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REPORT*

"International Investments in the BSEC Member States"

Rapporteur: Mr. Ivan KYRYLENKO, Member of the Committee (Ukraine)

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I. INTRODUCTION

1. Globalization and integration of economic relations between states create preconditions for increasing of mobility of capital. Today, the international flow of capital constitutes large volume of international investment and occupies significant place in the global system of economic relations.

2. Given the importance of international investment process in the Black Sea region, the 46th Meeting of the PABSEC Economic, Commercial, Technological and Environmental Affairs Committee in Yerevan on 16 March 2016 upon the proposal of the Ukrainian PABSEC delegation decided to take up the topic "International Investments in the BSEC Member States" as the main subject of the 47th Meeting of the Committee.

3. PABSEC has always been attaching particular importance to the issue of foreign investment in the light of economic development of the Member States. In Recommendation 38/1999 on "Promotion and protection of investments in the Black Sea region" Assembly calls to "create an environment conductive to investment through the progressive elimination of obstacles to foreign investment". In the Recommendation 101/2008 "Foreign Investments and Economic Growth of the BSEC Member States" the Assembly "reaffirms its commitment to enhancing regional cooperation aimed at the creation of a proper investment climate by improving the legislative framework".

4. Since the very beginning the Organization of the BSEC Organization has determined the attraction of investments as one of the priorities of its activities. The BSEC Economic Agenda 2012 states that one of the priorities of the BSEC is to ensure a closer, balanced and mutually beneficial cooperation for increased inflows of foreign investment. The Goal 1 of Agenda is to "intensify intra-regional trade and investments, to set up of an efficient mechanism for the prompt exchange of information and data on intra-regional trade and investments; ... enhancing the role of the private sector in the BSEC trade and investment cooperation."

5. The present Report examines the state of international investments in the BSEC Member States. The Report uses information provided by the national delegations of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Serbia, Turkey and Ukraine. In addition, the reference material has been obtained by the PABSEC International Secretariat from the relevant Internet sources.

II. INTERNATIONAL INVESTMENTS IN THE BSEC MEMBER STATES

6. International investments constitute the system of purchase and sell of investment goods and cover the process of movement and interconnection of material and financial resources for economic growth and development. The participants in the international investment are either executive authorities or corporations and individuals.

7. Public investments are carried out with funds from state budgets; these funds are forwarded abroad or are received from abroad upon the decision of the governments, or the decision of international governmental organizations. They may take the form of government loans, credits, grants, international aid and their movement in the foreign countries are determined by the inter-governmental agreements. Private investments

are the funds of individual investors who make investment into various sites and are located outside of the country of the residence of this private investor. Investments that are transferred abroad by both private and public investors are considered as mixed investments.

8. Foreign investments like investments in general according to the object of investment are divided into three types: direct, portfolio and other investments. Direct investments are made by natural or legal persons. Portfolio investments differ from direct by the fact that it implies purchase of bonds, shares, etc. Other foreign investments include trade credits and bank deposits.

9. Depending on the assets the investments may be real, intangible and financial. Real investment is an investment in a long-term project, which is associated with the purchase of existing or new facilities abroad directly involved in the production process. Financial investment means purchase of foreign currency assets or securities. Intangible investment is acquisition of concessions, patents, licenses and various trademarks and other intangible assets.

10. Foreign investments are good additional source for expanding capital, implementation of investment programs and projects that leads to recovery and revival of the economy, as well as saturation of the domestic market with competitive services and goods; they allow introducing of advanced technology, modern management and marketing techniques, and know-how. All these are accompanied by an increase in qualified personnel able to effectively use new technologies, international contracts, market mechanisms, etc. This also allows enhancement of favourable investment climate in national economies that stimulates the activity of both domestic and foreign investors and fosters economic integration in the world economy through effective processes of integration.

11. The mechanism of attracting foreign investment envisages first of all the development of national legal framework for attracting investments since there are high risks for investment activities without including concrete mechanisms of interaction between a state and a foreign investor. Therefore, the state elaborates special state policy to attract foreign investment, which should be carried out consistently according to the schedule. The inflow of foreign investments into the economy of any country depends on its economic conditions and forecasts for the medium-term economic stability.

