RUSSIAN INVASION AND ECONOMIC CRISIS IN UKRAINE

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ABSTRACT

Ukraine has had serious problems since its split from the Soviet Union in 1991. Even though Ukraine is independent from the Soviet Union, they still have a hold on Ukraine's political direction, impacting and influencing stability in that nation today. The mixture of Democracy and Communism in the country today also is very important in many aspects. The flow of money that comes in and out of Ukraine is so unstable that other countries or multinational corporations do not want to do business with Ukraine. This gravely concerns those countries bordering the Ukraine that are part of the European Union. Any organization that could be considered part of the "safety net" such as the EU is at a disadvantage when it comes to providing assistance that the Ukraine needs. This, in turn, leaves Ukraine very vulnerable to manipulation from other countries, such as Russia. The sticky past that marks the history of these two countries in part explains why the Ukraine is like it is today. Politically and ideally Ukraine is split down the middle (East and West).In the East there are still believers in the Soviet Union's ideas and the Western half is ready for democracy and new ideas Ukraine's future. Eastern Ukraine is where Russia is still strongly associated with Ukraine's economies. Russia depends on the large flow of exports that the Ukraine sends to them, which in turn supports Ukraine's economy. In addition to the Ukraine being affected by Russia's recent invasion, other countries are also feeling the impact from this political and military intrusion. There are other national that will be affected, in Europe and overseas. Recent scholarly articles have examined the Ukraine and the way it handles its policies with multi-national corporations (MNC) and the lack of economic growth. While these are problems the Ukraine has been facing for many years, the world is now looking at the impact MNC has on the local economy as well as the impact of Ukraine's long history with Russia. The fact that Russia exerts so much on Ukrainian economy can only be seen as unfortunate. Considering that Russia is their largest exporting country, cutting ties will dramatically affect Ukraine's economy.

Keywords: Ukraine, Russian invasion, multi-national corporations, Ukraine economy, Soviet Unio

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INTRODUCTION

Problems being faced by Ukraine economically have always played a role in its past from the time of Ukraine's independence from the Soviet Union till today. In this paper we question what the socioeconomic future will be for Ukraine and its complex relationship with Russia. We will also examine how multi-national corporations are preventing Ukraine's economy from growing, we also take up the question of whether or not the European Union will one day make Ukraine a member.

Historically Ukraine has always been dependent on Russia to have a functioning economy. When Ukraine gained its independence from the Soviet Union in August 24, 1991, it wanted to pull away from its socialist and communistic past and become more of a Democratic state. But the Ukraine still depends on Russia to buy its goods, this is pretty much the sole reason why events have not totally diverted from that ideals of the Soviet Union.

When Ukraine became a newly independent country from Russia, there was an agreement was made in 1994 stating that the nuclear weapons that Ukraine obtained after the split from Russia would be given up peacefully to the other parties. This agreement, made by the United States, UK, and Russia; stipulating that in return, they would keep Ukraine's borders safe. Russia is not upholding this agreement. This has an effect on the world market, and if Ukraine's economy does not improve, it will have a ripple effect on other countries, which the European Union does not want to see. Although the Ukraine is not part of the EU, they still are trying to help Ukraine in a way that will benefit everyone. The EU and another third party has offered an agreement that will not impact Ukraine negatively, but will benefit Ukraine in the end.[1]

With disparate cultural, social and economic aspects there is always a struggle to integrate into a country. And multi-national corporations are no exception, especially in Ukraine where there is a split in the East and West part of the country between political and social roots. This affects companies coming into Ukraine trying to deal with the country's two different cultures' social needs. The risk of losing money is too great for MNC to want to deal with clashing cultures and risk having Ukraine's economy fail. It is hard for MNC to invest in Ukraine because there is nothing that can be considered a "safety net".

