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Prospects of Post-Conflict Foreign Direct Investments in Ukraine Through the Lens of Dunning's Eclectic Paradigm

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Abstract

This research aims to highlight post-conflict prospects for Ukraine in the domain of FDIs by taking the OLI framework of Dunning. This research explores the role of the FDI as the most important economic pillar for economic consolidation in a globalized world. The case studies of war-torn countries and the role of the FDIs in their post-war recovery have been evaluated. It has been analyzed that through fundamental economic reforms and restricting to win the investors' confidence, Ukraine can strategize its ownership, location, and internalization advantage as the country possesses relatively higher significance for global food security, logistics, and international trade. Most importantly prospects are higher for international investors to invest their capital in one of the largest European markets in banking. The NATO membership and EU membership will be the most significant driver of the FDIs for Ukraine.

Keywords: Dunning's Eclectic paradigm, FDIs, internalization, lens, location, ownership, OLI paradigm, Ukraine

1. Introduction

Beyond indigenous economic growth indicators and years-long consolidated economic stability and political economy, location, ownership, and internationalization are the three factors that appeal to investors to invest in a country (Klement, 2021). These three constructs of Dunning's Eclectic paradigm have proven great potential for the countries plundered by potential armed conflicts of years-long full-blown wars in the past decades (Emako et al., 2022). The Russian invasion of Ukraine has induced severe socio-economic, political, and trade repercussions that were not limited to their boundaries but escalated and exacerbated the crippling challenges that were sown by the pandemic. Foreign direct investment (FDI) has emanated as an important economic corridor in the wake of globalization. FDI occupies an imminent role in the context of trade liberalization and economic growth of the host states (OECD, 2022). The legal recognition of the multinational corporation in the international legal framework has added to the significance of foreign investments in the country where a location, position, population, or any other strategic advantage lies (Marangos et al., 2019). Consequent to the promising inflows in the host country, multidimensional stability has remained as raison d'etre or one of the most decisive factors in investing the capital flows ahead of their financial security, risk mitigation, and wealth maximization. As a direct impact of war, FDIs withdrawal proves a crippling economic repercussion that shakes the country's investment stature and sometimes, economic growth and fiscal balance.

However, in the light of the theories of FDIs such as Dunning's Eclectic paradigm, a country that has been striving to recover from the war also breeds favorable conditions that are attractive to foreign investors (Emako et al., 2022). Post-conflict recovery of Vietnam has successfully attracted $28.5 billion in foreign inflows in 2020 despite covid-19. It serves as the most viable example of the role of the FDIs in the post-conflict recovery for countries, suffering crippling economies as a consequence of war (The World Bank, 2020). Moreover, Yelpaala (2010) has asserted that this is the prime focus of the leaders is to attract capital inflows within their countries that help to stand the economies that are troubled by civil unrest. However, the biggest hurdle in this way is to maintain the investors' confidence. In reaction to the economies that have been stabilized after feeling the shocks of war or conflicts, the role of FDIs has been gaining traction in the economic recovery of the post-war scenario (Klement, 2021). According to the World Bank (2023), the FDIs are the capitals that are 'the net inflows of investment to acquire a lasting management interest (ten percent or more of voting stock) in an enterprise

operating in an economy other than that of the investor.' As stated by Maher and Maher (2018) conflict is developed in reverse. It can be illustrated by the example of an investment by an Intel corporation worth $300 million to install a manufacturing plant in Costa Rica back in 1996 (Grosse, 2019). Another example of a post-conflict FDI is Telekom Malaysia which invested more than $ 1.2 billion in South Africa in the mid-1990s (World Bank, 2006). It is a widely acknowledged fact that favorable economic conditions are the decisive element in increasing FDI inflows. In the view of researchers, countries with larger economic scales, elevated growth, and development attract larger volumes of foreign investors (Karwowski, 2020). In addition, countries with trade liberalization policies, ease of doing business, flexible and fast-track regulatory and legal frameworks, lower trade and economic barriers, and lower or progressive tax regimes also provide a conducive environment for foreign capital (Zagorodna & Kramar, 2020). Dunning's Eclectic Theory about the most important elements or drivers of FDIs has been employed by many researchers (Emako et al., 2022; Bakar et al., 2022).

1.1 OLI Paradigm

This theory drives an OLI framework based on the three elements of ownership, location, and internalization. Other socioeconomic factors appealing to the FDIs are the size and skills of the labor force, education, and human capital that influence the investors' behaviors (Kottaridi et al., 2022). In contrast, poor economic conditions, unrest, political instability, bad governance, weak institutions, and strict or rigid regulatory and legal frameworks complicate the likelihood of FDI inflows (Scharf, 2022). It implies that the country harmonizes, upgrades, and liberalizes its institutions and framework along with improvements in its governance systems to lower the risks that create an impasse for the FDIs. Keeping in view the FDI determinants or OLI framework, it has been argued that in the post-conflict era, there lies a greater opportunity for the war-torn country to attract FDIs (Bak & Lee, 2021; Frechette, 2021). Seeking the successful case study of Vietnam, Kuwait, and Kosovo, this study aims to explore the prospects for Ukraine in the post-war scenario based on the OLI framework for attracting FDIs. Moreover, to understand the circumstances hurdling FDI inflows in Ukraine the study tends to state the literature on the history of FDI in Ukraine as well as other countries to build a strong reasoning discussion on the ongoing inflow of FDI in the post-war scenarios in Ukraine.

Bak and Lee (2021) have also asserted that conflicts that start up with a decisive one-sided triumph of the government or through brokering a peace deal create an advantageous environment for the foreign investors as these events are reflective of the state's writ, effective policies and governance that work as a bulwark against the eruption of conflict shortly. Also, war brings about an all-inclusive reform's inclusion, especially on the diplomatic, economic, and security fronts to ensure the fiscal and economic consolidation of the recipient country (Bak & Lee, 2021). These events and developments signify positive development that helps in cementing the commitments between the investors and lender countries. The research adopts an exploratory study design. Data will be collected from secondary resources, published articles, and policy papers of the relevant international multilateral institutions. The findings will be a blueprint for the investors, policy-makers, and researchers in the form of offering useful insights to be used in the post-war recovery of Ukraine to determine the key factors for attracting investors' and investors' confidence. It will also add up the published literature on the promising role of FDI in economic reconstruction. The results of the study will help the government of war-ridden Ukraine with its rapid economic recovery in the past-conflict era for economic reconstruction, peace, and stability. Also, the findings will unleash the prospects and likelihood of ending conflicts with different ways to maximize its post-conflict FDI potential.

