9	42,1	415,9
Turkey	67,4	51,2	72,6	52,9	78,5	33,5	44,0	400,1
Ukraine	55,9	59,5	70,1	46,3	62,7	20,6	39,0	354,1
Kyrgyz Republic	75,0	57,5	54,3	50,4	36,0	4,0	26,7	303,9
China	98,3	59,3	78,1	54,6	100	68,9	64,4	523,6
Panama	89,8	56,5	68,3	50,9	48,9	2,1	37,5	354
Kenya	69,5	59,9	54,8	54,6	52,2	26,2	36,5	353,7
United States	99,6	81,9	89,5	74,6	99,2	93,1	86,5	624,4
Libya	67,9	54,2	58,5	45,2	48,9	17,6	38,6	330,9
Zimbabwe	65,1	49,7	42,9	43,0	37,1	8,3	25,5	271,6

*Source: Calculated by the author based on [55]*

Now the same can be done to investigate the investment attractiveness from the legal point of view. The legal approach can be estimated as the second most important variable. The evaluation of the investment attractiveness from both sides will give the more comprehensive picture. After that the level of riskiness of investing in the country can be calculated (table 2.6):

Table 2.6

#### Investment Attractiveness from the Legal Perspective

Country	Starting Business	OY	$\Sigma$ of indicators	RK
1	2	3	4	5
Singapore	6	0,166	30,4	0,032
New Zealand	1	1	20,9	0,047
Denmark	34	0,029	19,8	0,05
Vietnam	123	0,008	68,4	0,014
1	2	3	4	5
Morocco	35	0,028	74,0	0,013

Jamaica	5	0,2	63,1	0,015
Oman	31	0,032	52,6	0,019
Indonesia	144	0,006	72,3	0,013
El Salvador	140	0,007	71,2	0,014
Thailand	36	0,027	75,0	0,013
Turkey	80	0,012	82,2	0,012
Ukraine	52	0,019	72,6	0,013
Kyrgyz Republic	29	0,034	78,6	0,012
China	93	0,01	72,4	0,013
Panama	39	0,025	49,5	0,02
Kenya	117	0,008	97,4	0,01
United States	49	0,02	37,7	0,02
Libya	167	0,005	94,6	0,01
Zimbabwe	180	0,005	102,3	0,009

*Source: Calculated by the author based on [53]*

To conclude, International ratings play an important role in a decision making process of the foreign investor. Since the investor is not familiar with the economic and political system of the selected country, he relies on the information provided by consulting companies, which in turn use the data from such organizations as World Economic Forum, World Bank, IMF and Fund For Peace.

Talking about Ukraine, it stands in the middle of most ratings. The weakest factors are the “effectiveness of labor market” and “quality of institutions”, which in turn, make a big impact on the overall economic stability. Still, the positions of Ukraine have an upward trend because of some legislative improvements in 2017-2018. So, we can expect the growing interest towards Ukrainian economy.

### **2.3 Institutional Foundations for the Formation of the International Image**

The main subject of management of investment processes in the country is the state, represented by federal, regional and local authorities. With the help of legislative and regulatory acts, the state can stimulate the development of investment programs, regulate, restrain and control investment processes.

Thus, the state is considered as an institutional link between investors, the main purpose of which is to ensure the progressive development of the economy.

According to the theory of globalization, investments in the country do not depend on domestic savings, international capital becomes absolutely mobile and rushes to where there is a high level of profitability and low - risk investments.

In the context of accelerated mobility of international capital, competition intensifies over strategic foreign investments, especially among the countries that are in need of modernization of the economy. In particular, Ukraine is also making some efforts to create an attractive image, but these efforts, unfortunately, are either declarative or superficial.

As a result, reputational losses that materialize in the restriction of interaction, the requirements of additional guarantees and collaterals, raising discount rate on investment projects to a virtually prohibitive level, generate a huge amount of added value in the economy.

The greatest losses from the unfavorable image of the country are in the field of foreign investment. Investment image may have different names (climate, atmosphere, etc.), but, in fact, we mean the same - a set of objective investment conditions, including both economic and political, social components, natural resources, labor, legislation, etc. Some of these factors are largely dependent on the actions of the authorities, others may not be associated with them (for example, geographical location, preferences of the population, the situation on foreign markets, and a number of others). In addition, the investment image is also a comprehensive reflection of the different views of investors.

The international conference in Jamaica (1976) [52] actually consolidated the system of international economic cooperation (in the financial sphere), thus, the moral characterization became a full-fledged condition for the functioning of the world economy.

In the international financial business environment, reputational losses are closely related to the concept of "country risk" [60]. In the eyes of a foreign investor, Ukraine remains a high-risk country, which negatively affects decision-making on

project financing, as well as the overall nature of economic cooperation.

This risk is a fairly stable concept in business practice, but remains insufficiently defined in the scientific environment. It is defined for the subject of international activity not as an arithmetic sum of certain external risks, but as an integrated result of interaction does not depend on this subject of events and circumstances.

The high degree of risk of the country has a very negative impact on the development of the investment process, because, in addition to modest foreign investment, it leads to the outflow of domestic capital. In addition to financial aspects, the country's risk can be determined through a state of institutional uncertainty that "scares" international capital.

At the moment, Ukraine looks rather modest in the international capital market, despite the growth of international investment activity. Ukraine has advanced technologies in some specific sectors, such as the production of materials, weapons, space exploration, but in general the country's economy needs serious modernization.

Our country occupies a negligible share in the market of high technologies, having a huge human and information potential. In the analysis, as a rule, the essence of the problem is seen mainly in the underfunding of projects and existing economic risks. This ignores the institutional approach to problem-solving in the investment process.

In this regard, it is necessary to define the concept of "institution". The founder of institutionalism-American economist T. Veblen (1857-1929) [40]. Proved that consumers are exposed to all kinds of social and psychological pressure in the market economy, it is necessary to take into account non-economic factors that explain consumer behavior in its social aspect. G. Coase [40] argued that the productivity of the economic system is determined by specialization and exchange, but the costs of exchange (transaction) depend on the institutions of the country: legal, political, social systems, education and culture, etc.

In the composition of institutions D. North [40] has identified three main components: formal rules (laws, Constitution, rules of law etc.), informal constraints

(customs, traditions, agreements, contracts, etc.), enforcement mechanisms to enforce the rules (courts, inspection, police, etc.).

Modern institutionalists (neoinstitutionalists) talk about bounded rationality, which is influenced by external environmental factors: opportunism (the pursuit of personal goals at the expense of other participants), the need for the establishment of special structures for the effective implementation of regular deals, impact on the implementation of the product not only of its price and quantity, but also quality, incomplete specification of property rights.

The Institute can be metaphorically imagined as a labyrinth, entering in which can lead to the exit in different ways. Some will make decisions easily, others will come to a standstill and will be forced to return back, the third, taking risks and bearing costs, will try to break the wall, someone, having got the second time in the maze, will take into account previous mistakes. And if one day the labyrinth requires restoration, people's opinions will be divided. Some conservatives, will advocate the preservation and restoration of the "old walls", others will build a maze with quick exit. The same thing happens with institutions that are prone to evolution.

The concept of investment promotion should be adapted to the modern needs of the Ukrainian economy. At the same time, special attention should be paid to attracting foreign investment.

The ineffectiveness of the way to overcome the technological gap of civil industries is obvious. There is no doubt that there is a need to import strategic capital and use proven technologies in the real sector. However, so far, no significant effort has been made to create an institutional environment for active international interaction.

Summarizing the above, we can identify the main components of the institutional system in relation to investment:

The institutions of a competitive market. Investors tend to invest in efficient sectors of the economy. One of the key institutions of an effective market economy is private ownership of both economic benefits and factors of production. Property relations, of course, should be regulated by the state to maintain a balance between

personal and public interests, at some point the property should be limited to special conditions of use and disposal. Investors react painfully to any attempts to impose a certain order of pricing.

The fact is that the price of products today is the basic indicator for an investment project, the accepted practice of targeting costs - when the cost of production is "adjusted" to an acceptable price for a potential consumer, any form of coercion to adjust prices will be a clearly negative factor in making investment decisions. The development of market infrastructure - banking services, stock exchange business-is also of great importance. A simple, clear, certainly fulfilled regulatory framework. In legislative and regulatory documents, rights, guarantees and preferences should be clearly and unambiguously recorded, the slightest possibility for double interpretation is excluded, not to mention the contradiction of some acts to others, as is often the case in the analysis of regional and Federal legislation. A judicial system with international authority is needed [37, p. 436-441].