12. International investment policy takes important place in the economic policy of every country. In the formation of these policies it is necessary to analyse macroeconomic indicators, including the volume and structure of GDP, the volume and structure of investment, volume of foreign investments with due regard to specific criteria of economic security of the country. It is also necessary to identify priorities for foreign investments and principles of their increase and to take into account current trends in international capital flows.

13. Today, the most widespread in the world is national regime, under which rights and obligations of foreign investors are equalised to those of national investors. In this case, both domestic and foreign investors act as equal partners in the market. The privileges as a rule are set by means of full or partial exemption from customs and other taxes, provision of certain benefits for import and export of capital, raw materials and equipment. In certain cases, preferential investment regime may be established in

implementing investment projects within the state development programs in priority sectors of the economy, social sphere and certain territories.

14. The attractiveness of a country in terms of foreign investment depends on a number of factors that are to be taken into account in investment policies in every country. The main factors are prospects of growth of recipient economies, social and political condition of a country, economic and geo-graphically location, positive economic dynamics, low inflation rate, efficient banking system, modernization of telecommunication, sound regulatory system for foreign investments and enforced property rights, etc. At the same time, macroeconomic stability, transparent privatization procedures, predictability, continuity and liberal laws and regulations, qualified workforce, well-developed infrastructure are among the factors mostly influencing investment decisions.

15. In order to attract foreign investment in a country it is necessary to effectively reform the public sector, property relations, mechanisms of public and private partnerships, update legislative system with the aim to ensure the rights of citizens and foreign citizens to resolve all issues through independent courts. The main obstacles in the process of attracting foreign investments are corruption and impunity, instable banking system, low developed business environment and lack of culture of working with foreign investors. The favourable investment regime is one of the most important criteria for economic development, which stimulates the inflow of foreign capital into the framework of economic feasibility and international competitiveness.

16. Legal basis for foreign investments is carried out at the national and international levels as foreign investments involve at least two countries. Legislation regulating foreign investments comprises of the provisions of international treaties, general civil and special legislation. Regulation of foreign direct investment in any recipient country is based on national legislation and foreign investors need to examine this legislation before taking decision on investment. Specific conditions are incorporated into the national legislation and state investment regulatory mechanisms. Implementation of mechanisms attracting foreign investment allows efficient and integrated environment for attracting international investments.

17. In spite of the differences in practices of the countries, there are some common trends - ensuring balanced and coherent common approaches to solving the problems arising from specific provisions of international investment agreements. They include the issues of sustainable development, environmental protection, labour protection and human rights. For the countries that are both importers and exporters of international investment there is the need to ensure a balance between protecting the investor rights abroad and taking manoeuvres in domestic policies.

18. The norms of international treaties come to fore to regulate investment activities at international level. These rules aim at regulating use and acquisition of foreign investment. International agreements and multilateral conventions refer to closer economic interaction between multiple parties. International bilateral agreements are also protecting and promoting foreign investments. Bilateral and multilateral agreements for encouragement and mutual protection of investments are concluded with the aim to create favourable conditions for mutual investment flows between countries.

19. The main international agreements in the field of international investment are the Seoul Convention (1985) Establishing the Multilateral Investment Guarantee Agency (all BSEC member states are parties), which established the Agency (MIGA) providing non-commercial risk insurance guarantees in developing countries to investors. The Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States (1965) involves 143 states, including the BSEC member states. The states actively use foreign investment protections mechanisms offered by these agreements. The Washington Convention is the most important international legal instrument establishing the procedure for settlement of investment disputes. The International Centre for Settlement of Investment Disputes (ICSID) was established in the framework of the Washington Convention. The ICSID accepts investment disputes on legal matters between the state-parties and the investors of these states.

20. Mechanisms of the World Trade Organization have significant influence upon the development of investment cooperation between its member states. WTO system implies rules and institutions in foreign investment sphere that regulate investment relations. Current legal regulation in investment sphere is carried out through the combination of international and national laws and regulations. Today the importance of foreign investment international agreements has increased and subject to constitutional norms these international agreements get more priority. The Agreement on Trade Related Investment Measures (TRIMs), the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) imply obligations for the WTO member states to regulate investment activities in the form of capital investments, providing services, new technologies and individualization goods and services. For the countries interested in the inflow of foreign investment, it is important to participate in multilateral international agreements that ensure investor protection and reduce potential risks with regard to investing in foreign countries.

