

kompetencjach informacyjnych (miękkich), tj. edukacji do mediów. Korzystanie z nowoczesnych technologii nie powinno być celem samym w sobie, ale środkiem do poprawy jakości życia i aktywizacji osób starszych.

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### **CHINA'S EXPERIENCE AS A GUIDELINE FOR ATTRACTING FDI INTO UKRAINIAN ECONOMY**

**Abstract.** This article aims at drawing similarities between the economies of the People's Republic of China and Ukraine and using Chinese experience as a guideline for developing national investment potential.

Nowadays, the People's Republic of China (PRC) is one of the most attractive destinations for foreign direct investments, as all countries are actively involved in investment relations with it. As of 2015, the volume of the injected FDI is 135,61 billion dollars with a forecast of the further increase in 2016 [9]. Even though China faces a significant challenge of foreign capital outflow, it is still powerful and its economy attracts multi-billion investment projects. For this reason, it is critical to take a closer look at the investment-related experience of the country and speculate on the ways to turn it into a guideline for benefitting the economy of Ukraine by crafting ideas to launch

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initiatives for inviting FDI into the domestic economy. That said, the objective of this paper is to draw the lines between the economies of China and Ukraine and identify the intersections, which might be helpful for boosting Ukraine's economic development by introducing a China-like model of raising funds.

To begin with there are numerous factors contributing to the attractiveness of the Chinese economy such as cheap but high-skilled labor, vast industrial potential, favorable policy of the Central Bank, macroeconomic and financial stability with the exception of recent capital outflow, advantageous legislation as well as flexible taxation regimes and the existence of special economic zones [7, p. 10—11]. At the same time, business environment in the PRC is characterized by excessive bureaucratic hurdles, common conflicts of interests, high level of corruption, violations of confidentiality, and unclear legislative frameworks, which are too intricate regardless of the opportunities they guarantee to foreign investors [5]. Taking a closer look at common investment bottlenecks of the Chinese economy, it is evident that there are some similarities with the Ukrainian investment environment, as it is featured by extreme severity of corruption, especially at the highest level and excessive bureaucratic procedures as well as ambiguous and contradictory legislation aimed at regulating investment and property relations [3, p. 9]. Therefore it is imperative to answer the following question: if the challenges are identical, can the Chinese model be applied to addressing them and developing Ukraine's investment potential?

To properly address this question, it is paramount to be aware of the specificities of investment regulations in both the People's Republic of China and Ukraine in order to identify the gaps that could and should be filled. To begin with, the primary peculiarity of the Chinese investment environment is the existence of a division of industries into several blocks — those prohibiting, restricting, permitting, and encouraging the injection of foreign investments. For example, environmental protection and high-tech projects are encouraged, media, financial services, and mining are restricted, while culture, sports, education, entertainment, and some scientific projects are prohibited [2, p. 24-25]. In fact, China is overprotective when it comes to estimating the business surrounding of the country. However, it can be easily explained by the current transition from the quantitative growth of FDI volume to qualitative, i.e. attracting funds into the sectors lacking adequate financing.

Another specificity of the PRC's environment is the so-called tax holiday — the reduction or exemption of corporate income tax for

foreign investors for the period of five to ten years or even the overall duration of operation based on the sector of operation and the nature of an investment project. For instance, software and IT enterprises are granted five years of tax holidays, infrastructure and environmentally friendly technologies projects are entitled to six years of the tax break, and IC production projects are characterized by ten years of tax exemption. This preference is granted starting from the first profit-making year. Moreover, it is essential to note that forestry, animal-husbandry, fishery, and agriculture projects are entitled to either tax exemption or 50 % reduction for the general duration of the project [8, p. 5].

As for Ukraine, the situation is different. First of all, there is no strict division into permitted and restricted industries for injecting foreign capital. Nevertheless, publishing activities, owning agricultural lands and manufacturing carrier rockets are prohibited [3, p. 9]. In addition, some projects such as insurance companies and television are subjects of strict governmental regulation [1, p. 3]. Moreover, there are numerous tax incentives granting tax reduction or exemption, e.g. special VAT regime for the most qualified agriculture manufacturers, IT production, mining, and electricity produced from renewable energy resources [1, p. 3]. Finally, unlike China, the process of setting up a foreign enterprise is simplified, as there is no strict or lengthy permit process. More than that, Ukraine's investment environment operates under the so-called silent consent rule. According to it, if the authorities do not respond to a properly submitted application within a specified period (usually 30 days), and applicant is allowed to start a business without a permit, even though it is recommended to obtain one [3, p. 9; 6, p. 120].