Customs and traditions in the recipient country. They are clearly undervalued, while they are often even more important than formal rules and procedures. Without well-established business ethics, effective interaction of economic entities is almost impossible, since no formal agreement will keep from unfair practices if there are no endogenous prohibitions and restrictions. Ideally, informal rules should correspond exactly to formal rules and serve as an additional guarantee of their strict implementation.

Control over the implementation of formal rules. This is the main function of power in the economic sphere. The following characteristics of the existing political system come to the fore: legitimacy, efficiency (ability to resolve disputes and conflicts quickly), accessibility (non-discrimination in respect of jurisdiction and social status of the objects of protection).

The existence of formally regulated property rights must be supported by the unconditional protection of a third party, which is understood to mean a state that is able to be objective in its judgments and has the power and authority to resolve conflicts of property rights. The constant economic policy of the state should also be



justified, especially in such ambiguous areas as privatization, tax, financial and credit policy.

The main objective of the government in this area should be progressive economic development, which is facilitated by low interest rates and inflation at the macroeconomic level, support for free enterprise at the microeconomic level, openness of the economy to productive international cooperation at the level of the world economy [38].

Availability and reliability of available information. This condition is the key to decision-making. In an environment of lack of information, the decision with a high probability will be made under the influence of random factors, the presence of deliberately incorrect information leads to a previously incorrect decision regarding the stated goals. The information factor is very important for potential investors.

The information system should provide potential investors with data on economic indicators, the legal framework, that there are investment projects and potential partners.

In our country, there are a number of problems faced by national and foreign investors. The main obstacle is uncertainty and insecurity of property rights. In Ukraine, the level of protection of property rights is artificially reduced, while the state acts not as an independent expert, but as a subject that acts in its own interests, which negatively affects not only the state itself, but also the society as a whole. Therefore, administrative and judicial reforms can be an important step to remedy the situation.

The implementation of these changes will be difficult, the obstacle may be different factors, first of all, will have to face the reluctance and unwillingness of the ruling elite to give up income in the form of political rent. At the same time, it is necessary to overcome the "institutional trap": all those involved in the current system, therefore, it is easier not to change anything than to risk and try to take the path of "non-corruption" behavior.

Finding a solution to this problem is quite difficult, but it must be done: business must become transparent and legal. There are serious problems in the protection of intellectual property rights, if we set the goal of attracting "technological" investment

in the country. In our state intellectual property has long been protected, representing the state interest. Relatively recently, there was an adequate market system of legislation on the rights and protection of intellectual property in Ukraine.

Today, not only administrative, civil, but also criminal liability is provided for the violation of intellectual property rights.

At present, the Federal service for intellectual property has been established, and special patent courts are starting to work. However, law enforcement in this area leaves much to be desired, due to a large number of factors, ranging from the lack of qualification of the judiciary, ending with a General tolerant attitude of society to the free use of the results of intellectual work.

One of the main suppliers of new technologies to the world market is the United States of America, whose special agency United States Trade Representative (Office of the U.S. trade representative) prepares an annual report on countries that do not provide effective legal protection of intellectual property [61].

A few years ago, Ukraine entered the "black list" along with such countries as Algeria, Chile, Pakistan, Venezuela. The main claims are not new: insufficient compliance with international agreements in the field of intellectual property, especially those signed in preparation for membership (the law "on circulation of medicines", etc.); the need to improve judicial reform and its effective enforcement; irregularity of the electronic sphere of sales; lack of visible success in the fight against violation of technological protection of intellectual property; undeveloped practices of investigation of crimes related to the violation of intellectual property rights; lack of resources and powers of law enforcement agencies to combat crimes related to the violation of intellectual property rights.

At the same time, some progress has been noted in the field of intellectual property protection, in particular: the adoption of the law on the establishment of a special court on intellectual rights; amendments to the criminal Code that strengthen responsibility for the violation of intellectual property rights; the closure of plants that produced counterfeit products, etc. But all this is clearly not enough for Ukraine to enter the zone of trust of a strategic foreign investor.

In addition to the uncertainty of property rights, the following principal claims of investors can be identified [6]

- underdevelopment and instability of government institutions, which generates a high level of corruption and semi-legal economic processes in the country;
- low, in contrast to many developing countries, economic indicators of GDP growth and its inefficient qualitative structure, resulting in insufficient income of the population;
- insufficient level of income of the population to form a stable solvent demand;
- low level of overall development of market infrastructure;
- partial convertibility of the hryvnia;
- high cost of entry because of the total monopolization;
- inefficiency of the institutional framework for investment promotion and protection.

The synergetic impact of these factors of the investment climate leads to the fact that Ukraine is not considered as a country for strategic investments, so the capital coming to the country is mainly borrowed and does not contribute to the modernization of industry.

Technology transfer is most likely to occur with direct investment in fixed assets, and, contrary to the General opinion, not necessarily for technological re-equipment only foreign direct investment, portfolio investment opportunities are incomparably wider.

This is due to two factors. First, there is a General tendency to displace direct investment by portfolios as the country's stock market develops. Secondly, large-scale production is organized, for the most part, in the form of corporations, respectively, raising capital in the form of sale of shares is the most natural way to attract capital.

There are also many problems in the development of portfolio investment in Russia, the main of which are related to the underdevelopment of market institutions of the stock market. This and gaps in the legislation, does not provide adequate protection of shareholders' rights, underdeveloped financial infrastructure, etc. as a

result, foreign portfolio investment is aimed in Ukraine at extracting speculative profits, the volume of investment is extremely small, and with minor fluctuations in profitability, capital goes to more stable regions.

In spite of the massive formal opposition to capital outflows, in fact, all the obstacles have been successfully overcome. But the harder the regulated movement of capital, the less investors are willing to take risks with their resources.

A rather serious problem is the situation regarding informal rules. Modern business ethics in Ukraine is at the stage of initial development. Historical memory, which is present in this area since the break of the command and administrative system of management, for a very long time will make itself felt. The problem of lack of business ethics is largely a social problem, the problem of the business part of society.

Norms of business communication, adopted in the business elite, set the social scale of behavior. Social assessment serves as a social incentive (positive or negative) that defines ethical rules and norms in business. Modern Ukrainian business elite as a social group affects the public consciousness, imposing specific rules of business relationships and focusing on the values, unfortunately, corresponding to the lowest pre-conventional level of moral judgments [11].

After analyzing the conditions for investment in Ukraine, we come to the conclusion about the unsatisfactory situation. The main reason for foreign investment in the economy of Ukraine, for example, is exclusively access to resources, mainly natural, as well as, in some areas, human, intellectual, technological.

Statistics confirm that the largest volume of foreign investment is concentrated in the extractive industries.

The main investors in the domestic economy are: Switzerland - 13.7% of the total foreign investment, Cyprus – 9.2%, the Netherlands - 8.7%, the UK - 7.4%, Germany - 4.6%. From CIS countries: Belarus-2,3%, Kazakhstan-0,7% [44].

## Conclusions to the Part II

To sum it up, as a result of analysis of dynamics and structure of foreign direct investments into the economy of Ukraine it has been investigated that the major investors of Ukrainian economy are: Cyprus, Virginian Islands, Germany, Netherlands and Russian Federation. The leading directions for investment are: industry, building, agriculture and transport. Among the most popular regions for investment destinations are Dnipropetrvsk, Kyiv, Lviv and Kharkiv while Chernivtsy and Ternopil can be referred to the unattractive regions for investment flows.

In the second part of the research the impact of international ratings on investment decisions were discovered. The main ranking systems were pointed out and the investment climate in Ukraine was discovered from both economic and legal point of view.

Finally, in the third part the institutional foundations for formation of the international image were highlighted. At the moment, there are some organizations in Ukraine, aimed at observing the fluctuations of the Ukrainian international image and make proposals on how to improve it. To this organizations belong: Ukrainvest, which was founded in 2016, but has successfully completed lots of objectives on the way of increasing Ukrainian investment image, Kyiv International Economic Forum, iGov, Impact Hub, Urban Space, Ukrainian Davos Nights and Prozorro.

Summarizing all the information, provided above it can be said that Ukraine is currently situated on at the crossroads between Asia and Europe. Roughly, it has two options for further development: either to remain a major raw materials supplier and continue under protectorate of Russian Federation, or to move on in the direction of highly developed market economy country. In the first case, it is easier because it doesn't need any significant changes in the contemporary legislative and executive branches of authority, as well new approaches towards all spheres of life including educational system, medical treatment, social support and even the attitude towards environmental protection.