1.2 Russia Annexation of Crimea: The Failure of NATO, the EU, Ukraine, Russia

One major concern of all the countries around Ukraine is the fact that following the end of the war, all commodities related to construction will see a price increase due to the reconstruction of Ukraine. FDI for the reconstruction of the Ukrainian infrastructure has been recognized as important more than ever. EU accession in process improvement in FDI inflow and better reconstruction has been required by the state of Ukraine. With their support, it will be easier for Ukraine to rebuilt. As we have noticed in the surrounding countries the EU accession process will boost FDI. However, the EU accession and NATO membership of Ukraine are the processes that will probably take time. The recent changes in the political scene in neighboring countries - recent Slovakian elections (with the president the winner of the election) and declarations of the Hungarian PM and Austrian PM show us that Ukraine's membership in NATO and even EU might not be a sealed deal (Anghel, 2023). The cease of the investment process in Ukraine took place before the conflict in 2014 when Russia illegally annexed Crimea.

According to a brief report by Gardner (2014), Russia's move to annex Crimea marked a failure of any sort of cooperation between NATO, EU members, and Russia in terms of security and defense. The need for a policy to

restrain Russia from any sort of strike on Ukraine which might result in bankruptcy and sociopolitical instability is evident. One of the reasons for failure was NATO's incapability to address the security requirements of the Black Sea and Caucasus, and another was the absence of an agreement between the EU, Russia, and Ukraine. Communication channels have also been discussed to keep a check on the aspects of the pro-Russian Ukrainian interests of Association Accords with Kiev. NATO has been required to effectively modify the policy to maintain a "peace and development community" concerning Ukraine to be established for the Black Sea and southern Caucasus. International Centers of Peace and Development in the region of Lviv and Kharkiv have been addressed to be established for a decentralized federation for Ukraine. Another central has been proposed to be established in Sevastopol as the means of cooperation between Ukraine, the United States, Europe, and Russia. In the end, a grand compromise will require engaged diplomacy within the EC, the US, and Ukraine by side-tracking the interest of Russian policies. This era has been regarded as the Cold War due to intense army rivalry and geopolitics (Gardner, 2014).

1.3 Research Gap

The study aims to inspect the approaches that hinder the increasing flow of FDI and the necessity of the implication of the Dunning paradigm to preserve the investor's trust and brace the financial status of Ukraine in post-war scenarios. The major aim is to investigate the political failures that led to the destruction of the region and the future implications that can modify the policies and strengthen the reconstruction process in the region of Ukraine.

2. Methodology

This research employs a qualitative methodology to investigate the post-conflict prospects for Ukraine in attracting FDIs, with a particular focus on utilizing the OLI framework proposed by Dunning. It seeks to elucidate the pivotal role of FDIs as a cornerstone for economic consolidation in today's globalized economy. The study evaluates the experiences of war-torn nations and their utilization of FDIs in post-conflict recovery to draw parallels and inform strategies applicable to Ukraine's context. Through an analysis of fundamental economic reforms and measures aimed at instilling investor confidence, the research explores how Ukraine can leverage its ownership, location, and internalization advantages, especially in sectors crucial for global food security, logistics, and international trade. Furthermore, it identifies the potential for significant investment opportunities in Ukraine's banking sector, given its status as one of the largest European markets. The study also recognizes NATO and EU memberships as key drivers likely to influence FDIs in Ukraine.

3. FDI in Ukraine: Post-Conflict Scenarios Policy Recommendation

Mishra and Jena (2019) Focused on the FDI inflow from the USA, Germany, the UK, Japan, the Netherlands, and France in the world's most populated economies Namely, China, India, Korea, and Singapore. The author uses the gravity model to examine the bilateral inflow of FDI in the Asian regions specified above. The data was extracted from CEPII, KOF, World Development Indicators, and Heritage Foundation for the years 2001 to 2012. The result revealed that market size is not the only factor the FDI hosting and sourcing countries have to deal with but foreign investor, their languages, borders, and distances from the host countries also matters. Real interest and inflation rate were counted as microeconomic influencing factors whereas the index of globalization and economic freedom, degree of openness, and telecommunication have been recognized as influencing institutional and infrastructural factors (Mishra & Jena, 2019). Pogorelov and Ivchenko (2017) examined the quality of security economically in the eastern Ukraine Luhansk region. The study emphasizes the post-conflict transformation that might be affected by the threats to the enterprises situated in the east of Ukraine. The data was derived from the official statistics of the region for the years 2013 to 2016 which is the era of transformation after the dispute in eastern Ukraine. The results were obvious; however, negative for the economic condition nationwide and in terms of economic security. This transformation led to a decrease in imports and exports, enterprise personnel, salaries, and economic agents. The positively increasing factors have been identified as well; however, with no economic trend. On the micro level, production and capital investments have been characterized as decreasing economic factors in post-war scenarios (Pogorelov & Ivchenko, 2017). A study by Bilotserkivska (2023) has been suggested to view the full details of post-war scenarios in Ukraine and the impact on FDI inflow during the war in Ukraine. The paper also discusses the strategies and plans that have been recognized as useful in planning the transformation in Ukraine. The plans include strategies to maximize FDI inflow in Ukraine for urgent rebuilding (Bilotserkivska, 2023). Gomersall (2023) in this regard provided policy recommendations for the economic betterment of Ukraine. Moreover, combatting corruption by implying these strategies and their possible outcomes has been discussed. Where the primary literature has focused on civil war reconstruction and the end of ethnic cleansing. The primary goal is to analyze the proposal placed on the table so

far for the transformation in Ukraine through SWOT analysis and examine their realistic implementation and viability. The paper has concluded three plans that have been recognized as effectively promoting accountability, transparency, and good governance and targeting corruption which is the major issue in reforming Ukraine (Gomersall, 2023).

Zhang et al. (2023) reported in their study that 279 countries were affected by their external food supplies concluding that 29 countries including Azerbaijan, Mongolia, Georgia, Kazakhstan, and Armenia, with the highest effect because these countries mostly depend on the grain imported from Russia and Ukraine. Table 1 shows the exports of Ukraine individually to countries that have largely benefited from these exports.

Table 1. Countries with the highest number of imports from Ukraine (mln-tons) (Rudyk et al., 2023).

Country	Corn		Wheat		Barley	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
China	4.23	8.35	0.83	2.81	0.83	2.81
Egypt	3.36	2.10	2.83	2.10		
Netherland	3.23	1.93				
Spain	3.69	1.77			0.36	0.51
Iran	1.16	1.01				
Portugal	0.81	0.73	0.60	0.61	0.70	0.64
Libya	1.75	0.58	1.35	0.72		
Turkey						
Indonesia			3.68	2.39		
Bangladesh			2.19	1.13		

The nuclear and thermal energy plants were discovered to have the largest impact on the war strikes in Ukraine. Below is the tabulation of the statistics of the damages faced by many assets in Ukraine in post-conflict sceneries (Assessment, 2015) (Table 2).

Table 2. Damages daced by the KEY ASSETS in Ukraine (Assessment, 2015).