Political turmoil is still playing a large part in Ukraine's recent crisis; with track records

1 James Sherr. *Ukraine and Europe: Final Decisions?* (London: Chatham House, 2013), 2.

of not having any stability. They also show few signs of having a well-established economy that can be properly integrated into the world market. But with the recent election of the new president, there is hope throughout the country that the financial crisis will soon turn around. Uniting the country politically will also help bring the West and East parts of Ukraine together as one, which will make a positive impact. The new president will also try to get MNC to come back into the country and having them want to invest into the Ukrainians local economy.

Imports and exports going in and out of Ukraine have an effect on things such as foreign direct investment, gross domestic product, and gross national income. However, Russia still possesses some influence over Ukraine's exports and economy. Russia holds about $17.76 billion dollars in Ukraine's exports, since 2012.[2] This can be slightly associated with the fact that MNC are leaving or hesitating to do business in Ukraine. But there are other factors to why they might be leaving. Another issue is the European Union is not allowing the Ukraine to become a member, which poses a problem for MNC. The imbalance throughout the country can easily be compared to a tornado that is twisting through the politics and economy of the Ukraine.

I. SOCIAL IMPACT

It is proven that companies that start in Western countries try to avoid doing business with countries that have some communistic influence, such as Ukraine. This also may be affecting the drive for foreign investors coming into Ukraine, but this is not quite proven yet.[3] However, MNC still choose to place their businesses in Ukraine even though there is risk and uncertainty of doing so.[4] With a MNC going into another country and rooting there, there are always important factors with the local economy that determines if the company or firm will thrive. There needs to be this integration into the culture and local economy that is an informal, institutional environment that melds well together. It is well-known that being accepted by local markets is a huge goal in any MNC organizations, and with Ukraine, there

2 Marcela Escobari. *Ukraine's Real Problem in Four Graphs* (Boston: The Boston Globe, 2014).
3 D. Zvirgzde, D. Schiller and J. Revilla Diez. *Locations Choice of Multinational Companies in Transition Economies: A Literature Review* (Germany: Leibniz University Hannover, 2013), 5.
4 Zvirgzde et al., Locations Choice of Multinational Companies in Transition Economies: A Literature Review, 9.

are no exceptions.[5] The economy of Ukraine when it left the Soviet Union was a transitional economy and is continuing to be so today. But in the post-Soviet years Ukraine did not recover as well as they were hoping to.

Directly regarding Ukraine with MNC there was an enterprise that surveyed 153 foreign owned companies and asked them about location choices and location patterns. The survey also wanted to get more into the business culture and the intuitional environment. Quality is the prime thing to look for in Ukraine if there is going to be a chance that more MNC will pick Ukraine as a desirable location. We know already the Western part of Ukraine is mostly agriculture and the Eastern part is mostly industry. This is the legacy of a socialist industrial past when they were part of Soviet Union thus also having a strong Russia presents in the area.[6]

Kiev, the capital of Ukraine, has shown to have the highest purchasing power throughout the country. There are a concentrated group of businesses in Ukraine that are considered suppliers and consumers within a certain range of market niches. This makes people think that if other businesses see that Kiev has the highest purchasing power, they will lean towards doing business in the capital region, while still keeping their foreign investors in the Western and Eastern parts of Ukraine as well.[7] The MNC that do this will focus on serving the needs of the local market in order for anything to work in that section of the country. Geographically the Eastern part of Ukraine boarders EU-members and the Western part boarders Russia; add to this the annexation of the Crimea. MNC are in the larger picture, are hoped to be drawn towards the East part due to the fact that industry and existing infrastructures. Where the West part is mostly all agriculture and where it is thought to have more innovative ideas, seeing that the Soviet influence was less there.[8]

In 2004, Ukraine along with five other Eastern Partnership countries were put into a group that were not allowed to be a part of or claim membership to the EU under the Treaty of Rome. The Association Agreement was co-created by the EU and the Deep and Comprehensive Free Trade Area (DCFTA) and will have visible affects for Ukraine if they choose to accept all the requirements. Along with it being a huge game changer it will affect Russia and how it is involved with Ukraine's economy.[9] With this new agreement, the EU and DCFTA was not offering Ukraine membership and there was no given deadline to accept or decline this offer