21. The Organization of the BSEC defined promotion of investments as one of the priority tasks in its activity. The special interest of the BSEC in development of regional multilateral projects is translated into the adoption of memoranda of understanding on the Black Sea Ring Highway and the Motorways of the sea in the BSEC region. A special role in the development of the BSEC investment strategy is attributed to the two related bodies - the BSEC Business Council (BSEC BC) and the Black Sea Trade and Development Bank (BSTDB).

22. Mission of the Business Council is to bring together the business community in the BSEC region in the spirit of entrepreneurship and cooperation to achieve sustainable development and growth. The BSEC BC initiated the process of elimination of obstacles to business and investments. To this end the Black Sea Investment Initiative was launched in cooperation with the OECD. It is the basis for voluntary reforms aimed at removing obstacles and creating equal opportunities for businesses and establishment of favourable climate for local enterprises and foreign investors.

23. The Black Sea Trade and Development Bank (BSTDB) benefits from a subscribed capital base and concentrates primarily on the following areas: i) project finance, including economic infrastructure investments with strong cooperation and development impact, preferably involving participation of several member countries, ii) trade finance aimed at fostering trade and economic cooperation among member

countries, and iii) private enterprise sector development by providing credit lines and equity investments. In 2015 BSTDB invested in large-scale projects in Armenia, Azerbaijan, Georgia, Greece, Moldova, Romania, Russia, Turkey, Ukraine.

Situation in the BSEC Member States

24. According to the BSTDB 2015 Annual Report after several years of economic growth the positive trend in the Black Sea Region moved into recession. According to the figures the Black Sea Region became the weakest performing region, together with Latin America and the Caribbean with growth slowing to 2.4% in 2015. The main reasons for the economic downturn in the region in 2014-2015 were decline in commodity and energy prices, geopolitical conflicts in the region and economic sanctions, the changing monetary policies of the major economies, the impact of the financial crisis and capital outflows.

25. Regional geopolitics remains complicated. Sanctions and countersanctions remain in place. The uncertain economic prospects in some countries in the region cause an capital outflow and decline of international investment. Governments in many countries of the region develop appropriate policies and take measures to eliminate the negative effects of financial crises, as well as to revive investments in the real sector of economy.

Country	GDP Growth	Inflation	Budget/GDP	Public Debt/GDP	FDI/GDP
Albania	2.8%	1.9%	-3.9%	71.6%	11.5%
Armenia	3.0%	3.7%	-4.6%	46.0%	1.7%
Azerbaijan	1.1%	4.0%	-0.5%	28.3%	14.2%
Bulgaria	3.0%	-0.1%	-2.9%	28.9%	4.5%
Georgia	2.8%	4.0%	2.5%	41.3%	9.7%
Greece	-0.2%	-1.7%	-6.4%	174.2%	0.9%
Moldova	-0.5%	9.7%	-1.7%	35.4%	4.2%
Romania	3.8%	-0.6%	-1.5%	39.4%	2.1%
Russia	-3.7%	15.5%	-3.5%	18.8%	0.4%
Serbia	0.7%	1.9%	-3.8%	77.4%	5.3%
Turkey	4.0%	7.7%	-1.2%	32.9%	2.3%
Ukraine	-9.9%	48.7%	-1.4%	80.2%	-9.9%
Black Sea Region	-0.7%	11.4%	-2.8%	38.7%	-0.7%

Main economic indicators in 2015 *(source: BSTDB Annual Report 2015)*

26. The investment policy of ***Armenia*** is one of the key directions in the government economic policy. The Republic of Armenia applies the policy of "open doors" with respect to foreign investments. The main legal act regulating investment sphere is the 1994 Law "On foreign investments" according to which foreign investments in Armenia are fully protected and investors are granted a number of privileges and guarantees. If the foreign investment legislation is changed upon the request of a foreign investor the law in force at the time of making investment may be applied for 5 consecutive years.