Type of energy assets	units	Baseline (before the war)	Currently working/ available	Damaged	Damages to the baseline in 1%
Power generation plants' total	GW	36	14	22	61.4%
Thermal Power Plants and combined heat and power plants	GW	16	5	11	71.5%
High-voltage transforming substations	Stations*	94	53	41	43.6%
Heat-only boiler houses and central heating points	Units and points) (houses	24,548	23,968	580	2.4%
Gas distribution stations	Stations	1,389	1,366	23	1.7%

4. Deconstructing Dunning's Eclectic Paradigm: A Seminal Theoretical Framework to Understand FDIs

The OLI paradigm emphasizes adding three factors to a firm's foreign value-adding activities. First is the unique ownership that is sustainable to have a specific advantage in compromising firms which is defined by the "O" of the Paradigm. The fact that a company perceives to add the ownership advantage to its account rather than selling to foreign firms is known as the internalization factor of the paradigm. Lastly how mint foreign lands are ready to expand the company's ownership advantage by utilizing it for their own as well as their host company's benefit, on their land is known as the "L" of the paradigm. These core advantages help the FDI inflow and outflow to maximize and benefit the region and the foreign regions as well (Batschauer et al., 2020).

The OLI paradigm or Dunning's Eclectic was proposed by John H. Dunning, by proposing three FDI determinants; ownership, location, and internalization. They refer to location, ownership, and internalization advantage for a country to procure FDIs (Janda & Nuangjamnong, 2021). The ownership advantage entails the intangible advantages possessed by the companies such as goodwill, trademarks, patents, brand copyrights, or skills. Location advantage refers to the geostrategic location of the recipient country that can give economic dividends to the international firm that is going to invest. In the words of Brouthers et al. (1996), the location advantage is present in the form of potential demand, sales, the market scale, cultural dissonance or consonance, trade policies, and lower production costs. However, internalization alludes to the way business transactions are

performed and to exploit the competitive advantage of the economic condition of a country that can create a monopoly of the business. This highly demanded model is frequently used in FDI by multinational enterprises (MNEs) to generate profitable agreements (Paul & Feliciano-Cestero, 2021). The contribution of FDI in economic development through revolving finance in multinational branches is substantial and provides enough reasons for developing countries to foster FDI (Dinh, Vo, Vo, & Nguyen, 2019). The substantial rise in FDI inflow increased globalization which amplified the growth of many leading businesses (Meyer, 2017). Sharmiladevi (2017) stated Dunning OLI paradigm is an effective contributor to the growth in FDI inflow. The backdrop of the OLI framework is an amalgamation of the industrial organization theory, location theory, and internationalization theory that led to the derivation of one single framework of OLI (Batschauer da Cruz et al., 2022). As stated by Dunning and Lundan (2008), "the eclectic paradigm seeks to offer a general framework for determining the extent and patterns of both foreign-owned productions undertaken by country's own companies, and that of domestic production owned and controlled by foreign investors." (p. 95).

This framework comprises macroeconomic location advantages and microeconomic ownership advantages that are considered incomplete if are not considered with a combined approach (Figure 1) (Dunning & Lundan, 2008). It encompasses "why and what" to the multinational corporations (MNCs) to make sound investment decisions outside territories of their host countries while apprehending the inter-country complex macroeconomics and microeconomics (CFI, 2022; Think Insights, 2021).

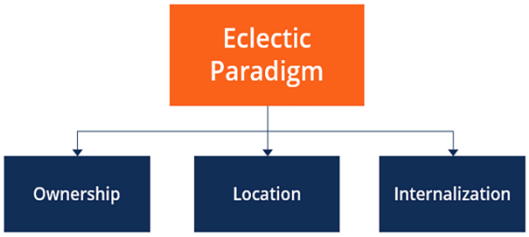

Figure 1. The OLI Framework

Source: CFI. (2022).

Internalization gives greater control or a degree of freedom to the MNCs in the recipient country to execute their business operations (Bajrami, 2019). Further, regarding the post-conflict potential of the FDIs, Bajrami (2019) has asserted different scenario that has varying impacts. For instance, if a conflict ends up with an indecisive settling of scores, it originates a strategic vitality for the host country while creating a need for investment inflows to staving off the chances of the reoccurrence of violence and insurgency or to destroy the slipper cells that may abet the nonstate actors to instigate unrest. However, in the case of a negotiated peace, there is a divided opinion of the scholars; some agree that it hampers the influx of FDIs, while others contend that it creates a precarious situation or brings about the dangers of resurfacing of militant activities that may sabotage the economic activities and development.

While Wagner (1993) has presented a contrastive opinion in this regard and has argued that reinstatement of peace by brokering a truce has its vulnerabilities. It brings forth new challenges and creates a perception of weaker institutions and the control of the state to overpower the elements of a resurgence so the country is deemed vulnerable to war. It is not considered potential for FDI inflows. This point has been extrapolated by Karnane and Quinn (2019) that it is the presumption of war if there is dual sovereignty due to peace settlement for a ceasefire. In contrast, Joshi and Quinn (2020) have concluded that the commitment through peace deals acts as guaranteeing elements that usher an economic possibility for a conflict-ridden country and unleashes likelihood for the foreign investors to invest in different sectors of the economy. The case study of Vietnam, Cambodia, Kosovo, and Sari Lanka is the most viable case study to see the economic impact of post-conflict FDIs in war-torn countries. Thus, this study will explore through the OLI framework that what are the prospects for Ukraine to attract FDIs in the post-conflict era.

4.1 Foreign Direct Investment: The Most Important Contour of Globalization

In the post-World War II period, the FDIs recorded an unprecedented rise from US$202 billion in 1990 to US$1.8 trillion till 2016 due to the internationalization of trade under the auspices of globalization as a new economic order. It was a rise of almost 500% in the form of FDIs or capital investment of foreign entities (Joshi & Quinn, 2020). Some studies have argued that FDIs are a double-edged sword in terms of raising income

inequalities, and damage to local industries (Gohou & Soumare, 2012; Reiter & Steensma, 2010). However, it is widely accepted that FDIs are the most important element for the economic reconstruction of a state that has been devastated by any conflict (Castillo, 2008; Collier et al., 2009). Thus, its significance for economic reconstruction cannot be overlooked. Furthermore, Figure 2 displays variations in the FDIs in different countries (Joshi & Quinn, 2020). The study by Joshi and Quinn (2020) analyzed 73 countries where conflicts ended up with peace settlements and then attracted FIDs. These findings assert that the size of the economy, structural reforms, and economic structures are the essential factors that accelerate or decrease the impacts of the FDIs.