5 Ibid, 13.
6 Ibid, 16.
7 Ibid.
8 Ibid, 17.
9 Sherr, *Ukraine and Europe: Final Decisions?*, 9.

but it depended on the actions of Ukraine.[10] The EU under this agreement will determine if Ukraine is capable of meeting the standards of what the EU holds for other countries, currently members of the EU.[11] This agreement is said to be the most determined and difficult, in the sense that there is a lot that Ukraine has to do and change for them to reach the stipulations EU have put upon them in order to accept the agreement.

As said before, the EU is not offering Ukraine any sort of membership, they are offering Ukraine tangible integration into the world market. And President Jose Manuel Barroso of the EU hopes that there will be membership for Ukraine in the near future.[12] But with this agreement offered to the Ukraine, it has come a counter offered by the Eurasian Customs Union of Russia (ECU). Unlike what the EU offer, there are less requirements the ECU is asking Ukraine to reach. Under the ECU requirements, Ukraine does not have to improve their standards, or reform its justice, or strength it's property rights or use "the best practices" towards and between Ukraine's businesses and consumers.[13]

The tension between the two countries intensified when Ukrainian President Viktor Yanukovych rejected the economic deal with the EU. Instead the Ukrainian president signed a deal with Russia, which demonstrated corruption among Ukraine's government. The majority of Ukrainians, however, supported the EU deal, with its ability to bring economic growth to their country. For that reason, Ukrainian citizens took over the government and forced Yanukovych out of Ukraine. The government takeover forced Russia to take control, for fear of losing its influence with Ukraine.

II. ECONOMIC AND POLITICAL IMPACT: UKRAINE, RUSSIA, US, UK AND GERMANY

This invasion of Ukraine by Russia hasn't just created tension between those two countries but also the countries next to them and other nations, such as Germany, the United Kingdom's, and the United States. Bottom line, all three countries want there to be a peaceful resolution, preferably with diplomacy between Ukraine and Russia. The UK and Germany are both feeling that this disturbance of the Western part of Europe will also interfere with

10 Zvirgzde et al., *Locations Choice of Multinational Companies in Transition Economies: A Literature Review*, 5.
11 Sherr, op.cit., 3.
12 Sherr, *Ukraine and Europe: Final Decisions?*, 3.
13 Ibid, 4.

their agenda with Ukraine. Along with the United States, they are showing a strong alliance with Ukraine. Unlike Germany, the U.S. really hasn't been affected as much by supporting the Ukraine from Russia because Russia is not a huge trader with the U.S. At this point the economic issues that the Ukraine is facing, are not directly affecting the U.S. but things could change quickly within the European market finally affecting the U.S. as well economically.

United Kingdom (UK)

The UK is impacted through its association with the Western world. They support Ukraine because they favor the country's current political agenda, showing their support by providing resources for Ukraine. The longer the toxic environment between the two countries exists, the more difficult it will become for entities such as the UK. Ukraine is relying on European involvement through diplomatic pressures to resolve the issue.

Although the UK supports Ukraine in the fight against Russia, officials have made it clear they will not go to war with Russia on the issue. The UK government has indicated that they want to rely on diplomatic interventions to tackle the problem. Entities are trying to corner Russia by employing sanctions rather than war. UK hopes to demonstrate their commitment to Ukraine by the strength of diplomatic interventions.

The invasion of Ukraine currently affects the UK, especially in terms of gas prices. European countries rely on Russian exports--most notably oil. About 30 percent of European gas comes from Russia, and roughly half of it passes through the Ukraine under transit agreement.[14] The invasion has directly impacted the UK's oil supply, and Russia can cut off all exports to European countries if it so chooses. Even though Russia does not export oil directly to the UK, any sort of restrictions to Europe would affect the UK. As a result, the UK could be forced to look for oil exports elsewhere.