27. At present legislative amendments are envisaged aiming at equal, stable and predictable development of investment and business environment for both domestic and foreign investors. In 2015 the Armenian government approved the concept of the investment policy of Armenia and the Action Plan aimed at increasing the volume of investments, creation of a favourable investment and business climate, increase of

transparency of regulatory institutions, introduction of new investment mechanisms. Also development of a national investment strategy is envisaged.

28. Armenia has concluded bilateral intergovernmental agreement "On encouragement and mutual protection of investments" with 41 countries. The Republic of Armenia is a member of the International Centre for Settlement of Investment Disputes. The Republic of Armenia has ratified the Convention on the Settlement of Investment Disputes between States and Nationals of other States, as well as the International Convention of CIS on the Protection of Investor Rights. The government of Armenia carries out comprehensive reforms in business sphere offering favourable conditions for foreign investors and businessmen. Today, Armenia takes 35th place in the list of 189 countries according to the 2016 "Doing Business" Report.

29. According to the 2016 data Armenia is 54th among 178 countries according to the Index of Economic Freedom ranking. Armenia is leading among the CIS countries in terms of economic freedom and business practice. Armenia is one of the few countries that use EU generalized system of preferences (GSP+) - (about 6,400 titles). The following benefits are applied in Armenia: 3 years' delay of VAT payment when importing equipment, postponed VAT payments for 3 years in case of the approved investment project by the government, incentives for income tax in case of creation new jobs within the projects approved by the relevant decision of the Government, tax exemptions on profits for major exporters, tax incentives for new-IT companies, tax incentives in industrial zones, exemption from tax for the activities in the border areas, exemption from VAT, income tax, property tax and customs duties for the residents of free economic zones (FEZ).

30. ***Azerbaijan*** plays a role of a natural bridge between Europe and Central Asia, North-East Europe and the Middle East, and is accepted as the logistics centre in the Caspian region. With the aim to promote development of entrepreneurship, creation of favourable business climate and attraction of foreign investment, the government of Azerbaijan pursues a policy of "open doors". At the same time, the Government of Azerbaijan signed an agreement on avoidance of double taxation with 51 countries and signed agreements on encouragement and mutual protection of investments with 49 countries.

31. Azerbaijan simplified business registration system, improved the mechanism of providing state financial assistance to entrepreneurship, reduced taxes for entrepreneurs, established effective mechanisms to protect the rights of businessmen and ensure favourable business environment, established necessary legislative framework for local and foreign investors. The rights and interests of investors are regulated by the Law of the Republic of Azerbaijan "On investment activity", the Law of the Republic of Azerbaijan "On Protection of Foreign Investments", and other legal documents.

32. At the same time, with the aim to support foreign investments in Azerbaijan and ensure further development of entrepreneurship the Azerbaijan Export and Investment Promotion Foundation (AZPROMO), Azerbaijan Investment Company and the National Entrepreneurship Support Fund were established. These structures carry out successful work in the areas like provision of various business services to local and foreign entrepreneurs, enlargement of business relations, implementation of temporary

investments, attracting local and foreign investors to participate in non-oil sector and issuing preferential loans to local entrepreneurs.

33. Today there are 6812 foreign companies registered in the country that represent different business fields. The BSEC countries are represented by 3635 companies. This number constitutes 36% of the foreign companies that conduct their business in Azerbaijan. Among the registered foreign companies in Azerbaijan the higher places in the list are taken by the BSEC states - Turkey, Russia, Georgia and Ukraine.

34. It should be noted that in order to improve the business and investment environment, to support the development of non-oil sector and entrepreneurship in the field of licensing serious reforms were carried out: the restrictions of validity of licenses were lifted, duties for obtaining licenses are averagely decreased by twice a number, the time for issuing licenses is significantly reduced, and verifications conducted in the business sector were suspended for 2 years. With the aim to ensure the efficient use of transit and logistics capabilities of the country important reforms were carried out in the framework of which was established the Coordinating Council for Transit Cargo.