Second scenario of development is much more complicated. First, because it implies the correction of all branches of authorities, large amendments to the laws and legislative acts.

Secondly, there is a purely psychological aspect of economic development. It lies within the change of values and approaches of a country's citizens towards different aspects of life:

- Reactions on corrupt practices;
- Attitude to the educational process;
- System of family values;
- Behavioral patterns and so on.

The above-mentioned clues are the most complicated for implementation, as they have in their core age-old heritage. Yet, without such changes further movement in the direction high –performance economy is almost impossible.

## **PART 3. THE WAYS OF STRENGTHENING UKRAINIAN INVESTMENT POSITIONS WORLDWIDE**

### **3.1 Directions for Improvement of Ukraine`s International Image**

In modern conditions of globalization of the economy and the strengthening of international and economic relations one of the main tasks is improving the international image of the state. It creates the civil and public opinion about Ukraine in front of the international community and its separate targeted audiences and leaders. The image or reputation of the country is a strategic asset and achievement, a sign of competitiveness both of the state generally, and of its components for example political, economic or social areas.

The image of the state has been forming for decades, and it is extremely difficult to create and then it's difficult to change it, but it is possible. It's especially important to have good international image of the state for the formation of its investment attractiveness [7, p.82-84].

It is the improvement of the investment attractiveness of the state, its branches, directions and individual enterprises, an important condition for the forward movement of the national economy.

Investment attractiveness is an important condition for successful market transformation of the Ukrainian economy, growth of its competitiveness in world markets. Attracting foreign investment will not only improve the current economic situation, make a profit, introduce new jobs and develop local infrastructure, but also lead the country to fundamentally new levels of economic development. Therefore, the purpose of this study is to identify the main directions of improving the international image of Ukraine and its investment attractiveness in front of the world community. So it was used information, analytical data and research results of the European Business Association (EBA) and its partner Gemius Company, the results of research

and developments of famous scientists U.O. Balik, Yu.B. Krakosa, L. Pobochenko, T. Dolinsky, N.V.Kovala and others [18].

In recent years, the image of Ukraine in the international arena has changed dramatically. The Revolution of Dignity gave a new impetus to positive changes in the vision of Ukraine and society as a political and economic foreign elite, as well as leading world media and ordinary people. But these changes still remain largely one-sided and superficial, such as the recognition of the Holodomor as genocide of the Ukrainian people, the signing of a visa-free regime with the EU or the next victory of our athletes on the international arena. Therefore, unfortunately, it's too early to talk about systemic changes in the vision of the image of our state, because the openness and democratic changes that Ukraine has shown to the whole world in recent years are clearly insufficient.

For a deeper understanding of the problem, it is necessary to define the meaning of phrase «the image of Ukraine» [21]. This is an emotionally colored image of the state, its parts, constituent elements, industries and areas of people's life (political, economic, socio-cultural, educational, etc.) in the imagination of international entities on the world, national, regional and local levels. In other words, the image of a state is its reputation among other states, it consists of the sum of the above-mentioned components.

To achieve a positive image of the state in the international arena, a clear and balanced program of action is needed, which in the long term should determine the main directions and ways of forming the image, as well as determine the main priorities, prospects, measures and approaches to this problem. There is a clear marketing link between the formation of an international image of the state and the image of a large corporation or enterprise, but much more complicated and wider. Such a program of marketing actions to improve the image should have a certain scientific and theoretical basis, the basis, which should become the concept of strategic management of the formation and improvement of the international image.

This concept has certain characteristics that are necessary for its implementation in specific programs and action plans [21, p. 241]:



- the combination of a systematic, situational and targeted approach to the functioning and improvement of the state's image;
- the orientation on the study of the conditions in which the state and its bodies operate, which will allow creating systems of strategic management for improving the international image that are appropriate to these conditions;
- the focus on the necessity of collection and use of strategic information bases, analysis, interpretation and application of which for making strategic decisions will allow to determine the content and sequence of actions for image changes reducing the impact of the situation uncertainty;
- the prediction the consequences of decisions that are making and influencing the situation by appropriate allocation of resources, establishing effective relations and forming the strategic behavior of the state on the international arena;
- the use of certain tools and methods for the development of the international image of the state.

Scientists identify the following main stages of improving the formation of a positive international image of the state [28, p. 141-143]:

- 1) a problem statement of the image formation;
- 2) choosing an effective strategy and tactics for improving the international image;
- 3) implementation of the specific activities planned for improvement of the image of the state;
- 4) evaluation of image optimization results and the possibility of making changes to this process.

According to the ideas of a well-known scientist, a specialist in the field of strategic management A. Fisher [34], the following key features should be taken into account in the implementation of the strategy for the formation of an appropriate public image:

- interests, values, aspirations and paradigms of all social groups of the population of the state;

- peculiarities of the media environment in the state, open communication between social groups and the state as a whole;
- the main trends of public opinion of the international orientation of Ukraine;
- the presence of internal and external threats, risks and opportunities;
- presence of strengths, successes and achievements of the state;
- a reasonable ratio of risks, costs and expected results in the implementation of measures to improve the international image;
- setting both long-term and short-term objectives and specific tasks;
- flexibility of the chosen strategy, the possibility of changes and additions during its implementation;
- discussion of the strategy in a broad range of experts, politicians, business and the general public.

Experts and marketers point out that in order to form an international image of the state, it is necessary to develop a clear and effective algorithm for the implementation of the image strategy. In general, it looks like this [45]:

For more than 27 years of historical experience of Ukraine, since that moment when Ukraine has finally become a full-fledged subject of the world community and international law, our state has already declared itself in the international arena full voice. But, unfortunately, these statements have not always been positive and stable. In particular, along with the successes of the young democracy of the 90`s and the victories of outstanding Ukrainian athletes, the rise of crime and economic chaos was always mentioned, with the victory of the ideas of democracy after the Orange Revolution and stabilization of the economy - the formation of a clan-oligarchic elite and aggravation of relations with Russia. Therefore, before talking about ways to improve the international image of Ukraine, the focus should be placed on key issues that are being addressed abroad, recalling in some way about Ukraine. Among them:

1. An awful size of corruption in virtually all spheres and areas of public life. The lion's share of publications, references and speeches of both European politicians

or economists and the media is devoted to this particular national problem. Despite the well-publicized and widely advertised anti-corruption authorities both inside the state and abroad, such as NABU, NACP, and others, demonstrative loud detentions and processes, Ukraine has steadily taken root in the consciousness of the world community as one of the recognized centers of corruption. Therefore, one of the key tasks that needs to be addressed effectively as quickly as possible is to overcome corruption, especially in the economic and social aspects of life.

2. Weakness and relative lack of effectiveness of economic reforms. Economic reforms go too slowly, despite the constant statements of the highest figures of the state, which in turn negatively affects the international image of Ukraine. For example, the extension of the moratorium on the sale of agricultural land, which has long been required by the European Union and international financial institutions, the regulation of the tariff grid for energy, restructuring of external debt, etc. In this area, the situation has been somewhat improved in recent years, especially given free trade with Europe, but significant image effect in the economic sphere is still far.

3. Manifestations of censorship, secrecy and persecution of the media in Ukraine. It is no secret that the image of any state in the international arena is primarily formed by the media. And when in the middle of the state itself, persecution of unwanted authorities, clan or oligarchic structures of journalists, political scientists, experts begins, there are manifestations of censorship, what kind of democracy, publicity, openness of the state can we talk about! Freedom of speech is the cornerstone of democracy, so such manifestations will always negatively affect the image of any country.

These problems are most often reflected on the pages of the world media and in the end in the tonality of political and economic leaders. However, they indicate that in recent years there have been significant positive developments in Ukraine, which significantly affected the formation of its international image [45]:

1. First, it is the Revolution of Dignity and all its consequences - from geopolitical to sociocultural. The landmark milestone of history, divided Ukrainian society into "before" and "after" the revolutionary events, brought Ukraine to a new

level of perception as a nation, capable of accepting the real values of democracy and thus changing its life, could not escape the interest of the world community. After 2013, Ukraine's image on the international arena has grown substantially, so the significance of revolutionary events for the state and in the context of shaping its international image cannot be overestimated.

2. Secondly, it is the modernization and optimization of the authorities according to the advanced European standards and norms. The creation and activity of anti-corruption bodies, judicial and administrative reforms, the signing of a visa-free regime with the European Union and a significant revival of Ukraine's economic and commercial relations with the West - these phenomena reinforced Ukraine's positive image and gave a significant impetus to its further improvement.