Germany

Germany is another country that has been disturbed by the invasion of Ukraine. Angela Merkel, Germany's chancellor, believes that Vladimir Putin's actions are putting the entire Western world at risk through his country's political agenda with Ukraine.[15] Germany is the largest European economy, so they have led the charge in the pursuit to persuade Russia toward removal from Ukraine.

14 Emily Gosden. "UK gas prices to soar if Russia cuts off supplies to Europe" (*The Telegraph*, 2014).
15 Kate Gibson. "Germany feeling impact of Putin's incursion in east Ukraine" (New York: *The Guardian*, 2014).

The German economy is concerned with how the invasion is directly hurting its growth. The political upheaval over Ukraine has already affected Germany's economy, slowing down growth and throwing into question the country's ability to sustain its long record of robust performance.[16] Sanctions on Russia will continue to damage the economy of Germany until a resolution is reached.

The Group of 8 has also been affected by the crisis in Ukraine, which directly hurts the German economy. The group is comprised of the eight leading industrial countries in the world and enables them to work together for economic growth. Russia was the final member to join the group but has been suspended because of its role in the Ukraine invasion. This hurts Germany because the country is moving away from nuclear energy and must rely on Russia to supply its increasing natural gas and oil needs.[17]

Germany's small- and medium-sized businesses count on the cross-border relationships they've built with Russia throughout the years. Small and medium-size businesses are the backbone of Germany's export-driven economy.[18] There are fears that cross-border trade partnership will be damaged by the situation with Russia. Not only do they fear having to rebuild the partnerships, but also that the trade alliances will move to its international competitors.

United States

The U.S. has been very critical of Russia's invasion, which demonstrates the United States alliance with Ukraine. U.S. and its European partners have been enforcing sanctions on Russia to force them to leave Ukraine. U.S's standpoint is similar to Europe in the sense that war isn't the U.S.'s current tactic; instead, diplomatic leverage is used. The U.S.'s main goal is to mobilize the international community, then allow Russia to dictate the international environment.

The current situation with Ukraine and Russia has not damaged the U.S. economy yet; in fact, the stock market has demonstrated gains while the situation in Ukraine has been present. The unknown environment in Russia and Ukraine is forcing investors to focus on U.S. stocks. Analysts say this is because the geopolitical tension has not escalated to the point of impacting the American economy and corporate profits.[19] The situation could also change very quickly

16 Alison Smale. *Germany Puts Curbing Russia Ahead of Commerce* (Germany: The New York Times, 2014).
17 Jay Small-Newton. "Obama's Menu of Small Options for Big Russian Problem in Ukraine" (*TIMES*, 2014).
18 Ibid.
19 Gibson, "Germany feeling impact of Putin's incursion in east Ukraine".

if the European economy begins to suffer and it starts to affect the U.S. As a result, it is in the U.S.'s best interest to continue its efforts to strength the European structure within the issues, rather than celebrating the short-term profits.

The goal is to resolve the issue quickly, so the U.S. can minimize the economic problems that could present itself if the issue continues. By sanctioning Russia on its most profitable sectors, the U.S. believes that finally the Russia government will understand invading Ukraine is too damaging to its economy and will retreat. The U.S. is teaming up with its European partners to aggressively help Ukraine force Russia out.

The impact of the Russian invasion does not directly affect the U.S. economy. The U.S. and Russia are not significant trading partners because the U.S. has its own inexpensive energy resources.[20] If a war were to occur, the U.S. would most likely have to insert itself, to minimize the long-term ramifications. Accordingly the U.S. will continue to insert itself in the hopes of controlling Russia to whatever extent possible.