35. The Decree of the President of the Republic of Azerbaijan of 21 May 2016 "About approval of the "Rules of Use "Green Corridor" and other Gating Systems for Transportation of Goods and Vehicles through the Customs Border" promotes harmonization of the relations between officials and entrepreneurs within the modern principles of governance and make customs clearance process more flexible and transparent.

36. On 17 March 2016 the President of the Republic of Azerbaijan signed the Decree "On measures to create a free trade zone type special economic area in the Alat township of Baku's Garadagh district" with the aim to promote sustainable economy development and increase competitiveness, as well as to strengthen the position of the Azerbaijan Republic as a logistic and transport centre and to create diversified transport infrastructure.

37. The Government's policy in ***Bulgaria*** is aimed at building and maintaining the effective investment and business environment, including the measures, such as: macroeconomic and financial stability, improvement of the administrative environment and maintaining the lowest tax rates, promote access to finances for small and medium-sized companies, including through the Bulgarian Development Bank, reforming vocational education and training.

38. In a situation of crisis, Bulgaria has continued to apply the lowest tax rates in Europe. The Ministry of Economy, Energy and Tourism is coordinating the investment policy of the country. System of public investment support measures is regulated by the Law of Bulgaria "On Investment Promotion", which is compatible with the European Commission Regulation 800/2008. The government support in Bulgaria is provided when investing in the production industry and some areas of the service sector (information technology, research and machine building, health, education, etc.). Another condition for the provision of state support for foreign investment is the creation of new jobs while maintaining regular number of workers for a period not less than 3 years. At the same time production or service facilities created as a result of investment activities shall be designed for a long period of exploitation (not less than 3

years). Investments, supported by the state, according to the volume and sphere are divided into three main categories.

39. The strategy “Europe 2020” has been designed to ensure macroeconomic, financial and budgetary stability within the EU framework. This strategy puts forward three mutually reinforcing priorities: Smart growth: developing an economy based on knowledge and innovation. Sustainable growth: promoting a more resource efficient, greener and more competitive economy. Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion. The priorities of the strategy set five objectives, one of which is to investment in research and development 3% of GDP. The strategy notes the need to leverage the financial means of the EU as part of the investment policy using a combination of private and public finance.

40. The Invest Bulgaria Agency (IBA) is a government institution promoting investments within the Ministry of Economy, Energy and Tourism. It was created to carry out the state policy in the field of investments. The mission of IBA is to attract investments to Bulgaria with the aim to assist the new projects and to ensure their successful implementation. The Agency assists potential and current investors in exploring investment opportunities in Bulgaria and in the implementation of investment projects in the country at the planning stage. Services provided by the Invest Bulgaria Agency in investment sphere are free of charge and include: provision of information, including macroeconomic data, information on the real estate business, information on investment incentives, legal advice, advice on administrative procedures, information on operational costs, regional data on unemployment, infrastructure, foreign investors, industrial zones, the establishment of relations with central and local administrations, with industrial chambers and non-governmental organizations.

41. Legal framework for international investments ***in Greece*** is regulated by EU framework. Greece has no special legal status with increased economic or other incentives and special preferential legal regulations for attracting international investments, since by following the EU guidelines no distinction is made between local and international investors. The EU regulatory framework is one of the most comprehensive vis-à-vis attracting and ensuring international investors. The Law 4251/14 allows for the entry, stay and employment of foreign nationals, residents of third countries within the EU, in order to make a notable investment. Foreign companies are allowed to conduct business in Greece, with the exclusive purpose of providing their central branches or therewith associated enterprises with any of the following: consulting services, logistical services, production/product/procedures/ services quality control, studies, planning and contracts, advertising and marketing, processing data, collecting and providing information, research and development.