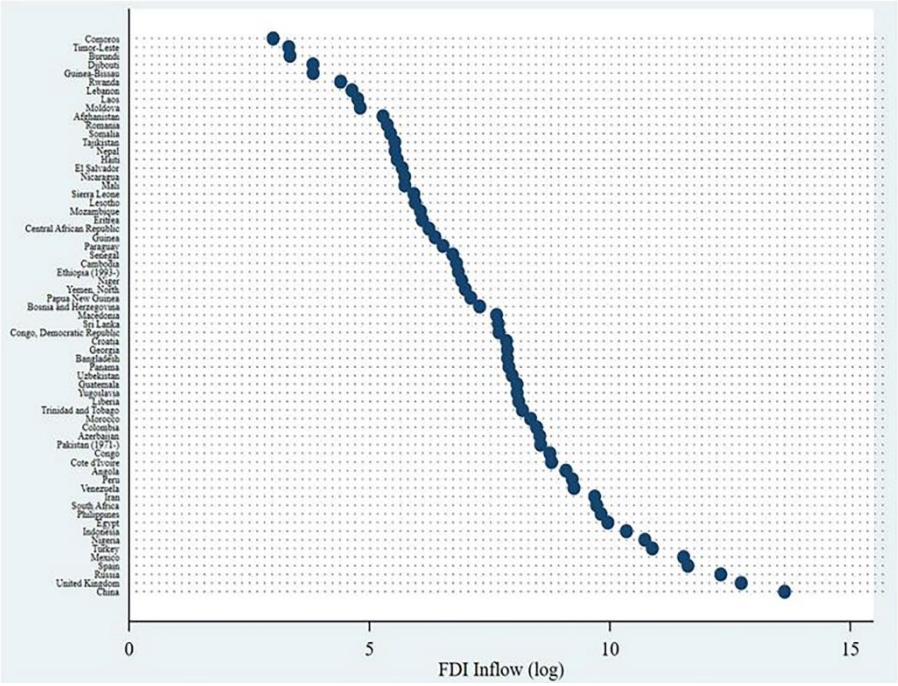

Figure 2. FDI inflows of different countries in post-conflict countries

Source: Joshi, M. and Quinn, J.M. (2020).

Most of the positive spillover of the FDIs has been reported in developing countries. Cambodia is a successful example where formal institutional reforms brought about favorable economic results as in the post-war scenario, the country went through major economic transformation and structural changes. The volume of the FDIs captured by Cambodia was the highest in the region (Joshi & Quinn, 2020). However, its overall economic growth was led by the FDIs which did not assist her to have sustainable economic growth from indigenous growth (Joshi & Quinn, 2020).

5. Jus Post Bellum and FDIs: Case Studies of Different Countries

5.1 Case Study of Vietnam

Vietnam is the recipient of higher FDIs in its post-conflict period which increased its economic growth exponentially after 1975. The country started economic development in the mid-1980s in the wake of economic reforms which were known as “doi moi.” This reform included liberalization of the economy, opening doors for foreign investment, and facilitating private enterprises. In recent years, Vietnam has grown bolder with a GDP growth rate of 6-7% (The World Bank, 2020) where the FDIs were the major drivers. Alone for the year 2020, the FDI volume in the country was $28.5 billion despite COVID-19. The MNCs of Japan, Singapore, and South Korea were the largest investors of the FDIs in the country and built the country’s resilience against the economic shutdown ahead of the pandemic. The resultant job creation assists in providing real economic dividends to the common citizenry promoting real economic development (Konese, 2021).

5.2 The Case Study of Iraq, Kuwait, and, Nigeria

Apart from Vietnam, the countries such as Iraq, Kuwait, and, Nigeria are not potential case studies concerning the FDIs. These countries failed to ensure or consolidate three determinants of the FDIs as per the OLI framework. Table 3 encapsulates a statistical display of some of the volumes of FDIs as economic indicators of these countries (United Nations Conference on Trade and Development, 2013).

Table 3. A comparison of FDI inflows of three countries

Country	FDI Flows ($)					
	2007	2008	2009	2010	2011	2012
Nigeria	6087	8249	8650	6099	8915	7029
Kuwait	111	-6	1114	456	855	1851
Iraq	972	1856	1598	1396	2082	2549

Kuwait recovered from the shockwaves of the Gulf War in 1991 which ended up in her liberalization of Iraq. In the context of economic reform, the government promulgated Law No. 116/2013 which was significant to allow foreign investment in the country (Investment Policy Monitor, 2013) that brought about economic recovery. Nigeria is the top FDI attraction in the African region. The country suffered a civil war that is known as the Niger Delta conflict where the separatist elements and armed groups catalyzed rebellious activities for holding the ownership of oil resources in the region. This conflict led to serious disruptions in the country's oil exports which had the largest share in the country's Gross Domestic Product (GDP). However, the country successfully attracted the FDIs by ameliorating the internalized structures of the economy. Established the Nigerian Investment Promotion Commission (NIPC) and the Nigerian Investment Promotion Act to ease the economy and obtained $7 billion in FDIs (Konese, 2021).

5.3 The Case Study of Kosovo: Post-Conflict FDIs

Conflict in Kosovo started in 1998 till 1999 on account of the conflagration of the ethnic Albanians and the ethnic Serbs. Political instability and interethnic tensions became the biggest challenges for the government (Sklias & Roukanas, 2007). As pre-emptive preventive measures against conflict, the United Nations (UN) peacekeeping mission gave a positive signal, and the investors poised to make investments in different sectors of the economy. In the case of Kosovo, these peacekeeping missions were deemed as guaranteeing elements of the governmental commitment to upholding the rule of law and dispensation of human rights in the country (Hunnicutt, 2022).

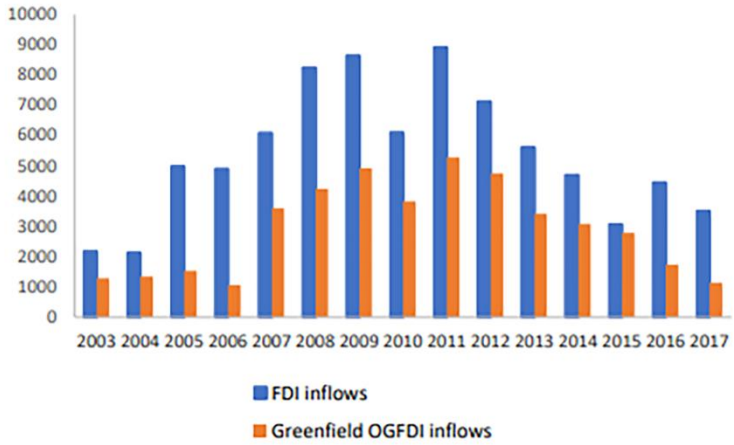

Figure 3. FDIs in Iraq from 2003 to 2022

Source: Aljawareen. (2019).