Ukraine

With a new president, Petro Poroshenko, he's thought to be the one that can turn around Ukraine's economy and restore/unite Ukraine with his pro-western political views.[21]

Forecast of Main Macroeconomic Indicators for 2014-2015

	2011	2012	2013	2014 (F)	2015 (F)
GDP, $ billion	163.4	176.6	182.0	142.9	158.0
Real GDP Growth, % yoy	5.2	0.2	0.0	-5.0	1.5
Private Consumption, real growth, % yoy	15.0	11.7	7.8	-6.0	2.0
Fiscal Balance, incl. Naftogaz and Pension Fund, % of GDP	-4.3	-6.0	-6.5	-7.0	-4.5
Public Debt, % of GDP	36.3	36.6	40.5	55.0	59.0
Consumer Inflation, eop, % yoy	4.6	-0.2	0.5	16.0	8.0
Hryvnia Exchange Rate per USD, eop	8.0	8.0	8.0	11.0-11.5	11.5
Current Account Balance, % of GDP	-6.3	-8.1	-9.0	-5.0	-4.0
Export of Goods and Services, $ billion	88.8	90.0	85.3	75.0	84.5
Import of Goods and Services, $ billion	99.0	104.4	100.8	82.0	91.0
FDI ($ billion)	7.0	6.6	3.3	3.0	5.0
International Reserves ($ billion)	31.8	24.5	20.4	16.0	18.0
External Debt ($ billion)	126.2	135.1	142.5	149.0	157.0

20 Kelly Campbell. "An Investor's Perspective: Russia's Invasion of Crimea" (*U.S. News World Report*, 2014).
21 O. Pogarska, E. L. Segura Sigma Bleyzer and The Bleyzer Foundation. *Ukraine- Economic Situation* (Washington D.C: U.S.- Ukraine Business Council, 2014).

The chart explores the Ukraine's economic stats and the future of what it may look like. Ukraine's GDP in billions, throughout a 5 year period shows many ups and downs. With there being sharp increase in the past few years there must have been something like external demand the products Ukraine exports. But with the real GDP in 2013 there was no growth yet from years before, it was at 0.2 billion without zeroing out. Though analyst foresee that in 2015 there will be a sharp increase in the real GDP. And 2014 can be assumed that the reason for the -5.0 is because of Russia invading. For the past few years the fiscal balance has been gradually going down from 2012 and they're stilling predicting in 2014 that it will continue on that path till 2015 when it's forecasted to take a turn from -7 to -4.5; showing that they are thinking that Ukraine's economy may finally turning around in a positive way. This can also be credited from the new presidential elections. With the public debt in the percentage of GDP, since 2011 there has been an increasing number for the public debt and looks to be that it won't be changing in 2015. From 2011 to 2012 the debt did change keeping the overall debt low but in 2013 it jumped from 36.6 to 40.5. Consumer inflation has been all over the place in Ukraine over the past few years and not predicted to change. The consumer inflation has been really unstable since 2011, in 2011. This pattern in consumer inflation looks to be normal for Ukraine, in 2014 they predict that it will be 16 % followed in 2015 only at 8 %.[22]

Foreign direct investment around 2011 investment levels by other countries around Ukraine were very high. But since 2011 this number for Ukraine has been going down, slowly in the next year and in 2013-2014 they predict that there will be a plateau in the FDI number. One can only assume this may be due to Russia invading Ukraine in 2013 and companies hesitant to do business in Ukraine because of many factors. Gross domestic production with the numbers under the GDP, from 2013 to the prospected GDP it looks as if they are seeing that the production has gone down so much from last year that 2014 will end being 39.1 billion dollars less than last year. They forecast that in 2015 everything from GDP to FID will being making a turnaround in time.[23]

