ALFRED NOBEL UNIVERSITY

DEPARTMENT OF THE GLOBAL ECONOMICS

Master's Thesis

International experience of hotel business development and its significance for Ukraine

Student: Ivan Bobyliev

Group: IER-20 Eng M

Specialty: 292 International economic relations

Supervisor: Professor Kuzminov S.V.

Last name, initials, scientific degree

Dnipro, 2022

ALFRED NOBEL UNIVERSITY

DEPARTMENT OF THE GLOBAL ECONOMICS

Second (master) level
Specialty 292 International economic relations
Approved by:
Head of the Department ________________________________
____

____
(signature, last name, initials, scientific degree, academic status)

“____” _________________20__ p.

The Master’s Thesis Assignment

____
Student’s full name

1. Title ____
____

2.Supervisor____
____
(last name, initials, scientific degree, academic status)

Approved with the Order of «___" _____________ 20___, No. _______________
3. Deadline for submission
____
4. Aim of the paper
____
____
____
____
5. Thesis outline (list of issues to be developed):
____
____
____
____
____

6. Date of issue of the assignment ______________________

7. Thesis schedule

o	Stages	The deadline for submission	
		Schedule date	Actual date
	Chapter 1		
	Chapter 2		
	Chapter 3		
	The whole paper		

Student __________ ________________________
signature *last name, initials*

Supervisor __________ ________________________
signature *last name, initials*

Abstract

Bobyliev I. O. International experience of hotel business development and its significance for Ukraine.

The paper examines the current state and trends of the Ukrainian economy over the past thirty years, concentrating on a sphere of services and tourism in particular. The problem of undeveloped and stagnating hotel business and tourism sectors has been investigated. The paper explores the ways and methods of solving this problem, since the service sector and this sector are key in many economically developed countries around the world, where Ukraine, unfortunately, is not included, although it has great potential for development in this direction. The role of the state in the development of tourism and hotel business, as well as ways of attracting international investors for the development of this sector of the economy, has been studied. The examples of the development of tourism and hotel business in Turkey and Georgia are studied, and conclusions are drawn regarding whether the development strategies of these countries are applicable to Ukraine.

Keywords: *tourism, sphere of services,tourism sector, foreign investments, development*

Анотація

Бобилєв І. О. Міжнародний досвід розвитку готельного бізнесу та його значення для України.

У роботі розглядається сучасний стан та тенденції розвитку української економіки за останні тридцять років, зосереджено на сфері послуг та туризму зокрема. Досліджено проблему нерозвиненості та стагнації готельного бізнесу та туристичної сфери. У роботі досліджуються шляхи та методи вирішення цієї проблеми, оскільки сфера послуг і ця галузь є ключовими у багатьох економічно розвинутих країнах світу, куди Україна, на жаль, не входить, хоча має великий потенціал для розвитку в цьому напрямку. Досліджено роль держави у розвитку туристичного та готельного бізнесу, а також шляхи залучення міжнародних інвесторів для розвитку цієї галузі економіки. Досліджено приклади розвитку туристичного та готельного бізнесу в Туреччині та Грузії та зроблено висновки щодо застосовності стратегій розвитку цих країн для України.

Ключові слова: *туризм, сфера послуг, туристичний сектор, іноземні інвестиції, розвиток*

Table of Content

Topic. *International experience of hotel business development and its significance for Ukraine.*

INTRODUCTION

Tourism has entered the 21st century and has become a profound social and political phenomenon that significantly affects the world order and the economy of many countries and entire regions. Tourism has become a profitable and highly profitable industry, comparable in terms of investment efficiency with the oil and gas production and processing industries, as well as with the automotive industry. However, the analysis of the Ukrainian tourist market revealed that the development of tourism in the country is currently only at an initial level. If the share of tourism in the gross national product of most countries is from 5 to 15% or more, and in some countries it reaches 50%, then in Ukraine this figure is less than 1%.

A feature of the global tourism industry is monopolisation, which is represented in the form of hotel chains or associated members, and the presence of a large number of independent organisations of the hotel and tourist complex. Large travel corporations provide control over the quality of services provided and reduce costs through centralised deliveries. Independent organisations tend to have more personalised customer service. The diversity of existing tourist organisations expands the range of forms and types of services and provides a wider range of services to clients

The relevance of the topic of the thesis is manifested in the fact that the struggle for the survival and expansion of the business is becoming a daily concern for many objects of the hotel business. The transition to market relations required the solution of new directions of the hotel's work related to the formation of competitive advantages. Guests are the backbone of any hotel business. The more there are, the higher the profitability of the hotel. Thus, the hotel's development strategy is based on the strategy of attracting guests, where the corporate style of the hotel and its image play an important role. Once a client has come, you need to convince yourself that nowhere else he will find (for the same payment) a more attentive and preventive-comprehensive service than in your company, and nowhere else will he be met so favourably, will not be treated with such understanding and attention to him. wishes.

Today the hospitality industry is the most powerful economic system of the region or tourist centre and an important component of the tourism economy. The hospitality industry is made up of various means of collective and individual accommodation: hotels, hotels, motels, youth hostels and hostels, apartments, as well as the private sector involved in the accommodation of tourists The hotel industry as an economic activity includes the provision of services and the organisation of short-term accommodation in hotels, motels, campsites and other accommodation facilities for cash reward.

The main task in writing the work was the analysis of theoretical and applied sources on the theory of the organisation of the hotel business and the development of the tourism sector, their impact on the economy and development of the state.

In the end of this work, I will conclude all the information written and will provide my verdict on both the investment climate of Ukraine and the future development of a hotel business in that country.

CHAPTER 1. UKRAINIAN ECONOMY: CURRENT SITUATION, PROSPECTS, DEVELOPMENT AND KEY PROBLEMS AS THE BASIS FOR IMPROVING THE COUNTRY'S INVESTMENT CLIMATE

1.1. General characteristics of the Ukrainian economy over the years of independence

Before diving deeper into the economic analysis of the country, let us provide a little overview of Ukraine itself.

Ukraine is a country in Easter Europe bordered with Hungary, Poland and Slovakia to the west; Romania and Moldova to the south; Belarus to the north and Russia to the east and north-east. This is due to the fact that Ukraine is the second-largest European country after Russia, with its area of 603,628 km^2. It mostly consists of plateaus and steppes, crossed by many rivers, the biggest of which is Dnipro.

It is also enshrined in the constitution that Ukraine is considered to be a neutral and unitary state that consists of 24 regions, the Autonomous Republic of Crimea and two cities with special status: Kyiv - the capital of both the largest city and Sevastopol. Ukraine is a parliamentary-presidential republic. The highest body of state power is the Verkhovna Rada of Ukraine, and the head of state is the President of Ukraine.

It is also one of the founders of the United Nations and is a member of WTO, World Bank, OSCE, the Council of Europe, the GUAM and is a part-time member of the United Nations Security Council (1948–1949, 1984–1985, 2000–2001, 2016—2017), Ukraine is trying to build up strong, partnership relationships with NATO and the EU.

Nowadays there are approximately 40 mln inhabitants, 77.8% of them are Ukrainians, 17.3% - Russians. The share of urban population is 67.2%. The official language is Ukrainian. However, the Russian language is widespread in the eastern and southern regions. There are 2,962,180 residents in its biggest city and capital - Kyiv, which is also the 7th most populous city in Europe. However, it is important to note that the last population census was carried out in 2001 and since then the country's population has tended to decrease. This is due to the following factors: economic problems, poor quality of medicine and infrastructure, low wages, corruption, current geopolitical situation, etc.

