

FOREIGN DIRECT INVESTMENT INFLOW IN 1997-2016 YEARS IN GEORGIA, UKRAINE AND MOLDOVA (COMPARABLE ANALYSIS)

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Doctorate

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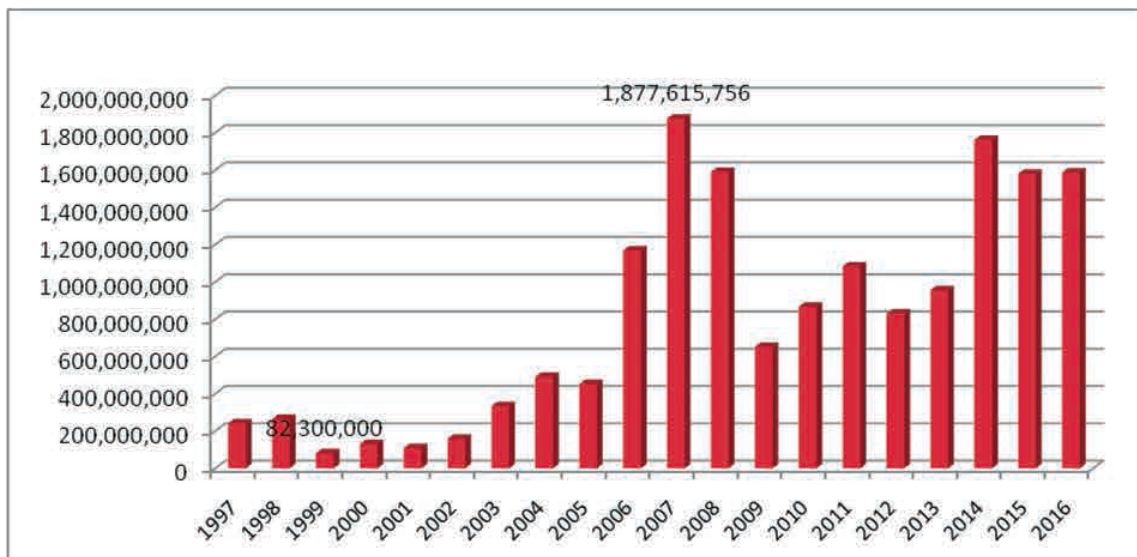
KEYWORDS: FDI, GEORGIA, UKRAINE, MOLDOVA

State ownership in the Soviet Union was dominated by the government. Naturally, the state financing system for the economies of the independent states formed on the basis of its disintegration was reduced and the building process of market economies was started. [Papava, 2013;] Initially, these countries have been experiencing deficits in their finances [Atanelishvili, Chikviladze, Silagadze, N., 2017; Chikviladze, 2018; Silagadze,A., Gelashvili,2009]. There was no help from outside. So, it was necessary to identify development vectors. At first, they were closely integrated into the Commonwealth of Independent States (CIS). This did not provide stability in the development of the countries. Moreover, in this period their territorial integrity was violated. The orientation problems were still very sharp.

Foreign investors were observing the current events and did not hurry [Silagadze,L.:2016,2017,2018; Sichinava, 2010; Khurtsia,2006]. The countries should have their own model of development, create the laws appropriate for market economy, structures, conditions for people to get dignified income, also deepen the integrative processes and etc. [Bedianashvili, 2014,2017; Gaganidze, 2016,2018; Silagadze, A., Zubiashvili.:2015; Silagadze, A., 2015].

The implementation of the above objectives required time. Consequently, no foreign investors were in a hurry: in the initial stages of the 1990s, the amount of direct foreign investment inflows was minimal, and then the process was speeding up. (Chart 1, 2, 3).

The graph 1: Show Foreign Direct Investment Inflow in Georgia (Current US\$)