3. The anti-terrorist operation in the east of Ukraine (ATO), "hybrid war" with Russia, loss of the Crimea and the threat of a full-scale war with the Putin's empire. These topics are constantly relevant to most of the world's media, speeches of politicians and economists. Ukraine has been able to resist the onslaught from the East, retain its statehood and independence and effectively repel the aggressor - this has largely shaped the new face of our country's international image - the image of a strong state that can protect itself and its citizens.

4. Changing the global political orientation of the state and society from the East to the West. This topic will never lose its relevance, because thanks to the successful and highly effective work of our foreign policy department, Ukraine became entrenched in the public consciousness abroad not as a former Soviet republic, but as a young, strong democratic state.

By the way, it was from the activities of the domestic Foreign Ministry, the active actions of the ambassadors and consuls abroad, its embassies and consulates in many respects that the Europeans, Americans and citizens of other countries changed their vision of our state's image in Ukraine from a dismissive, ironic, often even not serious sight on an appropriate serious attitude.

Therefore, taking into account the above-mentioned successes and problems of forming the international image of Ukraine, the following key areas for its improvement can be highlighted [47, p.121]:

1. Determination of the main characteristics of the international image of the state through the research of experts, scholars, think tanks, etc. First of all, it is necessary to highlight those key factors that directly affect the economic and investment attractiveness of Ukraine in the eyes of the international community. This may be a fight against corruption, effective economic reforms, improvement of the quality and standard of living of the population, optimization of the tax area, and others.

2. Further democratization of all spheres and directions of public life in the state, especially with regard to freedom of speech and press, political trends and preferences, accessibility of all branches of government, etc. In this regard, an extremely important aspect of image formation is the access to information for ordinary citizens and the provision of guarantees for this access, the openness of all branches of government, and use without censorship and restrictions of any sources and forms of communication, including the Internet.

3. More active involvement of all citizens in the governance process, primarily through local authorities and active political and public stance.

4. Consideration of political, economic, socio-cultural, ideological interests of all sectors of society, individual social groups and territories.

5. Taking into account the peculiarities of relations of Ukraine, its individual territories, industries, aspects of life or individual communities with one or another international entity.

6. Mandatory consideration of those key features of our state, which are now recognized in the world. For most countries or individual communities in the world, our country is:

— a country that is engaged in a complex and bloody fight against terrorism, as well as new forms of military actions (“hybrid war”), and at the same time proves

what price it is willing to pay for its choice in the direction of the civilizational development of the West;

— an interesting and beautiful country with courageous, friendly and hard-working people;

— a country with high technologies - space, aviation, military, IT, industrial, unique (such as, for example, the production of artificial diamonds, nanotechnology, Antarctic research, scientific centers), etc.;

— a country for effective business, investment and innovation projects, including due to a good geographical position, optimized legislation and a better than before investment climate;

— highly educated population, highly professional workers (which have already been highly appreciated abroad);

— famous and interesting tourist points, routes, tours, recreation zones (Carpathians (Bukovel), Dnieper, Dniester, Askania Nova, Khortytsya, Shatsk lakes, etc.);

— interesting cities for excursions and visits, work and leisure (Kiev, Odessa, Truskavets, Kamenets-Podolsky, Ostrog, etc.);

— active development of agricultural technologies on fertile soils, expansion of the network of farms and a sharp increase in exports abroad, especially to EU countries;

— the country of the successful football European Championship – EURO-2012.

It should also not be forgotten that the development strategy of Ukraine's international image should also highlight specific methods, tools and management mechanisms, without which it would be impossible to plan clear and effective measures to optimize the image. In addition, such a strategy, as well as the concept and immediate implementation plan, should be systematic, relevant, focused, reasonable and have a significant effect in all areas.

### **3.2 Justification of Marketing Measures Aimed at Raising the Level of Investment Attractiveness of National Economy**

Foreign investment is extremely important and relevant to any national economy. Ukrainian economic isn't an exception ever since the foreign investment has already become as integral part of its economic processes. Foreign investment is the best way to create favorable conditions for increasing cash revenues into the country and the way of systematic positive changes in all fields of economic life, improving the branch quality indicators of the domestic economy. Therefore, the activation of investment processes is an extremely important factor and mechanism of qualitative socio-economic transformations in the country [39].

Summarizing the approaches to the definition and evaluation of investment attractiveness of the country, it can be concluded that the basis of this study are the economic characteristics of this territorial unit. It reflects the ability to attract, absorb and utilize investment through developed investment potential and supportive policies. Thus, in order to make a decision on the feasibility of investing in a particular country, it is necessary to analyze the investment attractiveness of the country using marketing methods.

According to the definition of Kaynova T.V, territory marketing is an activity related to the development of the main marketing tools and technologies aimed at the most effective and profitable use of available resources for the territory in order to improve its image and competitiveness. An important place in the marketing of the territory is occupied by objective conditions: natural resource potential, financial, labor, organizational and other conditions [23].

Several organizations use the marketing tools when making decision on investing into a particular country or region. Among the most popular tools it can be pointed out PEST, SWOT and SNW – analysis. Usually, investors use only one of the above-mentioned tools, but using tools in conjunction with each other may be much more effective.

The first tool, PEST-analysis, includes the evaluation of investment

attractiveness from four perspectives: political, economic, social and technological. The evaluation process consists from 5 major steps:

- I step: it is highly recommended to add external factors, which have a direct influence on the investment attractiveness of a particular country to the four highlighted components of the analysis;
- II step: evaluate the importance of each investment factor on the decision-making process;
- III step: evaluate the importance of each factor on the investment indicators and assign them a weighting factor from 1 to 0. Furthermore, the sum of all coefficients should be 1;
- IV step: calculation of a weighted rating with the help of multiplying each indicator of investment by weighting factor;
- V step – the sum of factors of each indicator should be multiplied by a weighted coefficient. All the results should be summed up.

As a result of PEST-analysis the influence of each factor of investment process can be determined and further decisions on improvement the investment environment out of the results can be done.

The next highly popular marketing tool is SWOT-analysis. With the help of this method, investment attractiveness can be identified from different sides. The components are: “S” – stands for strengths, “W” – stands for weaknesses, “O” – is referred to opportunities, and “T” – threats. First two components evaluate the internal factors, while others – external factors of the investment environment.

The scale of influence of all the factors is determined by the next scores:

- 1 – Very low influence of the weak and strong sides of the territory on the usage of opportunities in order to overcome the dangers of investment decisions;
- 2 – Average influence of the weak and strong factors to overcome the dangers of investment decisions;
- 3 – Very high influence of weak and strong factors to overcome the dangers of investment decisions.



As a result of SWOT-analysis it is possible to observe the general conditions of investment potential of a certain country, as well as making further decisions on improving the investment climate (table 3.1).

Another very useful tool to determine the investment attractiveness of a certain territory is the SNW-analysis. This method helps to define strong, neutral and weak positions of a particular country or region.

Table 3.1

### SWOT-Analysis of Ukraine`s International Image

<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. Good geographical position;</li> <li>2. High transportation potential;</li> <li>3. Rich culture heritage;</li> <li>4. High educational level of population;</li> <li>5. Space technologies;</li> <li>6. 30% of world black soils;</li> <li>7. Ethnically and culturally homogenous population</li> </ol>	<ol style="list-style-type: none"> <li>1. Political and economic instability;</li> <li>2. Lack of clear development strategy of the country;</li> <li>3. The problem of energy supply;</li> <li>4. Low level of economic development;</li> <li>5. Social structure of population;</li> <li>6. Legal insecurity of dwellers;</li> <li>7. Corruption in all the authorities;</li> <li>8. High levels of amortization of infrastructure;</li> <li>9. Insecurity of investors.</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. High agrarian opportunities;</li> <li>2. Regional leadership;</li> <li>3. Cultural capital;</li> <li>4. Production and sale of military equipment;</li> <li>5. Equal member of the European community;</li> <li>6. Investment oasis.</li> </ol>	<ol style="list-style-type: none"> <li>1. No guarantee of territorial integrity;</li> <li>2. Provoking of separatism;</li> <li>3. Military base of Russian Federation;</li> <li>4. High mortality level of population;</li> <li>5. Demographic catastrophe;</li> <li>6. Epidemics of tuberculosis;</li> <li>7. Energy dependence on Russia.</li> <li>8. Weak protection of transport highways and pipelines from terrorist attack.</li> </ol>

*Source: Compiled by the author based on [51].*

In view of the created a free trade zone with the European Union and, accordingly, the growth of domestic and foreign enterprises competition, Ukraine obviously doesn't reach the main indicators of investment attractiveness and the total attraction of investment funds to the domestic economy. According to analysts' estimates, in recent years the share of foreign investments in the Ukrainian economy is about 13% instead of the recommended 25%, which indicates a serious deficit of foreign investment in the Ukrainian economy. At the same time, approximately 70% of investment needs are met by enterprises and organizations at their own expense. It means there's the urgent need in increasing of the foreign investment flow, and in shaping the investment attractiveness of Ukraine and its economic fields [50].