5.4 The Case Study of Devolved Countries Regarding FDIs

Many countries have been witnessed to have a positive impact on increasing FDI growth. The natural resource extraction in 2013 in Latin America rose to 12.3% in comparison with 2012; however, the internal saving didn't meet the demanded margin. A plan of action for speedy economic growth was suggested by the academic to the government of the region (Alvarado, Iñiguez, & Ponce, 2017). The United Kingdom has been home to many investment agreements and projects due to the favorable market policies, Law and order situation, and the alluring developed land. UK Trade and Investment (UKTI) 1559 investment projects made their way into the market in the year 2012-2013. Within the bracket of 12 months, a 12% increase in growth rate was witnessed with a 10% increase in 2013 securing 759 projects (Poon, 2017). FDI brace savings, warrants finance safety, provides tax revenue, polished human capital, and grounds for significant production and service (Dinh et al., 2019). UKIT also informed that the inflow fell to 18% and rose to 22% globally (Poon, 2017). A study by Rada

(1996) asserted that developed countries were encountered to have the highest amount of FDI including the US with $860.3 billion, the UK it was recorded at $499.9 billion, Belgium with $238.5 billion, Japan with $199.6 billion, Singapore with $98.6 billion, and Hong Kong with $85.4 billion.

5.5 The Case Study of Devolving Countries Regarding FDIs

FDI in developing countries contributes highly to the development of the economy. According to Jude & Levieuge (2017), a significantly positive impact of FDI was reported in developing countries in 50% of the research, with 11% reporting a negative impact and 39% reporting significant growth without FDI.

However, it has been under debate that FDI in underdeveloped countries may suffer from foreign debts. Higher inflows have resulted in low production, less manufacturing, financial losses, and low profitability in underdeveloped countries. However, many firms invest in developing countries, due to fewer restrictions and negotiable policies in developing countries. Transportation and trade are easier to make with less regulation (Zugravu-Soilita, 2017). However, the production and finance generated from such trades are subject to risk and corruption (Zugravu-Soilita, 2017). Africa has a high rate of foreign investors due to the leniency in the law which allows foreign investors to establish business deals easily as compared to developing countries. The inflow rose from $88 billion to $60 billion in 2009 in the region of Africa displaying substantial growth. In 2016 investments increased to $59.4 billion in Africa (Immurana, 2021). World Bank, World Economic Forum, and African Development Bank (2011) state that Sub-Saharan Africa (SSA) received $64 billion in FDI in an era of global crises in 2008 with a fall of 15% FDI (Bokpin, 2017). India is one the successive countries in terms of FDI inflow with 20.03%, 36.17%, and 10.83% FDI received from Singapore, Mauritius, and Japan respectively in the time bracket of 2016 to 2017, with the United States contributing $60.08 billion in the region (Singh, 2019). India secured 53rd position in the annual 'Ease of Doing Business Index' with 77th position among the 190 countries (Delaware, 2018). The economic and political support in Afghanistan provided by the US The country received $271 million on the international level from London, Paris, Tokoyo, Bonn, and many other countries in 2005; however, the country received $37.639 million in 2013 which was the lowest rate of FDI received by the country (Delaware, 2018). The above-mentioned studies show the trend of FDI in developing countries. The economy benefits the most from the FDI inflow due to the growth in employment opportunities which have been a significantly problematic issue in developing and under-developing countries. It provides business ventures with a strong financial ground and platforms to grow and globalize to expand the business internationally (Ben Jebli, Ben Youssef & Apergis, 2019; Latif, Latif, Ximei, Pathan, Salam & Jianqiu, 2018).

6. The Backdrop of the Ukraine Conflict

The Russian Federation instigated military intervention in Ukraine on February 24, 2022, that created havoc worldwide due to its potential to convert into a flashpoint or stage of the Third World War (Reuters, 2022). Russia has been sanctioned and emanated a historic capital from the country to assert an economic cost of war on it. Moreover, the isolation of the country from an international system, the SWIFT banking system was so far the most striking sanction to withhold any cooperation of the international community from Russia to curtail its financial strength to fund this war (Reuters, 2022).

6.1 The Eminence of Ukraine in Global Economics and Supply Chains: The Macroeconomics Analysis of Ukraine

This invasion has been reckoned as a catalyst to a full-blown that has so far been accompanied by human tragedy as the death toll of war in Ukraine has reached 30,000 with 5700 civilians among them (Reuters, 2022). It led to the displacement of the 14.3 million population of Ukraine which is the highest after World War II which makes the displacement of the one-third population of Ukraine (ReliefWeb, 2022). Politically, the Ukrainian conflict has become an internationalized event of war that has been stimulating the countries to abandon their strategically important positions of neutrality and take a decisive and vivid standing in the conflict that has been engendering a more polarized and divided world where the protection of their economies and borders have become a prerequisite. However, the cost of war is not constrained to its political dimensions. It is a fait accompli that the shock waves to the entire world were severed that was already in the vulnerable state of recovery from the pandemic. In the local context, in 2022, Ukraine needed 127 billion to invest in rehabilitation and recovery projects to operationalize the roads, hospitals, schools, and numerous residential buildings, according to the Kyiv School of Economics (2022) has now increased to around $138 billion Kyiv School of Economics (2023). The total infrastructural damage of war has been illustrated in Figure 4 (Kyiv School of Economics, 2023).

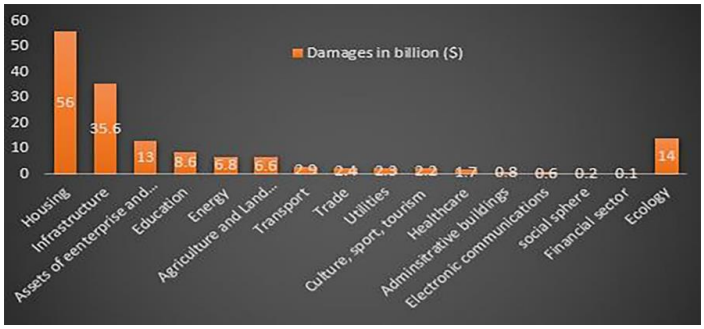

Figure 4. Property damages in Ukraine

Source: Kyiv School of Economics. (2023).

In the meantime, according to the government's projections, the country needs about USD 349 billion to recover which is 1.6 times higher than the GDP of Ukraine along with the time of almost a decade to recover from the war as stated by the Organization for Economic Cooperation and Development (OECD) (OECD, 2022). Also, the economy, as a whole was projected to shrink by 30-45% (World Bank, 2022), and there is a high likelihood that the country will be dependent on foreign aid assistance and then foreign investment capital inflows. In response to the contraction of the Ukrainian economy, the other regional economies also followed suit (Figure 5). For instance, the economy of Belarus accounted for a 6% contraction (The World Bank, 2022).

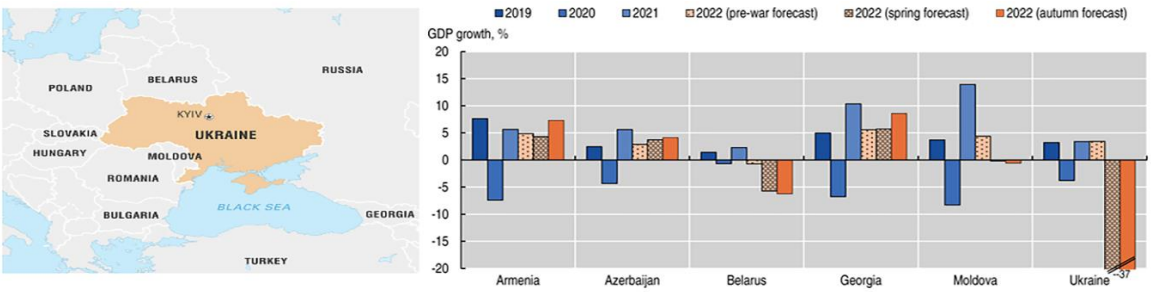

Figure 5. The contraction of the Ukrainian and regional economy

Source: OECD, (2022).