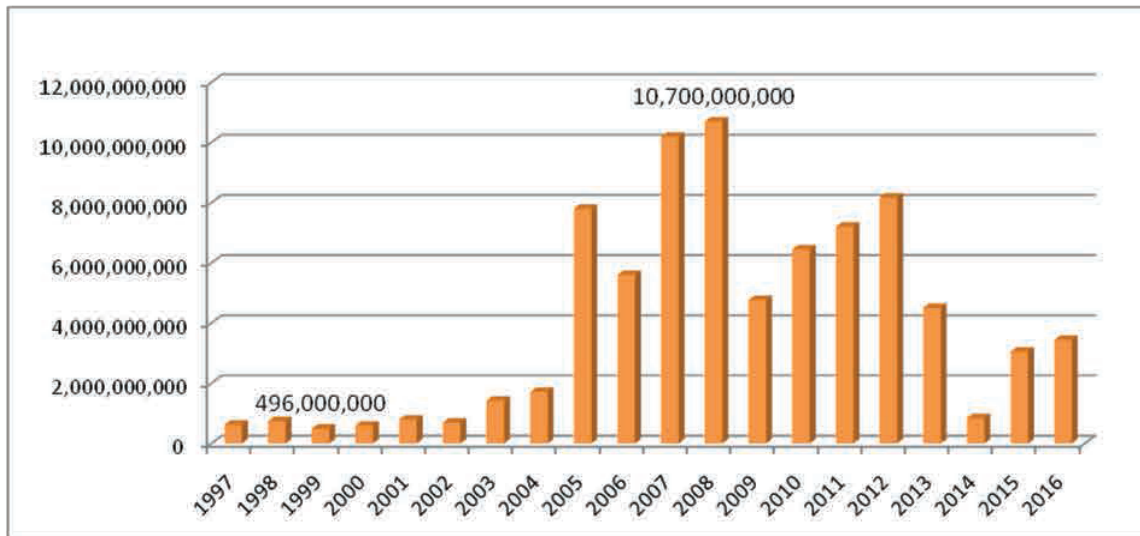


Drawn up <http://databank.worldbank.org> 09.05.2018.

Graph 1 shows:

- The lowest amount was viewed in 1999, which resulted in a delay in reforms in the country;
- FDI's boom in 2007 (as well as in the whole world);
- FDI reduction in 2008-2009 mainly led to a Financial Crisis and war with Russia (August 2008);
- FDI in 2014-2016 is gradually rising.

The graph 2: Show Foreign Direct Investment Inflow in Ukraine (Current US\$)

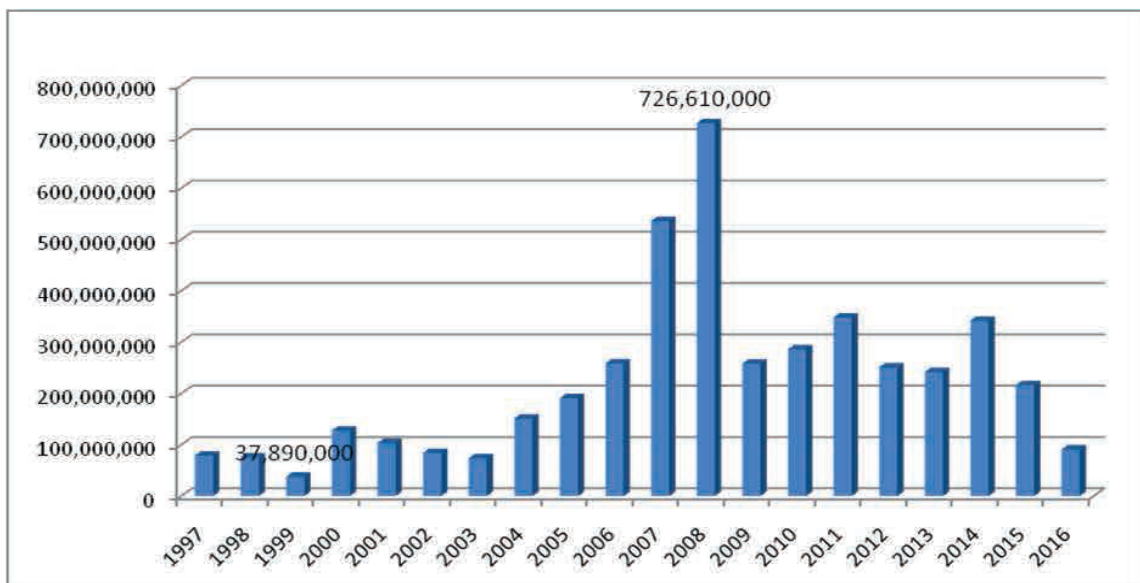


compiled: <http://databank.worldbank.org> 09.05.2018.

Graph 2 shows:

- The lowest amount saw in 1999;
- FDI's reached a peak in 2008;
- In 2009 in comparison with in 2008 fell almost twice the figure, after started growing next 4 consecutive years.
- In 2014 because of war with Russia the numbers plunged, following rise subsequent 2 years.

The graph 3: Show Foreign Direct Investments Inflow in Moldova (Current US\$).



Source: <http://databank.worldbank.org> 09.05.2018.

Graph 3 shows:

- The lowest quantity was seen in 1999, which stemmed from a delay in reforms in the country;
- FDI's boom culminated in 2008 (as well as in the whole world);
- FDI started fluctuation from 2008 to 2016.

To illustrate the problem more accurately, draw a chart on table 1, which reflects the share of the FDI (%) GDP per capita according to comparable countries.