42. Greece has a number of national programmes in place to attract investments. The new Development Law 4399/2016 is a framework law providing an array of diversified and prioritized incentives, such as tax exemptions, capital injections, subsidies for labour costs arising from investments being made, in a wide spectrum of sectors of the economy. Less developed areas of the country, e.g. mountain, island and border ones, receive special aid for agro-food production, ICT, research and innovation. Special aid also goes to dynamic businesses focusing on increased employment, added value and exports, to company mergers, cooperatives etc. Greece has a special framework for attracting strategic investments. These are investments of major significance for the

economic growth of Greece, their principal characteristic being their size (mainly over 100 mil. euros). These enterprises enjoy a fast-track licensing procedure, while they may receive further incentives such as derogation from urban planning procedures, as well as fiscal stability or tax exemption. When it comes to strategic investments no distinction is made between local or foreign ones. Law 2687/53 is still in force since it is the constitutional law, which cannot be amended by a simple law. Initially this only concerned foreign capital, but after being aligned with the EU framework, it now makes no distinction between local and foreign capital. Through this law increased safeguards are provided to businesses, as far as re-export of capital is concerned, fiscal stability, derogation from laws that apply etc.

43. International cooperation in the area of investments is carried out in the framework of the General Secretariat of Strategic and Private Investments. Here international-multilateral cooperation structures mainly on energy issues can get fast-track procedures for the issuance of licenses (e.g. Trans-Adriatic natural gas pipeline TAP).

44. In order to improve the investment attractiveness of ***Moldova*** the government has enacted a number of legislative acts - Law No 182/2010 regarding industrial parks; Law No 440-XV/2001 regarding free economic areas; Law No 81 of 18.03.2004 regarding investments in entrepreneurial activities. The law on free economic areas triggered huge demand from foreign investors, especially in the automotive industry. Free zones will open up new prospects for economic and social modernization of the north part of the country and has already attracted additional investments in the national economy.

45. The Government Decision No 511 of 25.04.2016 approved the 2016-2020 National Strategy for attracting investments and promoting export. Implementation of the Strategy envisages inflow 380 million USD as foreign direct investment until 2020 and the creation of at least 10 thousand jobs. An important aspect of the strategy is that it focuses on the most promising sectors in terms of attracting investment in the next five years. Implementation of the Strategy will attract large investment projects, which will contribute to an increase in production and export capacity, stimulate activity of the local small and medium enterprises, as well as increase knowledge in new areas of national economy.

46. Investments pave the way towards structural transformation and modernization of the Republic of Moldova, particularly through the creation of new jobs that enable transition of labour resources to the added value spheres, as well as through dissemination of technological knowledge and competences in the labour market and local companies. Investments will become main factor of economic growth and, consequently, consolidation and diversification of export from the Republic of Moldova.

47. The Moldova Investment and Export Promotion Organization (MIEPO) is a public institution, coordinating policy implementation for competitiveness, export promotion and investment attraction in Moldova. In 2014, the MIEPO Statute was amended with the aim to ensure greater mobilization of short-, medium- and long-term tasks, based on the institutional strategy in investment sphere.

48. An important prerequisite for attracting investment and promoting exports in Moldova also is the presence of a bilateral regulatory framework. At present Moldova has signed

60 agreements on promotion and mutual protection of investments. These agreements form a platform for cooperation in the areas of common interest as infrastructure development, road network, transport, production, etc.

49. Multilateral cooperation includes the development and diversification of cooperation in accordance with the principles and norms of international law and the promotion of individual and collective initiative of enterprises directly involved in the process of economic cooperation. The priority areas of cooperation with the BSEC countries is agriculture and food industry, banking and finance, customs, education, energy, environmental protection, exchange of economic information, pharmaceuticals, science and innovation, tourism, trade, transport, etc.

50. ***Romania*** ranks 37th in the world on the ease of doing business according to the World Bank report “Doing Business” 2015-2016. The country applies Macroeconomic Imbalances Procedure under the Monitoring Mechanism of the European Commission. Currently, Romania complies with all requirements of this mechanism, including the strengthening of macroeconomic policy. In 2016 GDP is expected to grow 2.8-2.9% mainly due to fiscal measures to stimulate economic growth. According to the National Bank of Romania foreign companies account for 71% of total exports and 65% of total imports. The contribution of foreign companies (especially in the industrial sector) in the export and import of services amounted to approximately 51%. At present the most impressive results are achieved in the sector of production of machinery and transport equipment, which grew by 23.3% compared with 2000. The important export sectors are production of other industrial products and chemical industry.