Ukraine is mostly an agricultural country with a predominance of raw materials, but it has a huge potential of becoming a powerful industrial country as well, due to the fact that it used to be the main industrial centre of the USSR and many factories nowadays are either abandoned or sold to private persons. It is one of the leading exporters of some agricultural products and food. The economic complex of the country includes such industries as mining (coal, oil and gas, iron and manganese ores), some engineering, ferrous and nonferrous metallurgy. Ukraine is a powerful producer of electricity. Production of launch vehicles, satellites and equipment for space exploration has been established. Ukraine is a significant producer of military equipment and weapons - tanks, military transport aircraft, anti-aircraft missile systems, optical equipment.

It ranks 74th in the UN inequality-adjusted human development index (HDI) – it combines a country's achievements in health, education and income with how those aspects are distributed among the population. For comparison, Poland takes 35th place, Russia – 52, USA - 17. *(Human Development Reports, 2020)* However, Ukraine still remains the second poorest country in Europe after Moldova. On the other hand, Ukraine is one of the largest grain exporters in the world thanks to its extensive farmlands.

Ukraine has approached the 30th anniversary of Independence with ambiguous economic results. If in absolute figures of production and share in the world economy the country has definitely lost, then the situation with the welfare of citizens is rather the opposite.

Prior to the declaration of independence, the economy of the USSR was a significant part of the economy of the USSR. The USSR State Plan, together with the Ukrainian State Plan, developed five-year plans for the development of the USSR's economy as an integral part of the Soviet economy.

Ukrainian enterprises were subordinated to the Union Ministries in Moscow or the Republican Ministries in Kyiv. After 1991, the enterprises, despite their formal ownership, came under the control of their directors. By 1996, about 6,000 medium and large enterprises had become joint-stock companies, and by 1998, 45,000 small enterprises and almost 99% of retail stores, trade enterprises and services had been privatised.

During and after the collapse of the Soviet Union, Ukraine experienced a severe economic depression: the collapse of the economy and hyperinflation led to a catastrophic reduction in GDP. The economic situation was sharply complicated by the decision of the country's leadership not to introduce a full-fledged national currency at once, but to gradually withdraw from the ruble zone and first introduce surrogate money - coupon rubles.

The National Bank of Ukraine introduced reusable coupon rubles on January 10, 1992. With the introduction of coupon rubles in cash in Ukraine at the same time there were two currencies - the Soviet ruble and Ukrainian coupon rubles. For payments for food and industrial goods accepted only coupon rubles; both rubles and coupon rubles were accepted for payments for services and other types of payments at the rate of 1: 1. In the first months after the introduction, based on the wider use of coupon rubles, they were valued slightly more than the Soviet ruble. Gradually, in April 1992, the entire cash circulation was filled with coupon rubles. In November 1992, the ruble was replaced by the ruble and non-cash circulation. *(Економічна нестабільність другої половини 90-х, 2015)*

When coupon rubles were introduced, they were planned to be used only for 4 to 6 months, but they lasted until 1996, and it is thought that coupon rubles took the brunt of the inflationary blow.

In 1996, the national currency, the hryvnia, was introduced, hyperinflation was halted, but economic growth resumed only in the fourth quarter of 1999.

Since 2000, Ukraine's economy has grown steadily. In 2007, the growth was 7% compared to the previous year, but even today the country has not reached the level of 1990 in terms of GDP.

Between 1995 and 2004, industrial production increased by 40%, and labour productivity almost doubled. Economic transformations, creation of market bases of functioning and development, changes of forms of ownership together with organisational restructuring of enterprises (over 90% of enterprises have non-state form of ownership) have significantly changed the possibilities of industrial complex development. If the growth rate of real GDP in 2004 was 12.15% (2003 - 9.6%), and the growth rate of industrial production - 12.5% (2003 - 15.8%), in 2005 it was record low - 2.7%. There was a slowdown in industrial production against the background of real GDP growth, which indicates the lack of a stable process of using STP industries.

Ukraine's economy has been hit hard by the 2008 global economic crisis. In 2008, the hryvnia depreciated by 38% against the US dollar, which exceeded the fall in the exchange rate of the Icelandic krona and the Seychelles rupee. At the same time, production was aimed at exports, which yielded surplus profits, the price of products in the domestic market was high, and the country's population was forced to buy the most necessary things at European prices. The State Employment Service of Ukraine predicted that in 2009 unemployment in Ukraine would reach 9% (against 3% in 2008). According to the results of 2009, Ukrainians became poorer by 10%, and 78% of people in Ukraine, according to UN statistics, are below the poverty line. Gross domestic product in 2009 decreased by 15%. In 2010, Ukraine completely changed the country's economic course, which was aimed primarily at developing the domestic market. The GDP growth rate in 2010 was 4.2%. *(Як змінилася економіка України за 30 років, 2021)*

The real GDP of Ukraine as of 01.01.2017 amounted to 984,016 mln UAH. That year, Ukraine's economy showed growth of this indicator (2.3%) for the first time since 2013. The fall in GDP began in 2013 and amounted to 0.27%, accelerating in 2014-2015 due to the political, economic crisis, and military action. During these years, the total decline was about 16%.

The reduction in GDP was caused by problems in almost all sectors of Ukraine's economy. The destruction of production facilities and transport infrastructure, the rupture of industrial interregional ties due to the military confrontation in the east of the country led to a decline in industrial production. The decline in real wages amid deteriorating consumer sentiment and high inflation has led to a narrowing of domestic consumer demand. The decline in investment demand was due to high risks due to the military conflict in eastern Ukraine. *(ВВП України, 2022)*

As a result of some macroeconomic stabilisation, recovery of consumer and investment demand, freezing the conflict in the Donbas, real GDP growth was 2.3%, which is a positive indicator of Ukraine's economic recovery.

The improvement in the structure of the economy led to the fact that the Ukrainians gained access to goods and services, and most importantly - new opportunities, which were not even discussed in Soviet conditions. The State Statistics Service (Gosstat) has provided fragmentary information since 1991. Nevertheless, the data of international financial organisations, primarily the World Bank (WB) and the International Monetary Fund (IMF), allow us to compare the economy of Ukraine now and 30 years ago.

According to the World Bank, Ukraine's gross domestic product in 1991 reached $188.5 billion (at constant 2010 prices). In 30 years, this is only $130 billion. By 2020, Ukraine's share in world GDP has decreased three times from 0.49% to 0.16%. This is due to the fact that the Ukrainian economy was shrinking, while the world was growing rapidly. The average annual rate of increase in world GDP over the past 30 years was 3.3%, while ours fell by 1.1% per year. As a result, the size of the world economy has more than doubled, and Ukraine has lost about a third of its GDP. However, our country approached 1991 with an economy that did not meet modern challenges.

"*Ukraine inherited a largely distorted production structure, dominated by energy resources and inefficient industry*" Vasily Yurchishin, director of economic and social programs at the Razumkov Centre, explained to RBK-Ukraine. As an example, he cited the mining and metallurgical complex, which was effective only in those conditions of sale that were presented within the USSR.