This war led to the closure of airspaces and international supply chains and the flow of commodities and goods such as grain. Adaption to alternative routes surged the cost of transportation and energy (IATA, 2022). Also, significant capital flight and divestment were observed in Russia (The Vienna Institute of International Economics Study, 2023). Russia, Ukraine, and Belarus exports 24% of total global exports of wheat and accounts for 17% of the global supply of fertilizers. Consequently, there is an unprecedented rise in the prices of fertilizers that had an accumulative impact on the prices of agricultural goods and grains, for example, wheat. It has cast serious doubts on global food security (John & Chian, 2023). It has precarious effects on the countries (John & Chian, 2023). Figure 6 displays the spikes in the prices of fertilizers and commodities top three commodities such as coal, natural gas, and oil (OECD, 2022).

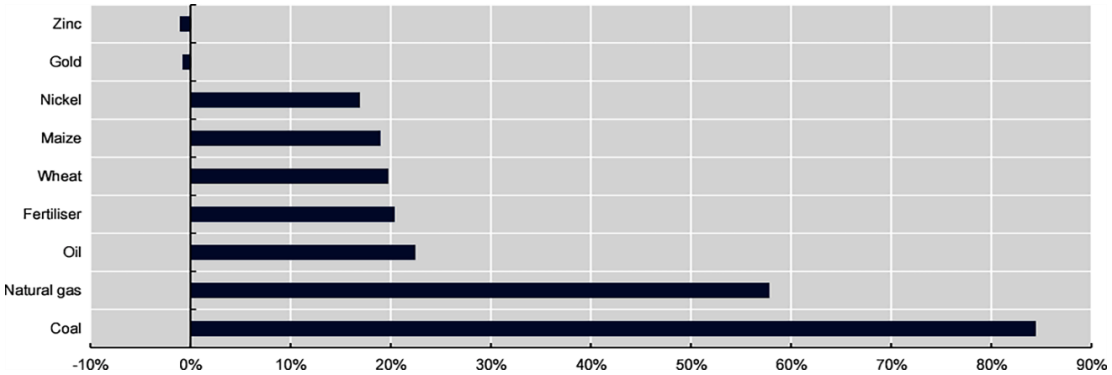

Figure 6. The price hike of commodities

Source: OECD. (2022).

Further, the trend of currency devaluation was apparent around the world as a byproduct of war such 8% devaluation of Armenian Dram (AMD) and 25% devaluation of Ukrainian Hryvnia (UAH) against the US dollars with similar downward trends in currency valuation of Georgian Lari (GEL), Moldovan Lei (MDL), Azerbaijani Manat (AZN) that shows the control and role of the Ukrainian economic outlook concerning inflationary dynamics (Figure 7) (OECD, 2022).

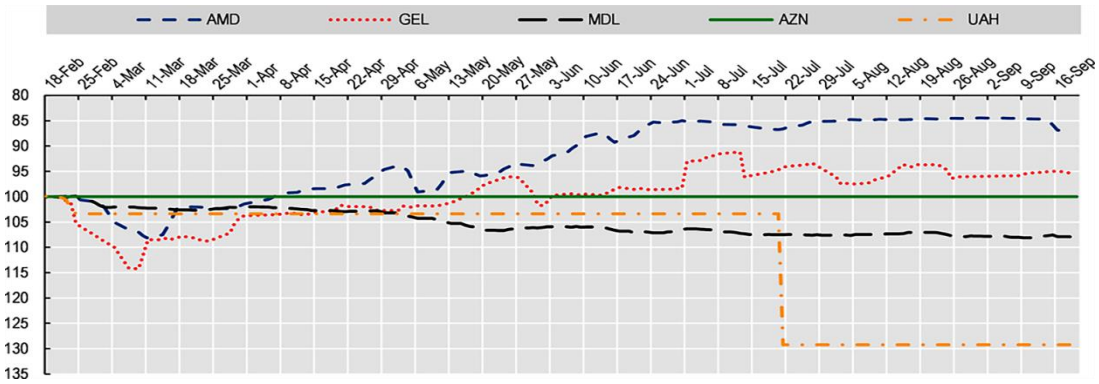

Figure 7. Devaluation of currencies

Source: OECD. (2022).

Moreover, the divestment was apparent in Ukraine as there was an apparent reduction in the foreign inflows of Ukraine year-on-year (YOY) basis in the financial year of 2022-2023 (Figure 8) (OECD, 2022).

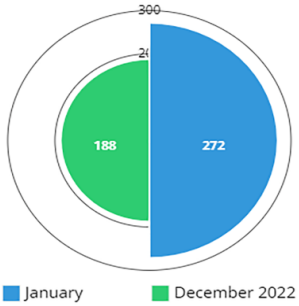

Figure 8. FDI inflows in Ukraine

Source: The world bank (2022).

Figure 9 shows a reduction in the FDI for new projects; however, it is significant to mention that inflows for investments for existing projects have also reduced and capital is being flown to the Eastern Partnership (EaP) countries (Figure 9). Mergers and Acquisitions (M&A) flows had tripled due to capital flight from Ukraine in comparison with the pre-pandemic era. Investments to Georgia and Armenia have increased six-fold and it is highly likely that the remaining investment in Ukraine will be redirected to its regional peers ahead of continued conflagration (OECD, 2022).

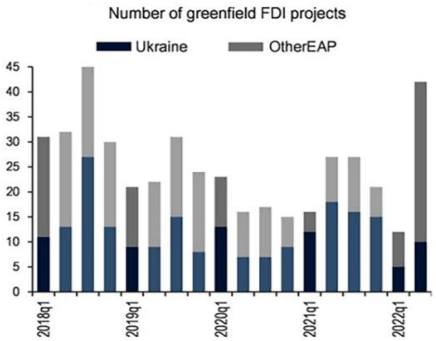

Figure 9. Capital flight from Ukraine

Source: OECD. (2022).

Global responses to these serious supply chain shocks and imminent food insecurity are deemed insufficient as show discrepancies and delayed responses amid heightened political pledges and fulfillment and aspiration of personal and short-live commitments (Figure 10) (Ruta, 2022).