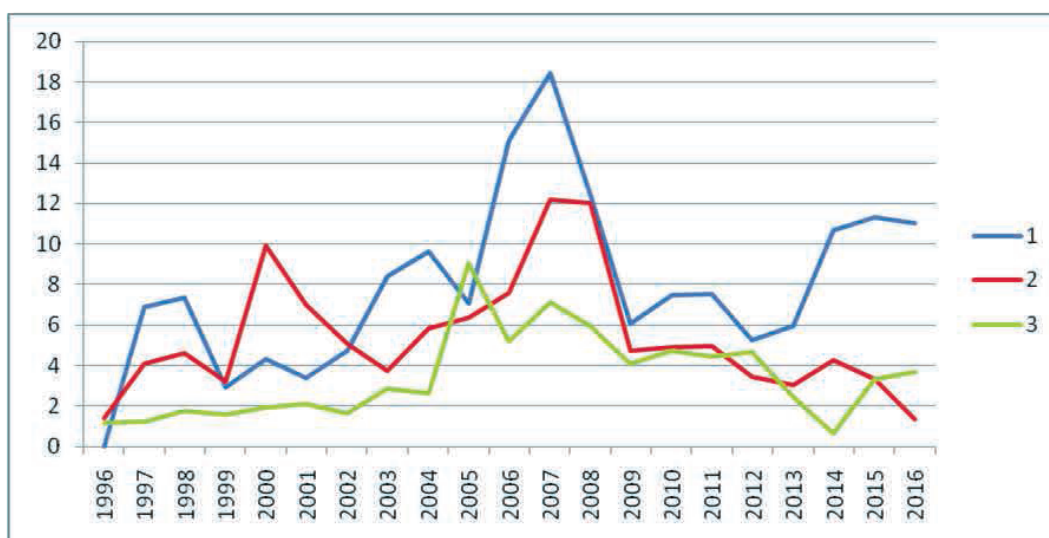
(Table 1, chart 4).

Chart 1. Share of FDI inflow (%) in GDP

Drawn up: worldbank.org/indicator/BM.KLT.DINV.CD.WD ; *geostat.ge 29.04.2018.

Year	Georgia	Moldova	Ukraine
1996	0.12*	1.40	1.17
1997	6.91	4.08	1.24
1998	7.34	4.61	1.77
1999	2.94	3.24	1.57
2000	4.30	9.90	1.90
2001	3.41	6.99	2.08
2002	4.72	5.06	1.63
2003	8.39	3.72	2.84
2004	9.61	5.81	2.64
2005	7.07	6.38	9.06
2006	15.11	7.59	5.20
2007	18.46	12.18	7.14
2008	12.44	12.0	5.94
2009	6.06	4.75	4.07
2010	7.47	4.92	4.74
2011	7.51	4.96	4.42
2012	5.25	3.44	4.65
2013	5.93	3.03	2.46
2014	10.68	4.28	0.63
2015	11.31	3.32	3.35
2016	11.05	1.35	3.69

Chart 4. Share of FDI inflow (%) in GDP



1. Georgia; 2. Moldova; 3. Ukraine

The comparison of the above mentioned indicators shows that in the GDP, the share of FDI inflow (%): in 1990-2002 was the highest index in Moldova and in Georgia in 2002-2006. Unfortunately, Ukraine's indicators have deteriorated sharply as a result of the war with Russia. The maximum indicator (18.6%) was observed in 2007 in Georgia, the minimum – in 2014 (0.63%) in Ukraine.

Thus, the direct foreign investments have played a significant role in the new associated post-Soviet countries of EU, although the demand is much higher. According to the analysis of the past period, at the initial stage the share of FDI inflow in the GDP had the highest rate in Moldova, in the recent years - Georgia and as for Ukraine its indicators have fallen to the lowest level since the war with Russia.

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SUMMARY

Resource deficit is a serious problem, but wealthy resources do not mean the riches of the country. One of the main reasons for the collapse of the former Soviet Union was ineffective use of rich natural resources. The Soviet economy, especially in the last years of its existence, was mainly dependent on income from the export of resources. Dropping prices on export resources have significantly damaged the country and have played a big role in the collapse of the former USSR. In the early 1990s, after the dissolution of the Soviet Union, new independent states, differently, but still found the way to build a market economy. Some of them have benefited from the richness of resources, while others more or less have taken advantage of innovations. Recently, one of the post-Soviet states (Georgia, Ukraine, Moldova) became associate members of the EU. The European integration vector has created new requirements. It becomes more actual to stimulate attracting foreign investments. In these processes the countries which use these foreign investments

in accordance with logically elaborated and substantiated priority are getting more benefit. All three above-mentioned countries are suffering a serious problem of territorial integrity which obviously creates a lot of problems. The report is dedicated to the comparative analysis of only foreign direct investment (FDI) in Georgia, Ukraine and Moldova. Initially, the newly formed independent post soviet countries have suffered from a deficit of their own finances, and foreign investors were observing the current events and not hurrying. Countries should have their own model of development, to create the laws, structures, conditions for people to get dignified income to deepen the integrative processes and etc. Such tasks could not be completed in a short time, which was well understood by foreign investors. As a result in the early 1990s the scales of direct foreign investments in the analyzed countries were minimal, and then the processes were speeding up. The FDI played a key role in economic development of these countries.