Standards of living

World Bank data show that Ukrainians, on average, live about the same as they did 30 years ago. If in 1991 GDP per capita was 3624 dollars (in 2010 prices), then in 2020 it is already 3116 dollars - that is, 86% of the level 30 years ago. Purchasing power parity data gives similar results: $14,397 (at 2017 prices) in 1991 and $12,377 in 2020 (again 86%). At the same time, the integral indicator of GDP does not always reflect the real standard of living in the country. In particular, it depends on the structure of the economy. For example, the share of final household consumption in GDP increased from 54.0% in 1991 to 74.3% in 2020.

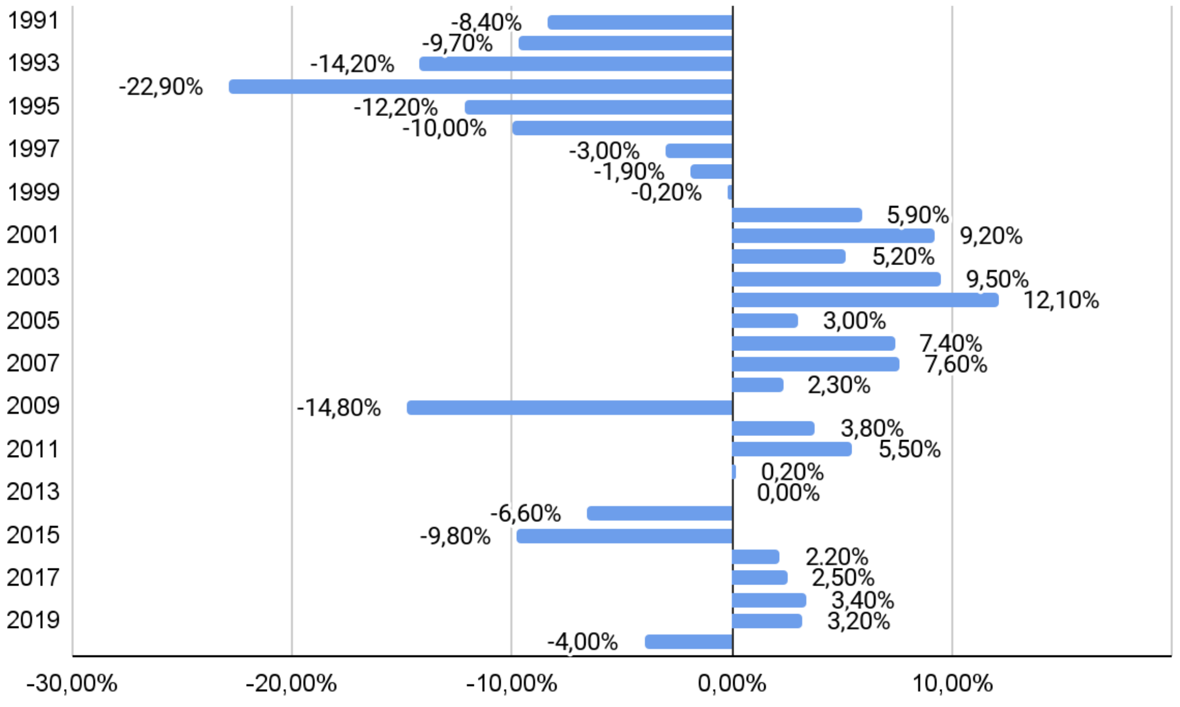
In fact, the transition from a command and militarised economy in the USSR to a market economy oriented to the needs of people took place. With the same level of output per person, this significantly changed the quality of life, said the head of the KSE (Kyiv School of Economics) Centre for Macroeconomic Modelling Yuri Sholomitsky. "*The share of the defence complex in industry ranged from 50 to 70% in different years of the Union, and its output was included in the GDP. In the modern Ukrainian economy, it was replaced by consumer goods, primarily services. That is, instead of missiles and shells, we got more food, consumer goods. and services*" he said. Thus we can see that the well-being of citizens has changed only because the access and quality of goods and services has actually changed.

A similar opinion is shared by Bogdan Prokhorov, an economist at the Center for Economic Strategy. According to him, it is obvious that the average standard of living in the early 90s is incomparable with the current one, since the key question is: what can be bought for a certain salary "*And if it was possible to compare countries with each other as of 1991, then it is not entirely correct to compare the purchasing power then and now - because the set of goods and services that people buy has changed. There is also such an aspect as having access to goods - it is difficult to measure, but it is obvious that now you do not need to wait for months or years in a queue to buy a car or furniture*".

In addition, statistics in the early 1990s were based on a planned structure of an economy with regulated prices. So it may well be unreliable and even distorted.

Table 1.

Real GDP change through years of independence



(GDP growth - Ukraine, 2022)

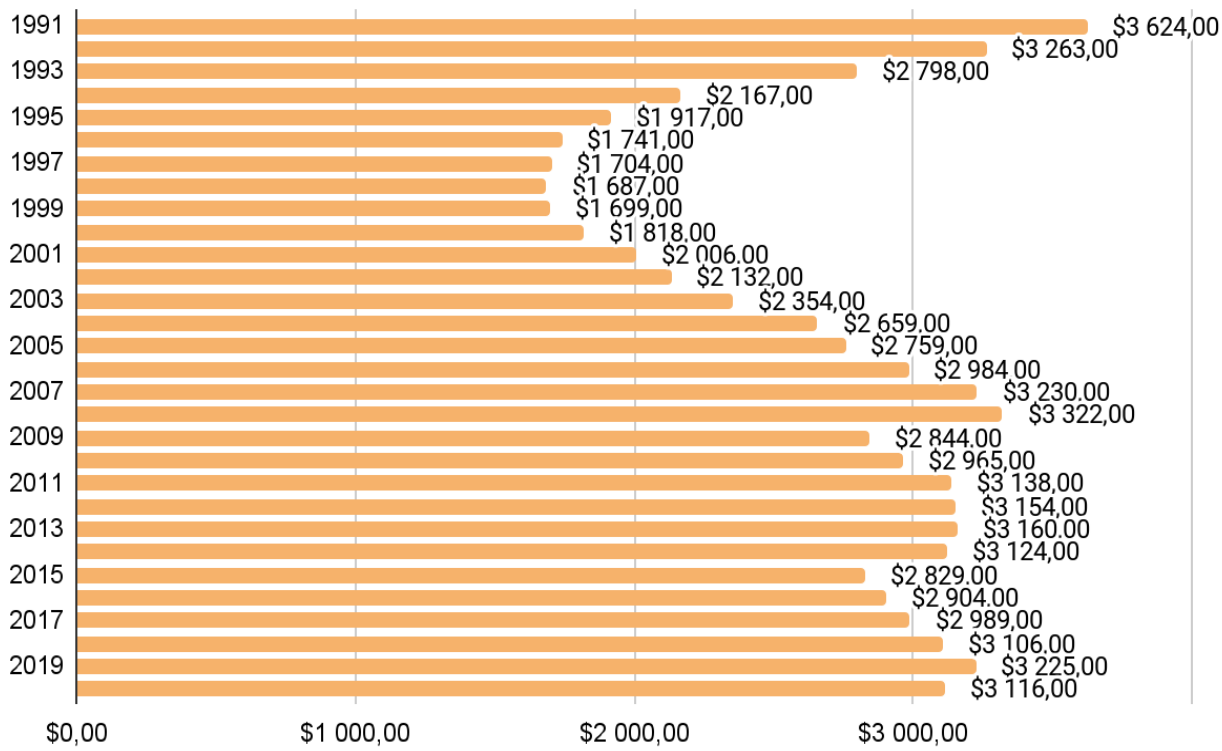
The poorest country in Europe

IMF figures for 2020 show that Ukraine remains the poorest country in Europe. GDP per capita in the world on average reached 11,058 dollars, in Ukraine it is only 33% - 3,653 dollars. Compared to the EU countries ($34,047), the difference is almost ten times. Ukraine lags behind not only Poland ($15,654), but also Moldova ($4,366). If we calculate in US dollars at the current exchange rate, in 1991 GDP per capita at purchasing power parity was slightly higher than the average level for the countries of Central Europe - but since that time in Poland, Hungary, the Czech Republic, GDP per capita has grown by 3.5-6 times. *(Ukraine - gross domestic product (GDP) per capita 2026 | Statista, 2022)*