22 Pogarska et al., *Ukraine- Economic Situation*.
23 Pogarska et al., *Ukraine- Economic Situation*.

Within the last year and now, not only has there been political trouble in Ukraine but also economic problems. With the Ukrainian dollar, Hryvnia, it is losing its value and inflation is happening throughout Ukraine. There's of course been disruption with trade between Russia and Ukraine. GDP was forecasted to go down about 5% alone this year, this figure includes Crimea. The only way Ukraine can be free and not influenced by Russia (solely because Russia will buy Ukraine's goods without any fuss about the standards that for an example the EU gives.) is to reduce the corruption and unite the country. Thus making it easier for there to be a fiscal decentralization and the economy is certain to stabilize during the fourth quarter in 2014.[24]

For now the decline in Ukraine's economy as a whole is expected to go deeper within itself and create further hardship. Agriculture not being an enormous part of Ukraine's economy, this year being that the harvest was still the, they say that it is what will carry better performance into quarter 2 of this year. Sixteen percent of Ukraine's GDP is industry which is located in the East. Cities that are currently under control from Russia are Donetsk and Luhansk. The 16% is also the portion of the East where Russia is. There is also a foreign demand for iron ore. There is also an increase in higher domestic demand for fossil fuels with the growing concern from the energy supply that Ukraine will have due to the impairs with Russia and its Natural gas; which in turn decrease the industrial production by 13.2% and 0.8% in Donetsk and Luhansk oblasts this last April. There being an overall 6% year over year decrease. With the Hryvnia among other things depressed in Ukraine right now, it's weighing on consumer consumption, meaning people are buying less and not helping the economy grow. Already in April of this year, the consumer consumption activities have gone down about 25%. But Ukraine is trying to restore confidence in foreign investors. This will take time under the new president but his goals are to bring the country together and to have closer relations with the EU that will benefit Ukraine. Right now though domestic investors are down about 23% from last January to March (2014). The "collapse" or more like lull in industrial output along with many other things like foreign trade is taking a toll on wholesale trade. Records and data from the National Bank of Ukraine (NBU) has said imports and exports goods have fallen by 8.3% and 21.6%. And in direct correlation with that, wholesale and cargo transports have also gone down with its turnover fell 4.1% and 2.8 %.[25]

External Balance Indicators of Ukraine Graph.

24 Ibid.
25 Ibid.

Based on the whole graph there is a fluctuation throughout the years from 2004 to now. There are good years and then horrible years for exports along with imports regarding Ukraine. From 2005 to 2005 the exports from Ukraine went down in a large dip but wasn't too bad. In from 2008 to 2009 there was a huge drop in exports. So much so that it went below the current amount of the GPD and also in the negative reign from about 30% in 2008 to -50% in 2009. After 2009 there was almost an equal movement of exports but into the positive area. Exports almost went back to the same amount of production as in 2008 before the dramatic drop. Between 2010 and 2011 there seems that there was a lull or a constant flow of exports leaving the country at this time till 2012 where there was another dip.[26]

Imports and exports seem to have decreases and increases at the same time or drops somewhat during the same time period. Such as in 2005 to 2008 there was pretty much a steady import until 2008 when it fell as much and a little more than the exports did during this time. And then followed the somewhat, with variations along the same path as exports after the following years. 2014 though, imports are much lower than exports and being that this year still hasn't ended yet there could still be an ongoing downward fall. Another huge issue with exports and imports around these two things in Ukraine that tariffs that are up on things expect the fact that the tariffs change so much that there is so stability. But exports of Ukrainian agricultural was not bad this year and had a growth of 9% and maintained that

26 Ibid.

And with all this the EU still hasn't seen the need that Ukraine needs someone, mostly them, to be able to keep this growth to what is predicted for 2014 and 2015.[27]

Looking at Ukraine Business Council chart above you can't exactly tell that what or to whom Ukraine is exporting. An article by Marcela Escobari writing for the Boston Globe, takes a closer look at the total exports in 2012, which calculated to about $72.5 billion. This number consist of many different things that Ukraine exports to other countries, these stats have all come from 2012 and looking at it from last year's numbers it looks to be the same kind of trend. Metals were at 29 percent with iron and steel the largest exported metals. With vegetables products the Ukraine produced in 2012, it was 20 percent of their exports and was mostly corn and soybean are what make the produce number this high. Minerals Products and machinery export things added up to about 10 to 11 percent of the total exports. With a small percentage of transportation and chemical & allied Industry with both at 8 percent. The last two things that Ukraine exports in general are the things that other countries want most but here Ukraine exports those things to mostly just Russia.