In accordance to foreign consulting agencies, among the 174 countries Ukraine has the neutral place and it takes the 61 place at the end of 2017, on the 5-point of the Likert scale has 3.03 points. If pay attention on the fact the index was much lower in the past years, it didn't reach the neutral limit (2015 - 2.88, 2016 - 2.85), so today's result is successful. The next key factors have caused this situation[41]:

- accessibility of the enterprises and branches state data;
- gradual deregulation of the main economic systems;
- electronic services development (in particular, electronic system of VAT refunds, etc.);
- significant simplification of the procedure for obtaining building permissions, an inspections moratorium;
- lower currency control;
- introduction of private performers institution;
- adoption of the squeeze-out law, etc. [19].

Besides, obtaining a visa-free regime for Ukraine is an important factor in enhancing investment attractiveness, it became a kind of guideline for the development of our country on a European model.

Analytical research data conducted in the domestic business environment also show significant positive developments in the field of Ukraine investment attractiveness. According to entrepreneurs, the following factors have caused this:

- introduction of VAT automatic reimbursement;
  - prohibition of the forced removal of company servers, installation and current financial documentation during unscheduled inspections;
  - introduction of a non-mandatory seal of the enterprise;
  - improved opportunities in the electronic payments;
  - further increase the volume and quality of electronic document circulation in the country and internationally as well;
  - implementation medical, educational, administrative reforms, etc.
- [21, p.241].

At the same time, in the domestic business environment, the negative attitudes towards the investment attractiveness of the domestic economy for potential foreign investors have not disappeared. As before, unresolved situation remains in:

- the extremely high level of corruption in all fields of public life, especially in the economy;
- problems and difficulties in the creation of an anti-corruption Court, which were finally overcome in the summer of 2018;
- lack of privatization;
- extension of the moratorium on the sale of agricultural land;
- the war in the East of Ukraine [19].

According to the European Business Association, a non-governmental organization that includes more than 900 international and domestic companies, and establishes relations of European business with the central Ukraine government and creates the optimal conditions for cooperation and further attraction of foreign investments in Ukrainian economy, specifically these risks are crucial for such an assessment of the investment climate of our domestic economy.

By the way, the index of country investment attractiveness is measured on Likert scale with 5 grades on the system: 1 point - extremely negative, 5 points - extremely positive, and 3 points - neutral. For questioning and further analysis, the answers of respondents-members of the Association are taken on 5 key issues:

- 1) What do you think about the current investment climate in Ukraine?
- 2) Has it changed in comparison with the previous quarter (half year or year);
- 3) What are your forecasts about changing of the investment climate of the next quarter (half year, year) will change?
- 4) Whether it will be profitable to invest in Ukraine in the next 3 months;
- 5) What changes are you expect in your branch in the nearest quarter (half year, year) [19].

In addition, the questionnaire indicates another optional, but so-called "bonus" issue - which of the public authorities is currently the most and the least effective in terms of improving the investment attractiveness of the domestic economy?

So the presence of foreign investments, especially European ones, is an important factor in further cooperation with European business partners and opportunities for further expansion of our business. A free trade zone with the European Union has already made such positive changes [19]:

- simplification of the conducting investment activities conditions for both parties (both domestic and European businesses);
- establishment of closer cooperation between investors (EU) and recipient of the investment (Ukraine);
- Increasing the level of competition - this positively influences the development of the business environment in Ukraine;
- creation of proper conditions for improving the technical and technological state of domestic enterprises through the simplified access to quality imported equipment and technologies;
- ensuring the capital free movement, especially in relation to the provision of loans for the trading operations or the provision of services involving a resident of

one of the parties, as well as capital related to portfolio investments and financial loans of investors of the other party [45].

It should be noted that other Eastern European countries, which have already entered the free trade area with the European Union, record a significant increase in the growth of the inflow of foreign investments, first of all European ones. The part of foreign investment in GDP before and after the country's entry into the free trade area, for the last three years, was: in Poland - 1.0% versus 2.4%, in Slovakia - 1.5% vs. 5.3%, in Hungary - 4.8% vs. 7%, Romania - 0.6% vs. 1.75%. Therefore, domestic business-circles should be able to take advantage of the free trade zone and use all possible factors to increase their own investment attractiveness [7, 10].

The qualitative difference between the investment market and the ordinary consumer market is faster turnover of capital and its quicker broader nomenclature. Therefore, the participants in the investment market can be citizens (individuals), domestic and foreign legal entities (enterprises, firms, companies), and original joint investment institutions, insurance companies and various financial institutions.

The current level of investment attractiveness is influenced by a lot of factors, both internal and external. Without emphasizing the external factors, should pay attention the internal factors that domestic business circles can (and they should) skillfully and qualitatively change in the better way. So they include[19]:

1. Financial and economic conditions of the whole economy, separate industries and enterprises.
2. The current level of competitiveness of all economic entities.
3. Personnel potential.
4. Production technologies and its current level of adaptability and innovation.
5. Control both management and financial also monitoring.

Foreign investors consider the system of investment attractiveness of the domestic economy at the following levels:

1. Rating the economy investment competitiveness at the interstate level. Such valuation is important for the investor in the case of weighing the probability of investing in another country.

2. Rating the investment competitiveness of the economic sectors (used to determine the investment branch, because investor starts searching the investment object not from the country but from branch).

3. Inter-industry rating of investment competitiveness of individual economy branches.

4. Interregional assessment of the investment competitiveness of the region's economy as a whole and its individual branches in selected regions.

5. Interregional assessment of the investment competitiveness of the economy of big cities in general and its branches.

6. Inter-regional assessment of investment competitiveness of the economies of urban and rural areas in general and its branches separate.

7. Rating the competitiveness of individual investment projects.

8. Interregional rating the competitiveness of individual investment projects [10, 16].

So, specific marketing measures directed at both the promotion of existing investment projects and the promotion of fundamentally new ones should be an important factor in improving investment attractiveness. In accordance with the definition of the norms of the Law of Ukraine "On Investment Activity", the investment project is a set of purposeful organizational, legal, administrative, analytical, financial and engineering-technical measures implemented by certain subjects of investment activity and executed in the form of clear planning and documented, necessary and sufficient to substantiate, organize and manage project implementation activities.

Therefore, marketing techniques are designed to:

1) satisfy the own investment needs also investor needs within a particular enterprise and industry and the entire economy of the country;

2) establish close cooperation with foreign investors;

3) reach the maximum level of consumption of the given investment product, thus increasing the part in the investment market of the industry, the country and the world market;

4) get the maximum possible profit [21].

In order to optimally planning and implementation of marketing strategy of investment attractiveness improving of the domestic economy and its branches and specific enterprises, it is necessary to monitoring and determination of the investment market, specially the specific demand of consumers, potential investors. In particular, according to the International Center for Policy Studies experts mark, most likely, investors from Europe will invest their funds to the entities of such areas and Ukraine business fields such as:

- fat production;
- production of long-term storage items;
- drinks production (first of all non-alcoholic);
- tobacco industry;
- pharmaceutical production;
- wholesale and retail trade;
- vehicle trades;
- textile industry and tailoring;
- realty operations;
- activity in the field of information about business [11].

There is a need to evaluate competing enterprises (industries, sectors, branches) to attract foreign investments. Also evaluate producer's advantages and disadvantages, opportunities and risks, their marketing strategies also evaluate the investment attractiveness for foreign investor, in comparison with own enterprise (industry, sector, branch). Search for business partners is also important, if it's required by the implementation of the investment product.

Rating the possible risk is the important step in the investment funds involving. Not only inside the enterprise or domestic risk but international as well. It enables to safe the funds and the whole investment project.

The demand and supply stimulation of existing investment products as programs or projects for enterprise and domestic economy is the next marketing technique.

