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**THE IMPLEMENTATION OF THE PROVISIONS ON THE FREE MOVEMENT OF FDI INTO REGIONS IN ACCORDANCE WITH EU**

Author investigate the ways of improving legal and institutional basis to enhance the capability of mechanisms to ensure a favorable investment climate and increasing the competitiveness of the regional economy of Ukraine in accordance to the provisions of the EU on the free movement of foreign investments.

**Keywords:** foreign direct investment (FDI), region, free trade agreement, free movement of FDI, European Union.

In order to improve the investment climate in Ukraine it's important to further accomplish the legal and institutional framework to enhance the capacity of mechanisms to ensure a favorable investment climate and the formation of foundations maintaining and improving the competitiveness of the national economy.

The World Economic Forum's 2014/2015 Global Competitiveness Index [2] ranked Ukraine 76 of 144 countries. The Index also ranked Ukraine 115 of 144 in terms of burden of Government regulation and 104 of 144 in terms of Transparency of Government policy-making. In particular the report cited the adverse conditions of a lack of transparency in policy-making, high level of favoritism in decision-making, poor judicial independence, weak protection of property rights and minority shareholders' interests, endemic issues with bribery, burdensome regulation, inefficient legal framework in settling disputes and challenging regulations, and weak auditing and reporting standards.

Furthermore, instability in the East continues to cast a shadow across the Government of Ukraine's reform efforts as many would-be investors remain on the sidelines waiting for a sustainable resolution to the conflict.

Continued the IMF financing as well as bilateral support is critical to restoring economic stability for Ukraine. In 2015 the IMF emphasized that the program will support the Government of Ukraine's efforts to improve the business climate, stating that "addressing deep-rooted structural problems is critical to create an enabling environment for investment and private sector activity" [3]. Tackling weak governance and improving the business climate is critical to increase foreign direct investment and achieve higher growth of Ukraine's regions. Moreover, a comprehensive strategy to reform state-owned enterprises is important to enhance efficiency and reduce fiscal risks.

The Association agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part was signed in 2014. The EU unilaterally reduced tariffs on Ukrainian goods as 2014 through 2015, when Ukraine begins to implement the Deep and Comprehensive Free Trade Area – the economic component of the Association Agreement. EU anticipate that DCFTA implementation will involve additional business friendly reforms such as harmonization of standards to meet EU norms.

With regard to transactions on the capital and financial account of balance of payments, from the entry into force of the Association agreement [1], the European Union and Ukraine shall ensure the free movement of capital relating to direct investments made in accordance with the laws of the host country, to investments made in accordance with the provisions of the Agreement and to the liquidation or repatriation of such invested capitals and of any profit stemming there from.

According to the Agreement the European Union and Ukraine shall ensure:

- 1) the free movement of capital relating to credits related to commercial transactions or to the provision of services;

2) the free movement of capital relating to investments and financial loans and credits by the investors.

Ukraine undertakes to complete the liberalization of transactions on the capital and financial account of balance of payments equivalent to the liberalization in the EU prior to the granting of internal market treatment in the area of financial services. A positive assessment of the Ukrainian legislation on capital movements, its implementation and continued enforcement conducted is a necessary precondition of any decision by the Trade Committee to grant internal market treatment with respect to financial services.

The European Union and Ukraine shall not introduce any new restrictions on the movement of capital and current payments between residents of the EU and Ukraine and shall not make the existing arrangements more restrictive.

As a result it's worth noting, that the Organization for Economic Cooperation and Development of Ukraine's Investment Policy Review, which a whole-of-government process is resulting in a roadmap for making the investment framework more predictable, transparent, open, and stable.

#### References

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