The things that the European market is looking for are not so much what the largest things that Ukraine a recently putting out. More complex products are what are more desirable such as transportation and machinery. While in 2012 that was only 8 to 10 percent of what Ukraine was exporting. But still with this Russia is still the biggest buyer of its exports because they buy about 21 percent of Ukraine's metal, which is its largest export in general. Out of $72.5 billion Russia along contributes about $17.76 billion in Ukraine exports. Ukraine is poorly set up in the sense that they export their simply products, to the Western European countries while their more complex products are being sold to Russia and Eurasian economic union places.[28]

CONCLUSION

With the struggles that Ukraine has gone through they have been able to continue slowly trying to develop the country. But there is so many things that are still wrong with Ukraine that is holding them back from becoming a well evolved country. Dealing with historical ties, political turmoil, insufficient backing, and instability has held them back. Firstly, Ukraine's products do not reach the standards that the European Union has, this is why they are not

27 Pogarska et al., *Ukraine- Economic Situation.*
28 Escobari, *Ukraine's real problem, in four graphs.*

members along with following issues that will come by letting Ukraine become a member. By letting Ukraine become a member there will be thousands of dollars invested by the EU to do these changes.

But there are some parts of Ukraine where the people don't want the country to become a part of the EU. This is in part because most of Ukraine has a large elder generation who are stuck back in the old days and still have soviet views and want to be part of Russia. When part of the Soviet Union, they were told what to do and didn't have to make their own decisions, and had job security. But now the newer generation want change in Ukraine, where Russia isn't the sole thing that determines the economies outcome. So many things in Ukraine are mixed together that when trying to fix something in the country another thing arises.

The article(s) that talk about multinational corporations in Ukraine, have a direct impact on the balance of payments, production volumes, foreign trade turnover, employment, and competiveness for the hosting economy. E.M Lymonova, author of the article "Transnational Corporations Activities," says that in Ukraine's case, it is not using the companies that are considered MNC to their fullest potential, meaning there is still room for growth with money distribution within these companies to help the local economy. The way that MNC are structured in Ukraine hinder and slows the development of the national/global competiveness. There have been some MNC that have business in Ukraine but they have slowly reduced its money exchange during the recent years.

But some many facts that are put on foreign investors are lengthy and hard to follow. This is the list of things investors have to either follow or deal with getting into Ukraine's market economy: instability and uncertainty of tax legislation, lack of transparency in financial markets and privatization processes, insufficient protection of property rights, the bureaucratization of management and degree of state involvement in economic life make up an incomplete list of factors hampering arrival of foreign capital in Ukraine and the global system.[29] With a lot of thing the EU and MNC have a direct correlation with each other in the sense that there is no "safety net". But there is also the idea that if the EU was there the stability and risk of doing business in Ukraine's local economy wouldn't be there as much.

In any country, its political power and development will always affect their economic situation. Regarding Ukraine they have always been directly and indirectly dependent on Russia for its economy to thrive. Another huge thing that Ukraine is struggling with right now is the fact that their currency, Hryvina, has lost value and thus inflation is also happening in

29 E. M Lymonova. *Transnational Corporations Activities* (Ukraine: Alfred Nobel University, 2013), 135.

Ukraine; inflation that won't last very long and will make Ukraine's economy fall even more. The chart Forecast of Main Macroeconomic Indicators for 2014-2015, shows from the USUBC article written this June of 2014, shows the past few years and the future years of what they expect from the current economic situation to what it might be in the future. And what the country's economic future may look like.

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