This step will be ineffective without proper justification and clear planning of promoting the investment product in the domestic market. For this purpose, specialists develop their own strategy of investment activity and investment marketing tactic.

The strategy of investment activity is a kind of long-term action model of marketing in the field of attraction of foreign investments, which has multiple goals and ways to achieve these goals. To attract foreign investments marketers recommend involving all variety of marketing strategies and techniques by defining them in depending on the investment attractiveness of the recipient of investment for investors. They include next strategies [47]:

- Leadership (investor) and growth (the recipient of the investment) strategy;
- Diversification (investor) and growth (the recipient of the investment) strategy;
- Retention (investor) and selective growth (the recipient of the investment) strategy.

Implementation of investment project control and the level of its effectiveness are important things in the marketing system of investment attractiveness. Such information is an important basis for the future investment products.

So, we should say that successfully selected marketing investment strategy for each individual producer also industries and domestic economy gives the opportunity to attract much more investment funds of potential foreign investors, improve the investment attractiveness of a specific entity (manufactories, sectors, fields of economic in general) and will open new opportunities for further qualitative changes in this area.

### **3.3 Forecasting the Level of Investment Attractiveness of Ukraine in the Medium Term with Regard to Proposed Measures.**

The Executive Director of the European Business Association in Ukraine Anna Derevianko said that taking into account all the factors, strategies and possible measures for improving the investment attractiveness of Ukraine, the index of



investment attractiveness of the domestic economy had reached the level of 2010-2011 and is continuing to be steadily neutral for almost a year and a half - at 3.00 - 3.20.

Also in recent years, the key economic parameters so as the nominal amount of GDP and the level of foreign direct investment in the domestic economy of Ukraine have been significantly changed (Table 3.2) [51]:

Table 3.2

Dynamics of Nominal GDP of Ukraine and FDI for 2011-2017

Year	The amount of the nominal GDP of Ukraine, billion USD	Foreign direct investment (equity), billion USD
2011	162,9	49,362
2012	180,2	54,462
2013	134,9	58,157
2014	129,9	45,916
2015	90,1	43,371
2016	91,7	37,656
2017	112,1	39,144

*Source: Compiled by the author based on [51]*

In order to make predictions about the investment attractiveness of a certain country, it is necessary to take into consideration the main factors, which influence the country's performance. Based on the data of these factors, it is possible to make prediction about a country's performance in the future. Information about the stated factors regarding Ukraine might be found on the websites of National Bank, the National Statistics Committee and Ministry of Economic Development and Trade of Ukraine.

To conduct an objective evaluation of investment attractiveness of Ukraine, as well as other countries, the methodology of European Business Association is used. It is worth saying that the investment attractiveness of Ukraine has worsened in 2017 since 2013. Certain steps should be made to improve the investment attractiveness of Ukraine.

In order to improve the investment climate of Ukraine, it is essential to reform the economic and legal systems. For this aim it is necessary to solve the problems of corruption and shadow economy, on the one hand. On the second hand, it is essential

to develop the legislation of the intellectual property rights as well as ensuring the openness of the economy (fig. 3.1):

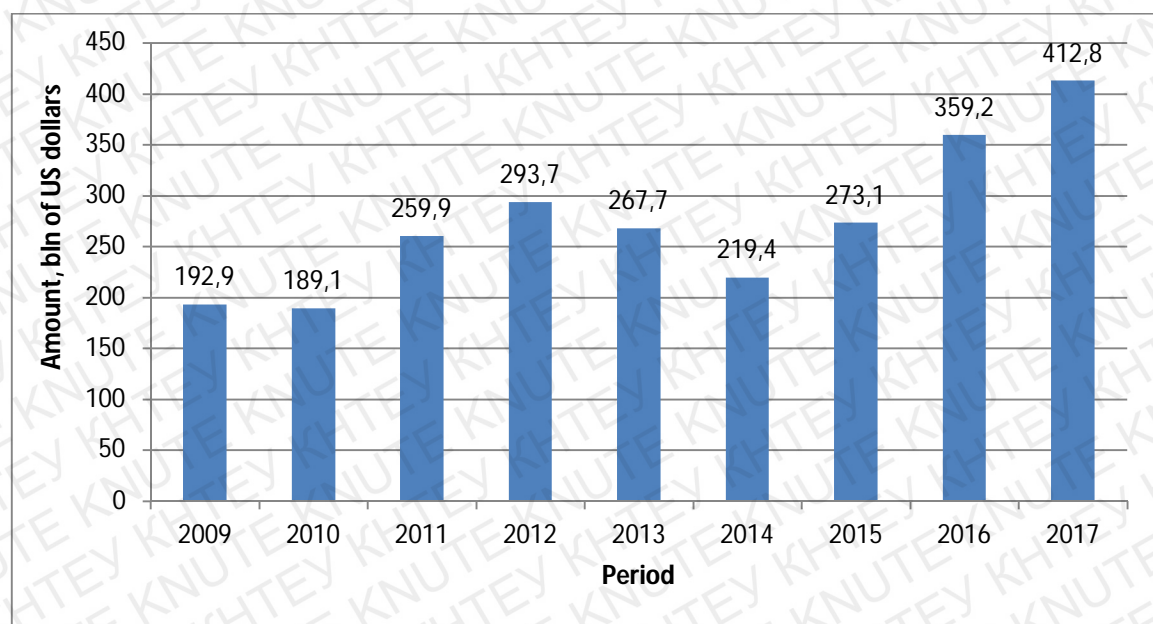


Figure 3.1 The Volume of Capital Investment inside Ukraine's Economy for 2009-2017

*Source: Compiled by the author based on [48]*

Nevertheless, there are some positive movements towards the investment inflows inside the Ukrainian economy. For instance, there was a significant increasing in the volume of capital foreign investments inside Ukraine in the last reporting year. In 2017 they were amounted to UAH 412.8 billion against UAH 359.2 billion in 2016, which is an important positive factor of further growth of the investment attractiveness of the leading sectors of the Ukrainian economy for foreign investors (fig. 3.2) [48].

The above data indicate good prospects for the growth of the investment attractiveness of the Ukrainian economy for potential foreign investors and make it possible to look at the near future with cautious optimism.

To assess the possible amounts of investment inflows inside Ukraine's economy, it is necessary to look closer at some indicators. First of all, it is obvious that the investment itself is nothing without labor force. So, the first idea is to make an insight into the demographic situation in the country (fig.3.2):

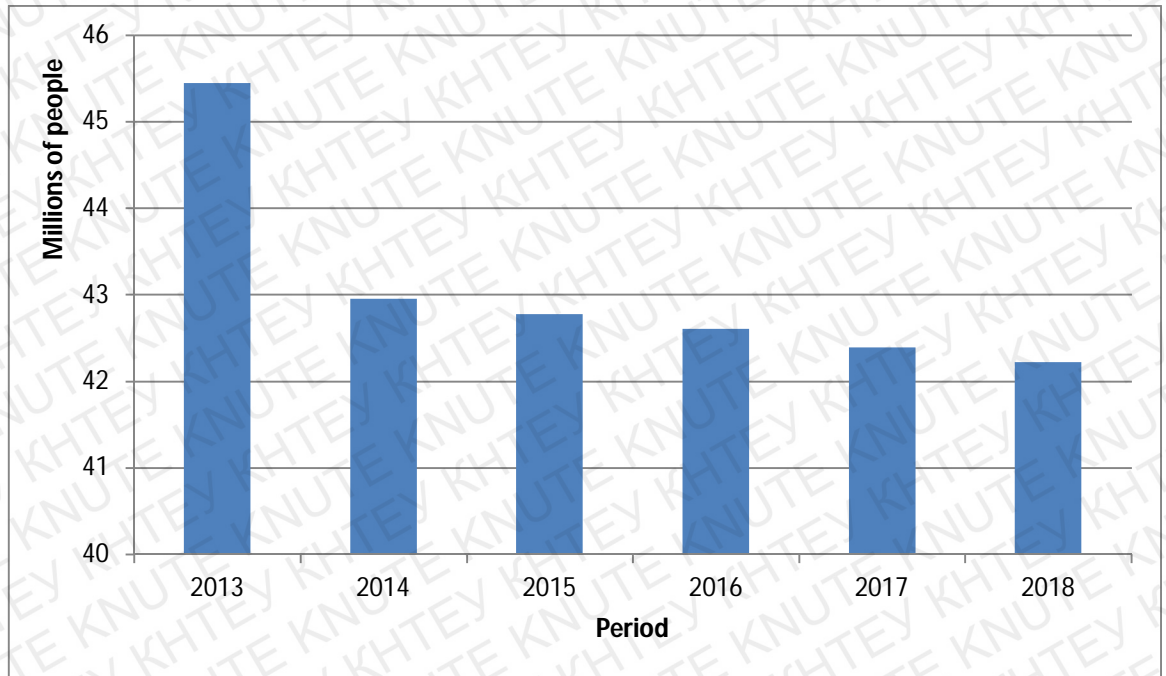


Figure 3.2 Dynamic of amount of population in Ukraine for 2013-2018

Source: Compiled by the author based on [48]