According to the World Bank, one of the main reasons for the lag is low labour productivity. The average worker in Germany produces as much in 17 days as his counterpart in Ukraine in one year. Ukraine needs a hundred years to achieve the level of prosperity in Western Europe with the current economic growth. The bank advises to increase the volume of investments in fixed assets - means of production and technology.

Ukraine was a rather poor country by world standards even in 1991. Its per capita GDP ($3,625 in 2010 prices) was roughly 50% of the world average ($7,168). In 2020, this is less than a third - $3,116 from $10,566. Nevertheless, according to the estimates of Sholomnitsky from the Kyiv School of Economics, Ukraine could occupy the first lines in absolute numbers. "*Back in the 80s, the GDP of the Soviet Union was the second highest in the world. Accordingly, considering that the Ukrainian economy was the second after the economy of Russia in the Union, we assume that in terms of importance ours was in the top ten. Now we are approximately between 55 and 60 in the GDP rating at current prices*".

Table 2. GDP per capita, USD

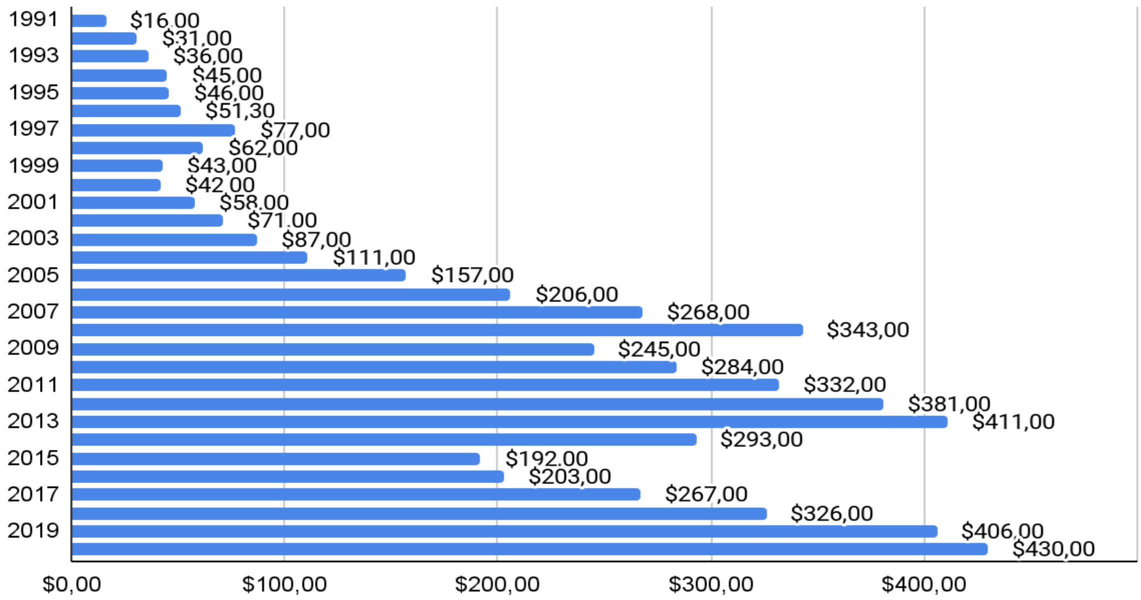


(GDP per capita (current US$) - Ukraine | Data, 2022)

Income and salary

One of the indicators of the standard of living can be the average salary, which in the Ukrainian USSR in 1990 reached 244 rubles. But in 1991, there was a jump in inflation (according to the State Statistics Service, prices increased by about three times), salaries rose to 480 rubles - at that time only $16. Then, in 1992, karbovanets were introduced and the salary in recalculation rose to $31 in 1993 and $45 as of 1994. In general, due to the sharp jumps in the exchange rate and the difference in prices, it is rather difficult to assess the level of wages during this period. The State Statistics Service has been providing permanent data since 1996, when the hryvnia became the official currency and the average salary was 126 hryvnia (69 USD). The average salary in Ukraine reached $400 in the summer of 2008, but after the onset of the crisis, it dropped sharply. The second time the salary rose to $400 in mid-2013, after which it fell by half. For the third time, the salary rose to $400 in June 2019. But in July 2021, the average salary for the first time in history rose above $500. However, this level is still significantly lower than in neighbouring Poland (about $1,500). *(Ukraine Average Monthly Wages|1996-2021 Historical, 2022)*

Table 3. Average salary in Ukraine, USD



(Середня заробітна плата (Україна), 2022)

Taking these and other facts into consideration, we can conclude that Over the years of independence, the share of services in Ukraine's GDP has grown from 28.9% to 55.6% in 2020. The share of industry (including construction) in Ukraine's GDP in 1991 was 54.5%, in 2020 it dropped to 20.9%. The share of agriculture in the Ukrainian economy over the years of independence has decreased 2.5 times - from 24.6% to 9.3% of GDP.

In my opinion, the government should focus on the specific benefits that provide opportunities for growth. Now it is crucial to occupy profitable competitive niches. For Ukraine, for example, it can be the production of food products, especially organic ones. If a country is able to find a niche where it can offer the world or neighbouring countries those goods in which it has relative, or even absolute advantages, this should be welcomed and supported. The attention should also be paid to one of the rapidly developing spheres of the Ukrainian economy - the IT sector. So, if in 2000 its share was only 2.8% in Ukraine's GDP, then in 2020 it was 5.2% - that is, an almost two-fold growth. The IMF estimates the potential growth of the Ukrainian economy at about 3.5-4% per year. In theory, this gives a chance to reach the level of the countries of Central and Eastern Europe in the coming decades. For example, the World Bank in 2019 said that this could happen in 50 years. *(IMF forecast for Ukraine's GDP in 2022, 2021)*

In practice, Ukraine goes through each crisis harder than its neighbours, and recovers more slowly. As a result, the country is increasingly lagging behind not only the developed countries of Western Europe, but also from its Eastern European neighbours. The government announced the outstripping growth rates in 2019, but at the end of the same year the economy slowed down sharply, in 2020 it fell by 4%, and in 2021 it continues to be in recession. If Ukraine in the next 3-5 years grows by 3-3.5%, then this will be a fairly decent figure. This will show that we are creating the basis for resilience of sustainable development, because since 2007 we have had a crisis or pre-crisis state every 3-4 years. Several years, albeit low, but calm dynamics is a positive sign.