Based on the facts mentioned above, the key differences in regulating investment activities in China and Ukraine are insignificant. Instead, what matters is the stage of economic development and the country's economic potential. As it was stated above, PRC attracted almost 140 billion dollars in 2015. Ukraine, on the other hand, managed to receive 4 billion dollars. It is a spectacular increase compares to 411 million dollars obtained in 2014 [10, p. 60]. However, there is still a lot of work to do. Nowadays, the demand for foreign investment exceeds 20 billion dollars necessary for conducting in-depth structural reforms and reloading domestic economy. It means that the country is in need for quantitative growth of the attracted FDI volume. This strategic objective can be achieved by following China's path of developing investment potential and boosting growth. First of all, the state should become actively involved in the process of

attracting foreign capital. Significant attention should be paid to overcoming the challenge of corruption. Even though PRC is as well known for corruption at the highest level, its magnitude is not as impressive as in Ukraine.

Still, the solution to the current lack of foreign financing can be found in historical retrospective and the initial stages of China's investment development. The primary emphasis should be put on cautious encouragement, which was a common practice in PRC during 1984-1991, and active encouragement popular during 1992—1996. The idea is to be aware of the potentially promising or threatening projects. Because in most cases, foreign entities are set up under the 'silent consent' rule, it means that the state is ignorant and does not investigate their potential activities. Based on the drawn recommendation, the state should encourage IT and renewable energy projects. Even though they are stated among those entitled to tax exemption, in order to benefit the national economy, it is advisable to control their operations and determine the necessary timeframes for similar exemptions, i.e. once they are making enough profit, VTA can be reduced instead of being totally exempted.

As for now, the functions of reviewing investment projects and designing investment policy are carried out by the Ministry of Economic Development and Trade of Ukraine. However, it is essential to note that up to 2015, this role was granted to the State Agency for Investments and National Projects of Ukraine, but it was put into liquidation. Nowadays, there is no significant need for creating a new agency. Instead, it is crucial to concentrate on developing a comprehensive investment policy, which would address the needs and potential of regions. In addition, the creation and support of localized centers responsible for reviewing investment projects, as it was adopted in China during the phase of active encouragement, is as well advisable in order to guarantee strict control over foreign investors as well as protect their rights [4, p. 15]. More than that, local centers could be divided into departments based on the industries and sectors of operation. Furthermore, during the specified period, the Chinese government gave preference to powerful investors with large shares of overseas markets. Because Ukraine possesses vast labor resources, they might be involved in manufacturing. In case if a potential investor is a powerful entity with a growing demand for its products, this step is recommended, as the supply, i.e. manufacturing, would constantly boost solving the problem of unemployment. Finally, it is vital to invest in IT startups. As for now, Ukraine is a homeland to numerous outstanding ideas that are presented at

International Consumer Electronic Shows every year. Because, for the most part, they face the challenge of inadequate funding, they are launched abroad, especially in the Silicon Valley in the United States, and benefit foreign economies.

To sum up, nowadays, Ukraine experiences significant economic hardships connected to political and social instability. Nevertheless, there are some potential ways to handle this problem by following the path of the People's Republic of China, especially ones it took during the early stages of development. That said, in order to boost investment activities, it is advisable to review investment policy with the aim of designing a comprehensive approach to regulating this sphere of economic relations. The emphasis should be put on cautious but active encouragement of foreign projects, i.e. making maximum effort to individualize an applicable tax framework in order to satisfy the needs and opportunities of both investors and regions.

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## **SOME COMPONENTS OF THE DEVELOPMENT STRATEGY OF UKRAINE**

**Abstract.** The approaches to the doctrine of long-term development of Ukraine, considering realities of functioning national economy, are substantiated. It is proposed diversification of Ukraine's economy to realize by two directions: through the modernization of traditional sectors and infrastructure and active transition to knowledge-intensive non-raw sectors of production and services.

At present, the transformation of existing global system of economic and political relations is underway. For Ukraine's economy this generates new challenges though, at the same time, reveals new opportunities—to identify new strategic economic priorities and drastically change the model of economic development of the country. Ukraine yet again finds itself at the interception of development trajectories and by constantly postponing the implementation of the strategic objectives of the state would feel extremely dire consequences of non-systemic reforms, technological underdevelopment of the domestic economy, populism and legal nihilism. Ukraine must become a highly organized country that would create conditions for sustainable development and offer a wide range of opportunities for individual development. This will increase the sense of justice and social solidarity, and public confidence.

Researches, that are associated with determination of ways to achieve the long-term growth on qualitative basis taking into account

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