51. The Law on Foreign Investment, adopted by the Romanian Parliament in 1991, allows participation of foreign capital in creation of commercial companies with foreign capital or in association with Romanian legal entities and individuals.

52. In order to support entrepreneurs the Romanian Government has simplified the procedure for starting business with shortened time from 29 days in 2004 to one week in 2016. The government also intends to support business start-ups in the short, medium and long term. Business activity in Romania includes the industrial sectors from high technologies and software to the creative industries. The National Strategy for improving the competitiveness determines 6 key sectors for the economic development of Romania - IT and business services, aerospace industry, automotive, agribusiness, bio-industry and creative industry.

53. Invest Romania is a government institution that provides support to foreign investors in Romania and professional consultation. The purpose of this structure is to strengthen sustainable development of Romanian economy and attract foreign investment, know-how and new technologies for the development of industries that create high added value.

54. Investment attractiveness of ***Serbia*** lies in its favorable geographical position. The country has a stable financial system, as well as simplified procedures in foreign trade and foreign investment. In 2015, the level of foreign investments in Serbia reached a record figure of 1.75 billion euros. The World Bank 2016 Report “Doing Business” puts the Serbian economy at 59th position among 189 countries, which means a jump by 32 positions up compared to the previous year. This remarkable progress of the

country is determined by innovative approach that enabled companies to use electronic procedures in the field of construction and payment of taxes, saving time and money.

55. The legal base of the country in the field of international investments include: Law on Investments; Law on State Aid Control; Regulation on the Terms and Conditions for Attracting Investments; Regulation on the Rules for State Aid Granting; Regulation on the Rules and Procedure for State Aid Notification; Regulation on Establishing a Single List of Regional Development and Local Self-Government Units; Rulebook on Standards of Business Friendly Environment in Local Self-Government Units; Rulebook on the Application Form for Granting Incentive Funds. The Tax Code of Serbia, the Company Law, the Law on registration of business entities, the Law on foreign trade activities, the Customs Code, the law on customs control and currency regulation are also very important. The Foreign Investment Law defines the legal, economic and social conditions of investment activity; objects and subjects of investment activity, protection of the rights, interests and property of subjects of investment activity.

56. As a whole the regulation of investment activity in the Republic of Serbia is carried out in accordance with the public investment programs; direct management of public investments; the introduction of tax systems with differentiation of tax rates and exemptions; the provision of financial assistance in the form of grants, subsidies and budget loans for the development of certain areas, branches of production; conducting financial and credit policy; control over compliance with government regulations and standards; antitrust measures. State regulation of investment activity is carried out by the respective public institutions of Serbia.

57. In the framework of the Regulation on the Terms and Conditions for Attracting Investments (Official Gazette of RS number 27/2016) the funds are allocated for investment projects with participation of foreign and domestic capital and also special program aimed at strengthening entrepreneurship are determined.

58. With the aim to develop business and stimulate private initiative the government announced 2016 - the year of entrepreneurship, thus emphasizing that the country intends to encourage the spirit of entrepreneurship and social consensus and to enshrine these values in the long-term policy.

59. The basic principles for the regulation of foreign direct investments in ***Turkey*** are laid down in the Law No 6224 on Promoting Foreign Investment adopted in 1954. On 17 June 2003 the new law No 4875 on Foreign Direct Investment was adopted as a result of economic reforms and the introduction of new international standards. The purpose of this law is to define the basic principles of foreign direct investments, ensure the protection of rights of foreign investors and bring the standards and concepts of investors and investments in line with international law. The law applies to the implementation of procedures relating to foreign direct investment.

60. Article 3/a of the Law No 4875 states that “unless otherwise provided by international agreements and the special national laws: Foreign investors are free to make direct foreign investments in Turkey; foreign investors have equal rights with the Turkish investors”. Under this law concepts like “free investment” and “national principles” are the basic principles of the direct foreign investments in Turkey. Foreign investors, with the exception of a limited number of areas, have equal rights with Turkish investors in

investment activities. The law also specifies that the tangible and intangible assets invested by the investor in the objects of entrepreneurial activity on the territory of Turkey are regulated in accordance with the Turkish law. The principles of the application of this Act are governed by the Regulations that were published on 20 August 2003 in the Official Gazette No 25205.