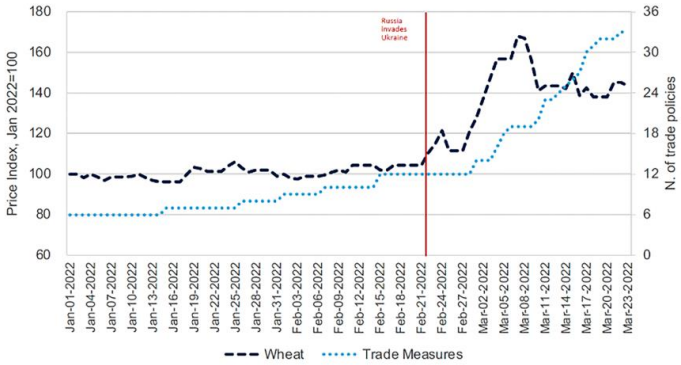

Figure 10. Fluctuations in prices of wheat and trade policy responses

Source: Ruta, 2022.

7. Ukraine's Reconstruction and Recovery: An Eminent Role of FDI through the Eclectic Paradigm

7.1 Ownership and Internalization Advantage: The Significance of Grain Deal

One of the significant policy responses or trade measures, taken amid supply shocks, is the "Grain Deal" where the warring parties agreed to allow exports of grains and oil seeds due to the unfolding food crisis globally. A sea transit corridor was opened allowing exports from different ports in Ukraine. So far, around 10.1 million tons of agricultural commodities have been exported from the conflict zone (Hunt & Saul, 2022). The total volume of wheat shipped from the country was 2.9 million tons which was equal to 28% of the total produced wheat of Ukraine (Vladislav, 2022). Consequently, there was an ease of prices of wheat that were around the pre-war levels as per the price standard of the Chicago Board of Trade (Hunt & Saul, 2022). Location advantage and internalization advantage cannot be overlooked in this instance, as Russia agreed to a truce for the flow of grain as it is interested in obtaining similar concessional measures in the form of easing sanctions against Russian exports (Hunt & Saul, 2022). Therefore, Kenneth and Veronika (2022) remarked that nation-building and recovery of Ukraine largely depend on employing its location advantage of shipping lanes across Europe, Africa, and Asia where the interests of the foreign investors and stakeholders are higher (UNCTD, 2023). However, studies asserted that the economic situation in Ukraine is not up to par with the current required development rate of the country. The political and military conflict between Russia and Ukraine is weakening FDIs in the region (Getzner & Moroz, 2020). Ukraine suffered through a very sensitive financial and macroeconomic situation with little hope of stabilization. In 2015 the exchange rate came forward with an expectant unsteadiness after facing an enormous crisis (Kirchner, 2015). The constitution - passed in 1996 in Ukraine, in article 42, authorizes the establishment of businesses by any local in the country. In Article 26 Ukraine allowed foreigners to invest and establish businesses in the country (Rada, 1996). The legal authorities have given enough privileges to foreign investors to contribute to the FDIS of the state. The extended flexibility in tax payment is the major reason for foreign investment in the running business in Ukraine (Kaczmarek, 2017). In the light of the Dunning OLI paradigm location, this is the foundation of the FDI. The land that can produce the best is considered for investment the most. The jurisdiction of the firms must have the necessary items and materials for their products (Dunning, 1991). Ukraine is the natural heritage of fertile lands and agricultural soil. As suggested by Dunning the investment in the production of goods in the mid of 1980 in Ukraine from the fertile lands resulted in early development in the global supply chain (Dunning & Lundan, 2009). Ukraine owns the 6th largest consumer market in the world due to which dispersion of business in Ukraine is beneficial. The country requires a highly professional and educated workforce to handle the business on land. European Union (EU) signed an alignment with Ukraine (Zhou, Kumar, Yu, & Jiang, 2021). The agreement has constructed policies for foreign investors to regain their trust after war havoc (Shevelova & Plaskon, 2018). This strategy helped Ukraine with foreign investments; however, the economic development in Ukraine suffered a lot due to low agriculture production (Savitska, Zaika, Svystun, Koval, & Haibura, 2020). Ukraine is currently suffering from a difficult geopolitical situation. Foreign investors felt endangered by the Russian military's involvement in many areas and the business sectors as well. Foreign military involvement has made the economic and political situation highly unstable in the region (Shevelova & Plaskon, 2018). For the safety of the investment process, the Dunning OLI paradigm formulated an eclectic paradigm to associate with the perspectives of a theoretical model. As a result,

justified ownership, internalization, and location advantages have been achieved in investing in foreign trades (Dunning et al., 1997).

Ukraine is standing on the edge of tripping off the bracing point of its economic situation (Baranowski, 2022). The low FDI inflow in the country is the reason the economy suffers such massive debts (Transition Report, 2016-2017). The military-ethnic conflicts in Russia and Ukraine are a great risk to the regional integrity and economic development of the country (Getzner & Moroz, 2020). Variations in the economic records are due to the highly unpredictable inflation rate, political turbulence as well and ethnic conflicts accused by the Russian army (Getzner & Moroz, 2020). During the crisis of 2008, Ukraine suffered a huge slump in the FDI inflow however, Russia suffered a fluctuating rate of FDI inflow the growth in the flow of FDIs from 2017 to 2015 was substantial. In this era, Ukraine was investing a huge part of finance abroad. So far, the achievement in foreign investments in Ukraine does not meet the required limit along with the unusual steel prices that don't comply with the standards of the world market. In 2009 controlling stakes of international subscriber dialing (ISD) were sold to Russia under the pressure of the debts of its foreign subsidies. Alapaevsk steel mill was sold by Pryvat to Russia for the same reason (Andreff & Andreff, 2017).

7.2 Location Advantage: The Role of the European Union (EU)

Kenneth and Veronika (2022) asserted that Ukraine is a potential and prospective member of the EU that has much to offer these countries (Figure 11). In the case of Kosovo's post-war recovery, the arrival of the FDIs was at an accelerated pace from the European countries that took an interest in its institution-building and socio-economic growth. Keeping the OLI paradigm, the oil and energy sectors were the two instrumental sectors that reached record-high FDI inflows followed by investments in the telecommunication sectors, mining and banking sectors (Sklias & Roukanas, 2007) that born the dividends due to large-scale reforms and economic structuring (Makdisi & Soto, 2020). EU-Ukraine Association Agreement was followed by the Agreement on Conformity Assessment and Acceptance (ACAA) which aimed to the manufacturing of industrial and agricultural commodities. This agreement will create prospects for the recovery of the devastated road and rail infrastructure in the country that will usher the doors for the Ukrainian markets for the EU states and vice versa. Prospects can be viewed in terms of green investment in Ukraine in the financial, maritime, telecommunication, and postal sectors due to internalization advantage. The partners can make use of the WTO Government Procurement Agreement through which Ukraine will be able to join the EU Digital Single Market and enter into free trade agreements (FTAs) with one of the biggest foreign investment clouts and trade partners.