1.2. Structural changes in the development of the country's economy on the way to the EU over the past 7 years

From the previous section we understood that the Ukrainian economy was quite unpredictable during all the years of independence. First years were tough enough for both business and ordinary people, as one giant country collapsed after long years of repressions, a deficit of goods and services, and a military economy aimed not at improvement of people's lives, but at competition with the strong one and threatening and conquering the weak. But finally almost all the republics were finally free and ready to choose their own path of development. For some it was easier, for some it was not, due to such factors as: natural resources, industrial potential, geographic location and what I find one of the key factors - historical legacy and sometimes even mentality of a certain nation.

One can say that Ukraine has everything from these - almost all elements from the Mendeleev's table, perfect geographical location with rivers, field for sowing and steppes ready for mass building of factories and new cities, giant forests, access to the Sea of Azov which is great for tourism and fishing industry and The Black Sea, which opens a door to a sea trade with a huge variety of countries from Turkey, Bulgaria, Moldova, Romania and Georgia with which we have a common sea border, to all the European countries and all the others, as the Black Sea flows into the Mediterranean Sea and there is an option to trade either through the Suez Gulf or through Gibraltar. We also had a huge industrial basis left from the USSR as many factories and industrial complexes were located on the territory of Ukraine. The potential is limitless. Until our society bumped into one barrier that if not closes the doors of that potential of becoming the greatest economy in Europe and one of the strongest in the world and the name of that barrier is - corruption. It is really the most important problem we are facing and that no one knows how to handle as 5 out of 6 presidents were either corrupted by someone or were in charge of all the schemes and law violations through the years of their cadention. The point is that about 37 bln UAH (~1.5 bln USD) according to the Head of the Executive Committee of Reforms, former President of Georgia Mikheil Saakashvili , are being stolen because of corruption at Ukrainian customs every year. *(На коррупционных схемах в Украине воруют 37 млрд долларов в год, 2021)* These are huge numbers and we are talking about customs only, just imagine what those real, absolute numbers are! This money could have been spent on new infrastructure, hospitals, new schools and universities, roads, renovation of all the houses built 30-40 years ago, new factories, bonds, loans, credits for other countries and much-much more.

The second negative factor is of course the War in Donbas that lasts for 7 years and there is no see of its close ending. Occupation of Crimea and parts of

Eastern Ukraine by Russian Armed Forces and separatist alliance have damaged the poor Ukrainian economy even more, as it is known that former president Victor Yanukovich was a leader of all the corruption schemes and organised crime syndicates for the years he was a president, thus economy was in terrible condition, with no army that was artificially destroyed, no money left and there were no a legitimate president in 2014. Luckily, Ukrainian forces with significant help of volunteers, were able to stop the Russian invasion further into the territory of Ukraine. However the war is not over yet and people live under a constant threat of russian tanks.

This lyrical digression was needed to show you the potential of our country and threats we, common people, and all businesses are facing every day. But what was done in these 7 years of war? How did the economy grow and how did the people's well-being change through the last years? Were there any reforms or some structural changes made that might help in improving our socio-economic condition? Let us have a closer look.

7 years ago it all started with the unsigned association with the EU, it was the starting point for the revolution, coup d'état, escape of a government and war. Being a geographical centre of Europe it was a long-term dream of most ukrainians to be a part of the EU as well, as it associates with wealth, good education and medical services, equality, liberty, justice and democracy. It is possible to say that people were and still are dying for their dream of a liberated and independent country that might choose its own path and where laws are working for the people, not against them. However, it is known that signing association declaration is not enough, certain reforms should be made and this is a long run to do.

We have already talked about the high level of corruption, because of that many citizens formed an opinion that it is better not to pay taxes at all as everything is going to be stealed by an unfair government. Thus, it leads us to the next unpleasant factor for the Ukrainian economy - the shadow economy.

The shadow economy accounted for 31% of Ukraine's GDP in the first half of 2021, which is 1% more than a year earlier. This was reported at the end of November 2021 at the country's Ministry of Economy. *(Тенденції тіньової економіки, 2021)*

The economic department, however, noted that the invariability of the level of the shadow economy in January-June 2021 is a consequence, first of all, of the adaptation of enterprises to activities in difficult conditions of quarantine restrictions against the background of the COVID-19 coronavirus pandemic, as well as the development of new schemes of care in shadow.

The tendency towards an increase in the shadowing of the economy is formed, first of all, in the conditions of an unfavourable investment and business climate in the country. At the same time, positive expectations regarding the business environment, as well as the results of the reforms introduced by the government, stimulate the population and companies to expand their activities in the legal sector.

According to the government, the processes of withdrawing the Ukrainian economy from the shadow are constrained by such factors as:

- low level of protection of property rights;
- insufficient level of intellectual property protection;
- low level of liquidity of the stock market, protection of investors' rights along with insufficient ability of the regulator to counteract abuses in the market;
- imperfection of the country's judicial system;
- high level of corruption in the country;
- the presence of territories outside the control of the government.

According to the calculations of the Ministry of Economy of Ukraine, in January-June 2021, almost all aggregated types of economic activities (with the exception of "Financial and insurance activities" and "Construction") showed a downward trend in the level of the shadow economy.*(Тенденції тіньової економіки, 2021)*

Ukraine's GDP in 2020 decreased by 4.4%, according to the National Bank of the country. The fall in the economy turned out to be not as strong as the regulator had expected - it predicted a decline of 6%. The decline in Ukrainian GDP is associated with the COVID-19 coronavirus pandemic, due to which a strict quarantine was introduced in the country. According to the head of the National Bank Kirill Shevchenko, “*the economy began to recover quite quickly in the second half of 2020. Thus, in the third quarter, the rate of decline in GDP slowed down to -3.5% from -11.4% in the second quarter, and the trend continued. Increased quarantine in November had little impact on business activity"* *(Глава Национального банка Украины оценил влияние карантина на экономику, 2021)*

The NBU linked the rapid recovery of the Ukrainian economy, first of all, with the growth of domestic consumption. Thus, retail trade in the 4th quarter continued to grow rapidly. The increase in the current budget expenditures on infrastructure, primarily on road repairs, as well as health care has improved the dynamics of GDP, the National Bank reported.