61. One of the important areas of attracting investment is to improve the international legal framework for the promotion and mutual protection of investments. Since 1960, Turkey signed an agreement on encouragement and protection of investments with 82 countries. These agreements create favourable legal conditions for promotion and protection of Turkish investments abroad and foreign investments in Turkey. They also contribute to improving the investment climate and further development of mutually beneficial trade and economic cooperation between the countries.

62. According to the State Statistics Service of **Ukraine** in January-March 2016 foreign investors invested 1036.2 million USD in the Ukrainian economy, while 86.4 million USD were raised as direct investment. In January-March 2015 the figures were 345.5 million USD and 223.0 million USD respectively. As of 01.04.2016 the total volume of investment since the introduction of foreign direct investment in the economy of Ukraine equals 42.8204 billion USD. Investments are directed into the developed areas of economic activity. The industrial enterprises take 30.9% of the total direct investment in Ukraine, institutions of financial and insurance activities - 26.6%.

63. Ukraine remains attractive for investment activities and at the same time it is involved in the world integration processes. Ukraine is well integrated into the world economy and any instability in macro situation in foreign markets impacts Ukraine. In the world investment attractiveness ranking for 2015 by BDO International Business Compass Ukraine went up by 20 positions. Ukraine takes 89th place and stands in the list of countries with the best annual growth together with Belarus and Latvia. In 2014, the country was ranked 109th.

64. This list is formed by BDO together with the Hamburg Institute of World Economy and characterizes the economic and financial attractiveness of the countries of the world based on three main indicators: economic, political and socio-cultural. In the World Bank ranking Report "Doing Business" Ukraine took 83rd place and has improved its position by 4 points compared to the previous year. The Report Doing Business 2016 notes that the key reform that improved the rating of Ukraine is the simplification of business registration. In the field of registration of enterprises Ukraine took the 30th place and has improved its position by 40 points compared to last year. Ukraine has reduced the time for registration of the company by taxpayers and abolished the fee for registration of business.

65. The Verkhovna Rada of Ukraine adopted a number of laws on investment activities. The Law of Ukraine No 817-VIII of 24.11.2015 on Amendments to some laws of Ukraine regarding the elimination of regulatory barriers to the development of public-private partnerships and encourage investment in Ukraine aims at creating a more effective mechanism for cooperation between the state, territorial communities and private partners in the framework of public-private partnership, to improve investment conditions and guarantees for private investors. The Law of Ukraine No 327-VIII of 08.01.2016 on the introduction of new investment opportunities, ensuring the rights and legal interests of business entities to conduct a large-scale energy modernization

envisages introduction of new investment opportunities, protection of rights and legal interests of entrepreneurs. The Law of Ukraine No 1390-VIII of 31.05.2016 on amendments to some legislative acts of Ukraine concerning the abolition of mandatory state registration of foreign investments simplifies to the maximum extent the procedure for attracting investments through the introduction of application of state registration.

III. CONCLUDING REMARKS

66. One of the main directions of development of international economic relations at present is to strengthen investment cooperation among states which is the requirement of globalization at all levels. International and national economic trends point to the interest of countries in improving investment rating of states and, as a consequence, to increase international investments.

67. In implementing the goals and objectives of the Black Sea Economic Cooperation it is necessary to establish and promote favourable conditions for foreign investors, thus promoting economic growth in the region. Each state facilitates transparency and access to all legislation applicable to foreign investment and also accord fair and equitable treatment to foreign investors.

68. Economic cooperation in the framework of integration schemes aims at achieving two main objectives in the area of investment: creation the most favourable conditions for the development of investment flows between member states and definition of a common approach towards the investments in third countries. Promotion and mutual protection of investments on the basis of bilateral and multilateral agreements contribute to the development of integration processes, mutually beneficial trade and economic cooperation between states.

69. Taking the above into consideration the BSEC states are responsible for the mobilization of domestic resources for their own sustainable development. The policy of strengthening the international investment activities in the Black Sea region remains one of the main driving forces in the process of sustainable development, stability and prosperity.