However, the country is in dire need to pay special attention to crafting (Kenneth & Veronika, 2022). On the other hand, Kyiv has figured out the country is seeking FDIs in the domains of sustainable energy products, technology, and the agricultural industry. It has higher significance because of its imminent EU membership, insurance, and loan guarantees from the EU and other Western countries such as the United States of America (USA). The derailed war and the failure of Russia have become the main elements that increase the potentiality of Ukraine for not probable accession to the EU. This candidacy will accelerate the economic construction of the country which can be perceived from the ongoing military and humanitarian support in its pre-accession era. Also, efforts are continued to increase the level of compliance of Ukraine with the Acquis Communautaire for inclusion in the European Green Deal as well as the Trans-European Transport Network Program that will expand the export market for Ukraine's grains exports being one of the largest grain producers (Rabbi et al., 2023).

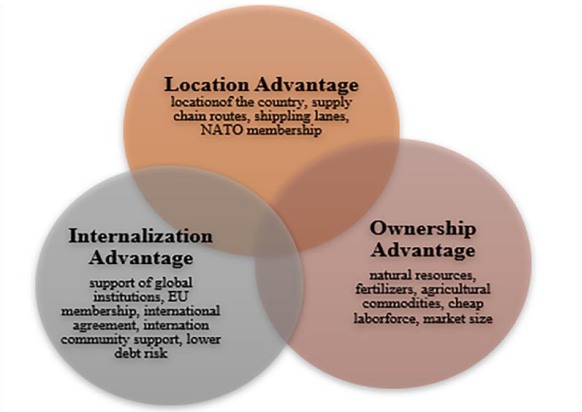

Figure 11. OLI framework for FDIs in Ukraine

Source: Author.

Also, the country has estimated that there is a need for $177 billion to invest in the sector of renewable and clean energy that enlightened the possibilities for the country in case of its membership in the EU (Financial Times, 2023). As per the study of Kobayashi and M'cleod (2021). Ahead of the Black Sea Grain deal as a safe maritime humanitarian corridor for grain and food exports, the Ukrainian safe and green energy markets can serve as the top attraction for the EU states as they are going to make a substantive transition with the aim of carbon neutrality for building the green economy. The intervention of the foreign enterprises will have the leverage to draw or tap energy-saving and alternative energy-based technology based on which the relevance of Ukraine will be higher in acquiring international grants and funds to establish its local businesses that have suffered the damages of war (Rabbi et al., 2023). The EU is the main player to form effective channels of communication and reskilling the Ukrainian population in the post-recovery era by offering alternative private investment opportunities, and credit facilitations from international banks. In this instance, the intervention or support of the Multilateral Investment Guarantee Agency (MIGA) will help Ukraine to secure better-protected shares and bonds for investments (Kobayashi & M'cleod, 2021).

7.3 Location Advantage: The Relevance of NATO

George and Sandler (2022) have supported the relevance of the NATO accession of Ukraine through the economic theory of alliances which asserts that deterrence is also established to obtain common economic and security alliances (Sandler & Cauley, 1975). When the countries are tied in a security alliance, they make a collective decision that has two-pronged advantages; military support and economic support. The alliance determines a total of defense spending for procuring the required combat technology and weaponry which provide deterrence to the allied countries. It economically creates enough fiscal space for the countries to spend money on other sectors. In this way, a collective military might help them to avoid earmarking large budgets for the military. In the context of Ukraine, more companies from the NATO countries can invest in the country by making use of Ukraine's combat skills and technologies to counter Russia to ensure the credibility of safeguarding the USA and Europe. NATO which started its journey in 1940 with 12 members has exceeded the membership to 30 states for ensuring deterrence under the economic theory of alliances. The greater involvement of the EU states and the USA has increased the likelihood of the capital inflows in Ukriane in the form of FDIs for its post-war economic construction (George & Sandler, 2022) as still during the war, Ukriane can be observed to have conducive and parallel grounds to offer economic gains to the US and EU (Table 4).

Table 4. A country-wise comparison regarding the protection of investors

Country comparison description	Ukraine	Eastern Europe and Central Asia	USA	Germany
Transaction Transparency	9.0	7.5	7.0	5.0
Manager's responsibility	2.0	5.0	9.0	5.0
Shareholders' power	6.0	6.8	9.0	5.0

In addition, it is a significant role of Ukraine to support the rules and standards of NATO that helped it combat modern warfare including high-intensity wars and hybrid wars. Ukraine also has the experience to maintain resilience to protect critical infrastructures and institutions during the bloodiest war of Europe in the 21st century which will be critical to strengthening NATO's collective security, on one hand, and for investment opportunities for Ukraine on the other hand (Kuleba, 2023).

7.4 The Chinese Factor

Since the Ukrainian need for economic recovery is mammoth ($750 billion), the global economic slowdown will create a void for the funds and investments that may go around $1 trillion; hard to be financed from any of the EU countries and the USA. The void can likely be filled by China for a reconstruction effort (Landesmann, 2023). On a similar trajectory, China in 2019, replaced Russia as Ukraine's top trade partner having $8 billion or 12% of the trade volume where Ukraine fulfilled 80% of the Chinese corn imports in 2019 increasing the prospects for the Chinese role in the post-war reconstruction of Ukraine. China can invest by leasing farmlands and can make bigger investments in grain silos, and seed-oil processing facilities, and can build port enhancement projects along the Black Sea. In 2021, $47 million was invested in China in Ukrainian transit and energy infrastructure. The Chinese industrial conglomerates can expand their markets in terms of the penetration of Chinese-built 5G technologies and smartphones such as Xiaomi. Also, it is affordable for Ukraine to import relatively cheaper raw materials for its agricultural industry from China. The state-owned enterprises of China will have the leverage to reconstruct rail networks and power stations as well as maintain reliance on energy, rail, transport, and telecommunications sectors.

8. Conclusion

The study presented the post-war scenarios faced by the state of Ukraine in the light of the Electric paradigm. Based on the above discussion, it can be inferred that through the lens of Dunning's OLI framework, Ukraine has a relatively greater advantage and higher prospects to attract the FDIs due to its higher relevance in the ownership, internalization, and most importantly locational aspects. However, the location of the country will be a major aspiration of the North Atlantic Treaty Organization (NATO) countries to counter Russian anticipation in the region by offering a probable membership to Ukraine that will make this country an FDI for the investors of both the European and Western blocs to materialize the dream of a stabilized and integrated Euro-Atlantic area. Therefore, it can be asserted that there is a complex interdependence between Ukraine and the international community for international trade, global food security, and global peace. The findings will be a blueprint for the investors, policy-makers, and researchers in the form of offering useful insights to be used in the post-war recovery of Ukraine to determine the key factors for attracting investors' and investors' confidence.

9. Practical Implications

The war scenarios in Ukraine have hurdled the development in the country. Given the circumstances, the study suggests that policymakers and world peace organizations take the strict major that would be beneficiary and acceptable for both warring parties. Moreover, a policy must be implied for the protection of foreign investors and traders to invest and establish in the country in peace.

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