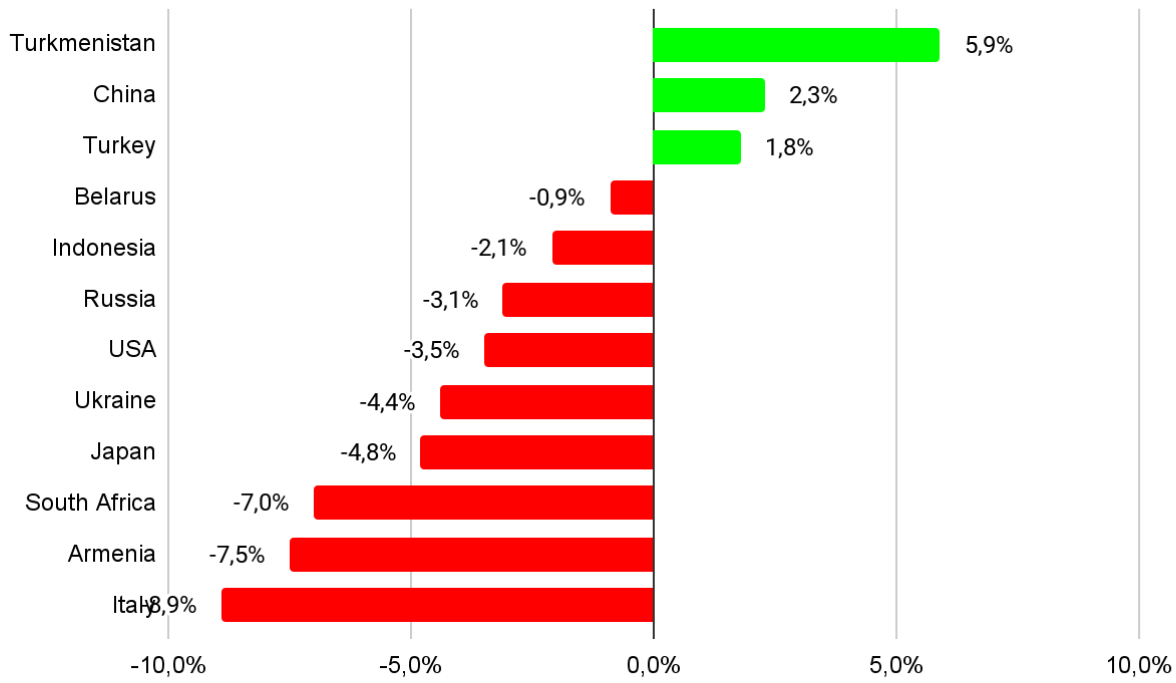
According to economists, in 2020 Ukraine's national debt increased by 25% - from UAH 2 trillion to UAH 2.5 trillion. Thus, for every Ukrainian, including the elderly and babies, there were 75 thousand hryvnias of debt. *(Внешний государственный долг Украины, 2021)*

In the face of an acute shortage of budgetary funds, the Ukrainian government began to lend them at maximum interest rates. A significant part of the shortfall is covered by increasing the bonds of the domestic government foreign currency loan.

The National Bank notes that although prices and external demand for the main Ukrainian exports remained quite high, the rise in energy prices leads to a deterioration in the terms of trade. Economic recovery will be accompanied by a gradual increase in investment imports.

Table 4.

Economies of the world by GDP dynamics



(GDP growth (annual %) | Data, 2022)

Despite the resumption of GDP growth, a decrease in the state budget and current account deficits, as well as a decrease in the level of public debt, as of May 2019, Ukraine is still dependent on financial assistance from international organisations. The country lacks significant foreign exchange reserves, and growth in foreign direct investment in the country's economy is hampered by investor concerns about ineffective governance and restrictions on capital flows. At the same time, the IMF and the EU have set Ukraine a number of conditions that it must fulfil in order to continue receiving financial injections. These conditions include fighting corruption, raising gasoline and heating prices, pursuing agricultural reform, improving the efficiency of the tax system, and restructuring a number of inefficient state-owned banks and companies.

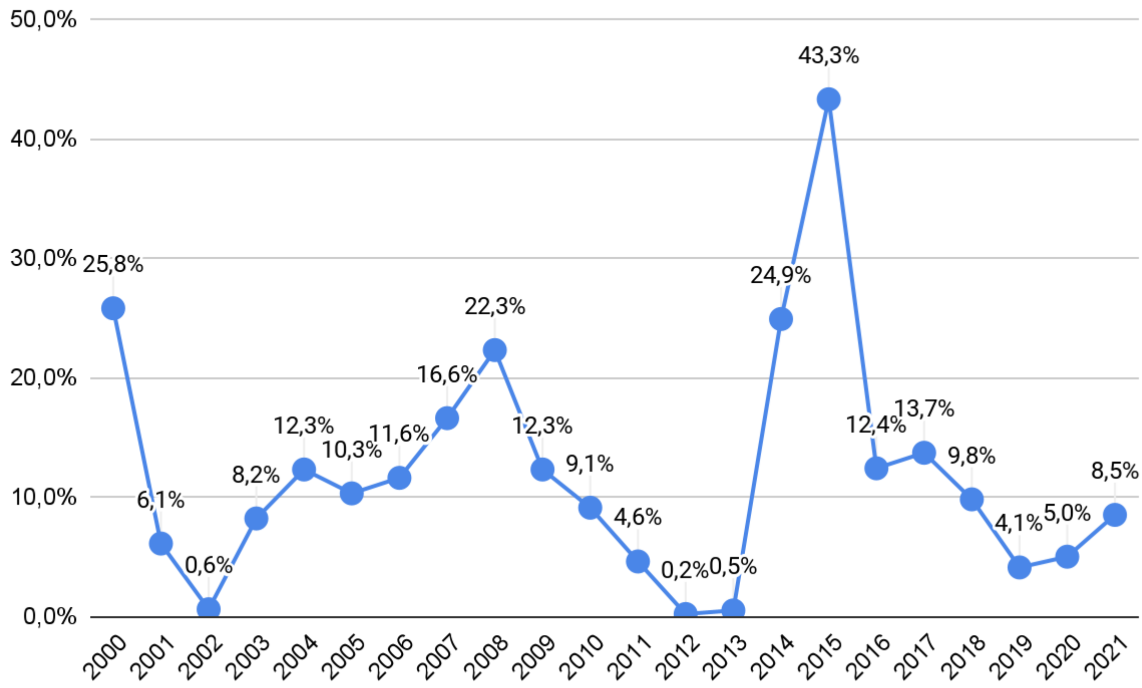
Talking about unemployment, in Ukraine, the number of unemployed by the beginning of May 2020 increased by almost 50% due to the COVID-19 pandemic. As of May 4, 2020, the number of unemployed registered with the State Employment Service is 456.8 thousand people, which is almost 148.5 thousand, or 48%, more than as of the corresponding date last year. At the end of the year, as experts suggest, the unemployment rate will be 9.4% instead of 8.1% predicted earlier. On April 27, the government decided to allocate 6 billion UAH (~ $222 million) for the Compulsory State Social Insurance Fund of Ukraine. The money will go towards paying unemployment benefits.

The unfavourable socio-economic situation caused a drain of personnel from the country, especially qualified ones - for example, the number of labour migrants in May 2019 is, according to various estimates, from 2 to 4 million people. Most often, Ukrainians leave in search of a better life in Poland. *(Рівень безробіття в Україні, 2019)*

The other factor is of course the inflation level. For thirty years, Ukrainians have become accustomed to measuring financial stability and their well-being in dollar terms. Its growth means the depreciation of hryvnia wages and, consequently, the decline in people's solvency. Prior to the introduction of the hryvnia, the dollar rose more than 700 times in Ukraine. In 1992, the foreihn exchange rate was 1 USD per 208 RUB, and in 1995 it was 1 to 147,46. Due to hyperinflation, Ukrainians' incomes depreciated rapidly, so many people focused on the dollar as a stable currency. The inflation rate was sky-high. In 1993, prices increased by 10,156% or more than a hundred times. The introduction of UAH in 1996 calmed inflation. Since then, the highest inflation rate was in 2015: 43.3%. Then the NBU introduced an inflation targeting regime, aiming to keep annual price growth at 4-6%. We managed to get into this corridor in 2019 and in 2020.

Table 5.