The above chart shows the dynamics of increasing population within the country. Judging from the illustrative material, it can be said that there is a sharp decrease in the population within Ukraine. It has decreased by almost a half within the last five years. This is a warning indicator, so that people don't usually leave a prosperous country with high living standards (fig.3.3):

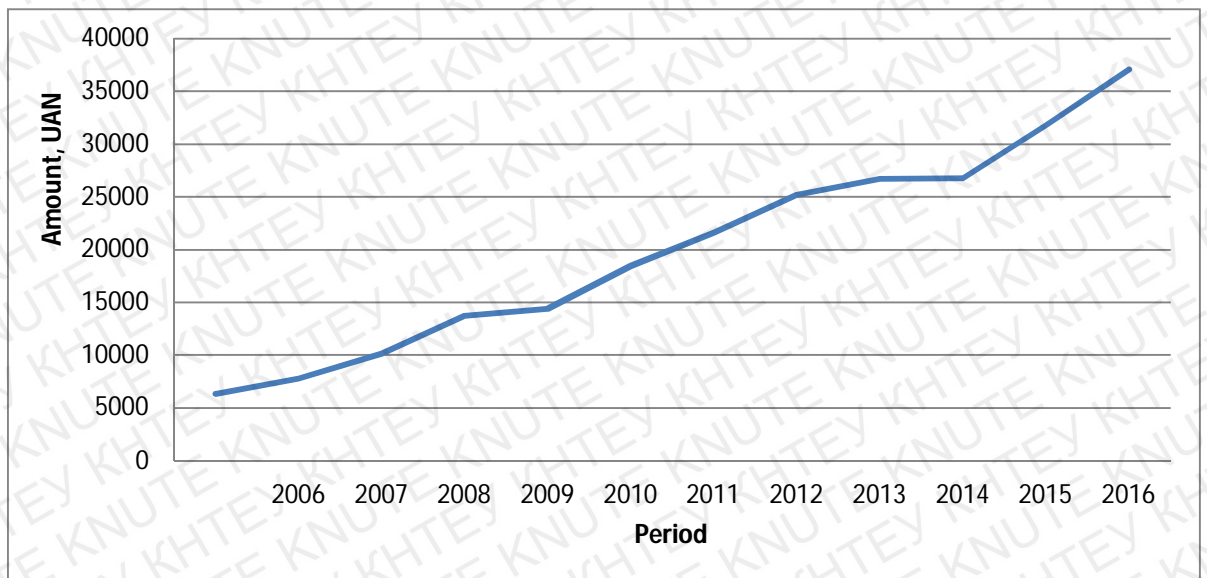


Figure 3.3 Average earnings in Ukraine per capita, UAN

Source: Compiled by the author based on [48]

The above figure shows average earnings of dwellers of a certain country. It is clear that the earnings are raising up. In case of Ukraine, this is mostly because of unstable economic and political environment. The inflation rate gets higher, which means that the value of currency loses its primary cost. Out of the above-mentioned data, it is possible to make conclusions and forecasts. Otherwise, the forecasts introduced by the National Bank of Ukraine can be used.

Basing on the data upstairs it is possible to make a forecast of the investment inflows inside Ukrainian economic system (fig. 3.4).

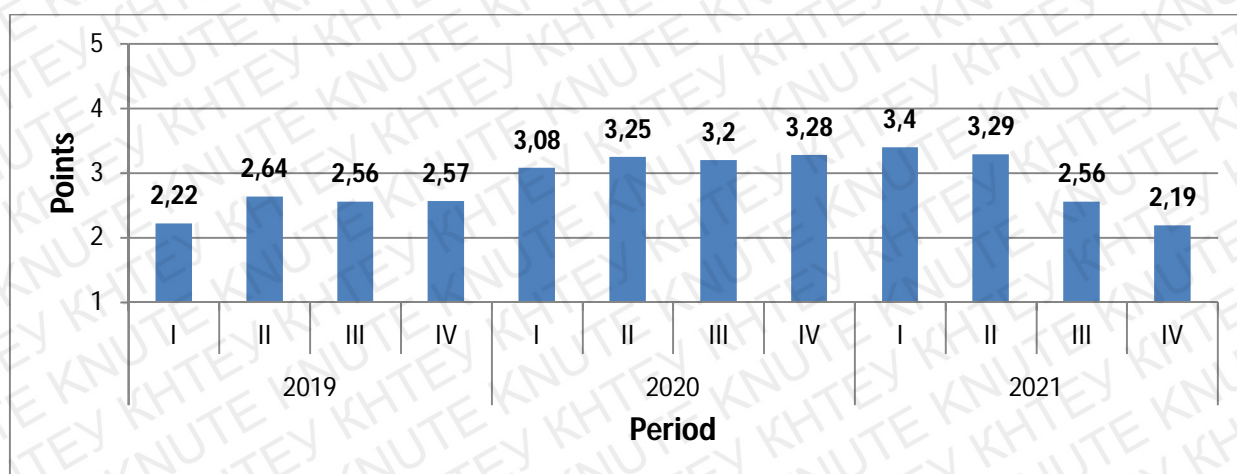


Figure 3.4 Forecasted index of Ukrainian Investment Attractiveness

*Source: Compiled by the author based on [48]*

Therefore, according to these results specialists of the European Business Association with the public opinion research center Gemius Company, the Office for Attracting and Supporting Investments under the Cabinet of Ministers of Ukraine and the National Investment Council have developed several main scenarios for the future level of investment attractiveness of the domestic economy in the medium term:

1. Further growth of the index of investment attractiveness. About 35% of all business companies in Ukraine speak about this, assessing the actions of the authorities in the economic area, and many steps have already been taken in the political one:

- 1) the creating and commencement of activities of the Anti-Corruption Court;
- 2) establishing effective economic cooperation with the EU after the opening of a free trade zone (as an example the export of poultry meat, in terms of the quantitative parameters of which Ukraine came out on top in the world);

- 3) relative stability of the hryvnia and rather low inflation compared to previous years;
- 4) progressive, maybe not so significant growth of Ukraine's GDP, but now it stands at 1.1%;
- 5) the development of electronic services and the digitalization of the economy [19].

Measures such as automatic VAT refund, cancellation of the seal, health system reform, education, administrative and managerial reform (creating of united territorial communities), etc., should also be an important factor in the further growth of investment attractiveness.

The index and the real level of investment attractiveness of Ukraine will remain at the same level. About 40% of experts and business representatives surveyed are inclined to believe this. In support of their contention they are giving the following factors:

— the lack of noticeable progress in the fight against corruption. Despite the creation and activities of numerous anti-corruption bodies, the level of corruption in Ukraine, especially in the economic area, are continuing to be one of the highest among all civilized countries of the world, and in the near future of global success should not be expected in the context of combating corruption;

— the unresolved conflict in the East of Ukraine, the absence of an effective mechanism of the Minsk agreements, the failure to implement the international peacekeeping contingent in the Donbas and the loss of control over the Crimea/ These political factors are largely continuing to scare off potential investors, especially those who could bring new investments specifically to the eastern regions of Ukraine — the energy, mining or metallurgical industries;

— the beginning of the presidential election campaign. Any elections in the country, especially presidential ones do not bring comfort to potential investors, but are always a source of heightened tension and anxiety, since there is always the threat of a worsening of the general economic situation in the state as a result of a possible

political crisis (consider at least the Orange Revolution during the presidential election campaign of 2004) [29];

— further strengthening, despite numerous declarative statements by the authorities, the pressure of tax and regulatory authorities on the business community under such conditions, foreign investors will not risk investing in enterprises or industries that may be the reason of constant “fights” or judicial decisions.