Inflation level in Ukraine



(Індекс інфляції ⊳ Індекс споживчих цін в Україні, 2022)

After the ratification of the Association Agreement between Ukraine and the EU, our state chose a difficult and long path of development and adoption of new, urgently needed reforms, which in the long term should help transform Ukraine into a developed state with a strong economy, capable of confidently competing in the international market and political arena with other countries. Let's briefly summarise which economic indicators have improved in recent years and what other changes can be expected in the future.

Economic indicators

1. The economy is gradually recovering from the crisis after falling by -4% of GDP in 2020. In 2021, the economy is showing growth - at the end of the first half of the year, GDP increased by +1.7% against the first half of last year. According to forecasts of the Ministry of Economy, by the end of 2021, GDP growth is expected to amount to +4.1% of GDP, according to forecasts of the World Bank, growth of +3.8% is expected. *(The World Bank In Ukraine, 2022)*

2. The average salary in 2021 for the half-year was $479 per month compared to the first half of 2020 - $420 per month, and in the first half of 2019 it was $372. In the summer of 2021, the average wage in dollar terms crossed the mark of $500, which is the highest figure for all years of independence. *(Average salary in Ukraine up 30% in April 2021, 2021)*
3. As of December 1, 2021, Ukraine's international reserves increased by USD 342.5 million, which is the highest in the last 9 years. By the end of 2019, the gold and foreign exchange reserves amounted to $25.3 billion, at the end of 2020 the gold and foreign exchange reserves amounted to $29.1 billion. *(Ukraine's International Reserves Rose to Almost USD 31 Billion, 2021)*
4. During the crisis, the banking system demonstrates stability - over the past two years, only three small banks were declared insolvent. As a result of the professional actions of the National Bank and the improvement of the balance of payments, the national currency has been stable for several years, the devaluation in recent years has been within the statistical error of several percent.
5. The volume of deposits in the banking system has been growing in recent years: in August 2021 they amounted to 1 trillion 389 billion (715 billion - citizens of Ukraine, 674 billion - business), as of August 2020, the volumes amounted to 1 trillion 226 billion, in 2019 = 1 trillion 71 billion UAH. *(Дані статистики фінансового сектору, 2022)*

Institutional reforms

One of the most discredited reforms in society is the comprehensive reform of tax authorities and customs. Although it began according to the plan of the CMU (Cabinet of Ministers of Ukraine) in 2019, it soon ended with the unexpected resignation of the heads of the relevant departments. Modernization process during 2020-2021 is also proceeding very slowly and uncertainty, given the high personnel turbulence in both departments (tax service and customs), the ongoing long-awaited elimination of the tax police (and the state fiscal service in general), scheduled for the end of September 2021, and the launch of the Bureau of Economic Security of Ukraine, begun a rather controversial personnel decision - the Government appointed the current head of the State Fiscal Service for a period of five years to the post of head of the new law enforcement agency, which generates risks of using old practises in the new body.

The work of the customs service does not show qualitative changes - the reform is stalled, numerous corruption scandals and the lack of improvements in statistical indicators indicate the impossibility of the new leadership to establish effective work of the State Customs Service.

At the same time, there are positive changes in the work of the State Tax Service - the Service demonstrates a new quality of work, which is noted by business representatives and as evidenced by statistical data.

There have been noticeable changes in the **judicial reform** - in 2021, two key bills were implemented to launch the judicial reform: 3711d, which provides for the creation of the High Qualifications Commission of Judges with a selection committee in the HQCJ, in which independent international experts have a decisive vote, and 5068, which is ensured by the Supreme the Council of Justice (SCJ) with the participation of international experts who will have a casting vote, and also provides for a check on the integrity of SCJ members and changes the procedure for bringing judges to disciplinary responsibility. *(Президент подписал судебную реформу, 2021)*

These two drafts became laws and were signed by the President, and the implementation process is ongoing. Two years ago, an effective Supreme Anti-Corruption Court was created and the Supreme Court of Ukraine was renewed, two years showing signs of an independent justice.

During the first two years of its work, the Supreme Anti-Corruption Court has passed dozens of guilty verdicts to deputies, judges, prosecutors and other officials.

Recently, amendments have been made to the tax legislation, which make it possible to significantly minimise the leakage of profits (capital) abroad. The **policy of deoffshorization** of the economy is a priority and important, the adopted changes to the legislation significantly minimise offshore schemes, introduce international standards of tax control for all participants in international trade and implement the norms provided for by the Plan to counter the practice of eroding the taxable base and withdrawing profits from taxation and reforming the institution of financial responsibility.

Economic policy

The Cabinet of Ministers has worked out the Strategy of Economic Security, the purpose of which is to identify the key threats to the economic security of Ukraine and a plan of measures to neutralise them. In the summer of 2021, the Economic Security Strategy 2025 was approved by the NSDC and put into effect by the order of the President. Currently, the implementation of the Strategy by the Cabinet of Ministers has begun. The processes of privatisation of state-owned enterprises have been slowed down by the crisis caused by the global economic crisis and the pandemic. Currently, the privatisation process is unlocked, it is planned to hold auctions in 2021. *(Президент ввел в действие решение СНБО о Стратегии экономической безопасности Украины до 2025 года — Официальное интернет-представительство Президента Украины, 2021)*

The land market

The agricultural land market has been launched (В Україні офіційно запущено ринок землі, 2021), the necessary conditions for its functioning have been created, in particular, all levers of land management in the community have been transferred to the localities, electronic auctions have been introduced, the state land cadastre has been filled, small and medium-sized farmers have access to cheap lending and etc. Currently, the market is working, the number of purchase and sale transactions is growing every month. (Про внесення змін до законодавчих актів України щодо умов обігу земель сільськогосподарського призначення, 2021) In order to minimise the volume of the shadow market for the lease of agricultural land and agricultural products, the deputies worked out the bill 3131-d, the norms of which were transferred by the Cabinet of Ministers, which has now been substantially revised before the second reading and is awaiting adoption by the Parliament as a whole. *(Кабінет Міністрів України - Проект Закону про внесення змін до Податкового кодексу України та інших законів України щодо детінізації виробництва сільськогосподарської продукції, 2021)*

Energy sector reform

There has been little significant improvement in the energy sector, and key reforms that think tanks consider necessary have not been implemented:

- ❖ Determination of cross-sectoral monopolies in the coal and electricity market and the conditions for their forced separation, stimulation of gas production and simplification of access in the field of gas production;
- ❖ Urgent design and construction of DC links to ensure free exchange of electricity with the countries of the European Union and limit monopoly on the electricity market;
- ❖ Ensuring the environmental friendliness of the energy industry by creating a system for public monitoring of emissions from large combustion plants, developing and implementing quotas, introducing a significant environmental tax on emissions;
- ❖ Providing a permanent and sufficient financial resource for the implementation of energy efficient projects in individual and apartment buildings.

From a brief overview of the changes over the past year, one can see that certain positive changes are taking place, and a number of important reforms have not been fully implemented. I hope that in the near future the Parliament will accelerate the adoption of positive projects on tax policy, labour legislation, economic policy, the financial sector, etc.