3. Reducing the index of investment attractiveness of Ukraine from neutral to negative. Such pessimistic predictions make about 25% of all respondents in the course of a global survey of respondents. In their opinion, in addition to mentioned problems and negative aspects that may affect the level of investment attractiveness of the state in the future should be also included:

— increasing social tensions within Ukraine as a result of the decision about Tomos. Social cataclysms have never contributed to the improvement of the investment climate, and such serious fateful decisions as the unification of the Orthodox Church in a state can bear an extraordinary global imprint (and actually in the light of the conflicts of believers are not at all positive);

— “wars” between law enforcement agencies, as recently (for example, the conflict between NABU and SAP), during which, most likely, the investment attractiveness index may also fall;

— instability in the global currency, oil and securities markets;

— the lack of land reform and an unsatisfied moratorium on the sale of agricultural land; according to experts in the agricultural sector, Ukraine annually loses hundreds of millions of dollars due to the lack of progress in this matter;

— the threat of a full-scale war with Russia. Despite the heavy sanctions for Putin on the part of the international community no one can give security guarantees for Ukraine regarding the possible direct aggression of Russian troops on our territory, as it was with the Crimea in 2014;

— other possible adverse external and internal factors are the threat of a global economic crisis, natural disasters and man-made disasters, etc. [19].

In general, the forecast of the future level of investment attractiveness of Ukraine to foreign investors is still mostly positive, but both the Europeans themselves and domestic analysts, business members and officials say that it's important to improve or at least maintain the current level of investment attractiveness, it is necessary to solve such important problems:

1) corruption (lack of clear progress in fighting it, despite many declarative and frankly populist statements)

2) economic factors such as instability of currency, inflation leaps, gradual devaluation of the hryvnia, mass departure of the working-age population abroad for work, especially from Western Ukraine, unresolved permitting and control procedures, lack of progress in the detestation of the economy, tax pressure, etc.

3) slowness and relative inefficiency of reforms (lack of land reform and labor market reform, further inhibition of judicial reform, slow modernization of the infrastructure, actual stopping of the reform of administrative and territorial administration, etc.)

4) numerous political factors (political instability, numerous corruption and other scandals, legislative and political uncertainty, the upcoming presidential elections, etc.) [45].

It is an effective solution for these complicated issues that will not only preserve the existing level of investment attractiveness, but also can improve it toward a positive one.

### **Conclusions to the Part III**

So, the international image of Ukraine is an extremely important in its perception of the world, and in turn forms the investment attractiveness of the state in the international arena and the competitiveness of its enterprises, goods or services. To improve it, a comprehensive, integrated strategy with a well-defined plan and concrete measures are required. Not only power structures or business circles, but the entire society should take part in its implementation.

Investment competitiveness from the perspective of a foreign investor should be considered as a multi-level system, which includes products, enterprise, region, industry, country. In most cases, investors are interested in all levels of the competitive advantages. A similar specificity of investment competitiveness allows a foreign investor to comprehensively evaluate the competitive advantages for making the right investment decision.

A powerful advertising of economic potential at all levels is also needed, which has attracted the attention of foreign investors and has helped to attract their capital. Such work should be carried out in all areas of investment activity that interested potential foreign firms, companies and transnational corporations. But first of all, it is necessary to correctly and accurately assess the existing level of investment attractiveness for foreign investors.

This assessment is carried out by the European Business Association (EBA) and its partner, Gemius Company, and in their assessment the investment climate in Ukraine has finally become neutral, moving from a negative rank.

However to achieve a positive investment image, it is necessary to carry out many measures and complex both economic, and political, social and social transformations.



## CONCLUSIONS

The question of international image in conjunction with its investment attractiveness on the macroeconomic level has been studied in the following research paper.

At first, the main approaches towards measuring investment attractiveness were investigated. It is clearly understandable that in order to increase the investment potential of a country or a region, the clear picture of the main forces of influence on investment climate as well as the notion of investment attractiveness itself should be pointed out. Regarding this fact, the author investigated the implications of moving towards increase of investment inflows inside a particular economy and came to the conclusion that the main indicators of the investment potential of a territory are:

1. discount rate and its dynamics;
2. the rate of inflation;
3. cyclist of economic dynamics;
4. technological progress;
5. the level of development of the investment market;
6. State regulation of the investment climate.

Second important feature of the decision-making process when investing is taking into account the risks, which can be divided on:

1. political;
2. economic;
3. social;
4. environmental;
5. financial
6. legal.

In addition, the investment attractiveness is closely tied with international image of the country, which means general perception of a particular country on international

level. So, in order to attract more investments inside the region, it is logical initially to make some steps on improving the international image. Roughly speaking, the way a country is perceived by foreigners.

In the second chapter, the dynamics and structure of foreign direct investment inside Ukrainian economy was analyzed. It was found out that in the last year Ukraine slightly improved its positions in international rankings provided by The World Economic Forum, World Bank, Foundation For Peace and OECD. For instance, it should said that Ukraine improved its credit rating in the international economic list published by Moody`s Investors Service. It has changed from “stable” to “positive”. Moreover, in the ranking of the Global Competitiveness Index 2017, Ukraine has improved its position by 4 points and ranked 81<sup>st</sup> out of the 137 countries examined. This can be the consequence of some legislative improvements in Ukraine in 2016-2017.

Using the method of export evaluation and the data provided by international organizations, it was possible to make the observations on investment attractiveness of different countries and the position of Ukraine on the world investment map. Judging from the calculations, Ukraine is situated between Turkey and Kyrgyz Republic on the investment map.

Talking about current issues on its way of improving an international image of Ukraine it is worth to point out:

- An awful size of corruption;
- Weakness and relative lack of effectiveness of economic reforms;
- Manifestations of censorship.

Yet, it was highlighted the steps, which can be taken in order to improve the situation:

- Further democratization of all spheres and directions of public life;
- More active involvement of all citizens in the governance process;
- Consideration of political, economic, socio-cultural interests of all sectors of society.

On the microeconomic level the next steps were proposed:

- Introduction of VAT automatic reimbursement;
- Prohibition of the forced removal of companies servers;
- Introduction of a non-mandatory seal of the enterprise;
- Improve the opportunities in the electric payments;
- Implementation of administrative reforms.

Among other steps, which can be proposed to Ukraine in order to improve its international image and, as a result, increase investment flows, is to become an active participant in international summits and conferences in order to demonstrate its high potential and skills.

Secondly, it is highly recommended start more closely co-working with international agencies in order to get access to the most valuable resources of information and observe its own position in the world ranks.

Lastly, different exchange programs among young people will be a great preference as it will give the foreigners more relevant and positive information about Ukraine as a country.

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## Risk Rating among Countries (2017)

Country	Political Risk	Financial Risk	Economic Risk
Albania	66,0	39,0	32,5
Armenia	56,5	34,5	34,0
Azerbaijan	56,0	46,5	39,5
Belarus	57,0	29,5	30,0
Bulgaria	69,0	38,0	36,5
Croatia	69,5	37,0	36,5
Czech Republic	77,5	39,5	39,0
Estonia	76,0	34,5	38,5
Hungary	78,0	31,5	40,5
Kazakhstan	62,5	29,5	34,5
Latvia	74,0	35,5	38,5
Lithuania	75,5	38,5	39,0
Moldova	58,0	34,0	27,5
Poland	79,0	38,0	40,0
Romania	66,5	38,0	38,0
Russian Federation	56,0	40,0	29,0
Serbia	61,0	36,0	30,0
Slovak Republic	72,5	34,5	39,5
Slovenia	70,5	33,5	40,0
<b>Ukraine</b>	<b>58,5</b>	<b>33,0</b>	<b>19,0</b>

Annex B  
Table "B.1"

## Doing Business Indicators

Indicator	Indicator calculation
Creating business	Number of Procedures
	Cost of procedures
	Time span
	Size of authorized capital
Obtaining building permits	Amount of procedures
	Terms, days
	Price
Connecting to the power supply system	Amount of procedures
	Term, days
	Price
Property registration	Amount of procedures
	Term, days
	Price
Getting loans	Legal rights index
	Credit information index
	Number of people registered in the state register, % of adult population
	Number of people registered in private bureaus, % of adult population
Investor protection	Openness index
	Director liability index
	Shareholder index
	Investor protection index
Taxation	Amount of tax payments
	Time span
	Income tax, % of income
	Payroll tax, % of income
	Other taxes, % of income
	Total tax rate, % of income
International trade	Amount of documents for export
	Time for export, days
	Cost of export
	Amount of documents for import
	Time for import, days
Contract enforcement	Cost of import
	Term, years
	Legal costs
Insolvency resolution	Amount of procedures
	Time, years
	Cost
	Recovery rate