1.3. Ways of attracting new foreign investors into different spheres of Ukrainian economy

During the first 30 years of independence, the economy was under pressure from crises and market transformations, but this did not prevent it from succeeding in certain areas. In particular, the solvency of the population and financial stability have significantly improved. Along with achievements, there are also problems. One of the biggest is the degradation of industry. Weak competitiveness, outdated technology, Russia's closure of its markets and the war in Donbass have led to a sharp decline in production and exports in the Ukrainian engineering sector.

Despite the fact that in 2020 Ukraine has largely benefited from its economic structure due to rising global commodity prices, there is a risk of the economy entering a crisis due to falling world prices for domestic exports. Ukraine needs significant investment to change the structure of its economy, but foreign investors are in no hurry to invest. Perhaps the biggest constraint is their lack of confidence in the protection of property rights. Without reforms in the judiciary and law enforcement, Ukraine will not be able to make a significant economic breakthrough in the near future. Personally I do not see any factors that would help make an economic breakthrough in the coming years. The economy needs high levels of investment, which are impossible without improving the investment climate. Favourable investment climate includes protection of property rights, efficient judiciary, low level of corruption.

Table 6.

Inflow of direct investments to Ukraine by countries of investors

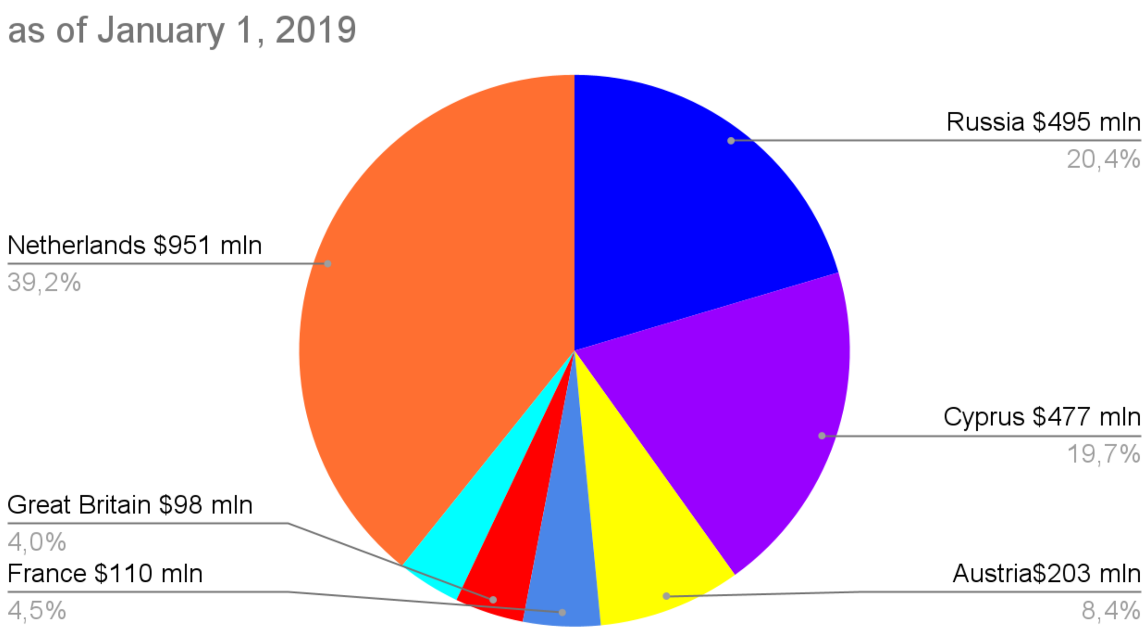
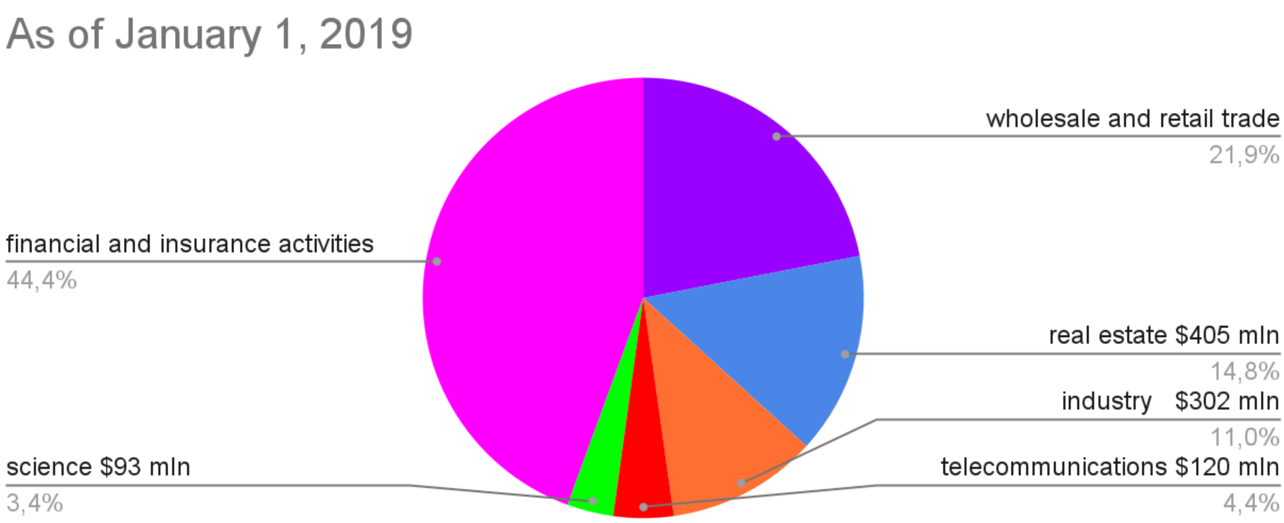


Table 7.

Inflow of direct investments to Ukraine by industry



(Инвестирование в Украине, 2020)

Ukraine is considered to be a high-risk country on the world stage. This severely restricts the flow of investments. On the other hand, the profitability of investments in Ukraine can reach indicators several times higher than in countries with developed economies. In the medium term, one can expect an inflow of investments in traditional sectors - infrastructure, energy, agricultural sector. The state of our infrastructure is such that without significant modernization, the development of other sectors will be in question.

When choosing a region for placement, investors evaluate (in addition to infrastructure) the ease of interaction with local authorities and their assistance, as well as the mood of local representatives of law enforcement agencies.

The choice is often made in favour of quiet regions. They are investing in the western regions of Ukraine, where an automotive cluster is being formed. If this approach is used correctly, each region can find its own theme for specialisation. *(УСЛОВИЯ ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В ЭКОНОМИКУ УКРАИНЫ, n.d.)*

The top industries awaiting for additional investments are the next: *(Десятка самых привлекательных отраслей украинской экономики для инвестиций, 2017)*

- **Energetics**

The green tariff in Ukraine will decrease annually until 2025, and it will be cancelled only in 2030 as a temporary stimulus for the development of renewable energy sources. This allows you to calculate the payback periods for such popular projects in recent years as solar stations. The main incentive for the development of this market in our country was the rapid reduction in the cost of solar panels. Now investments in 1 MW of capacity in Ukraine fluctuate at the level of 0.75-1.05 million euros. If you use inexpensive Chinese equipment, you can save on investment. In 2016, 120.6 MW of renewable electric power facilities were commissioned (4 times more than in 2015). Of these, 99.1 MW are solar power plants. With such a rate of development of the sector, solar activity in Ukraine is sufficient to provide a return on investment in 6-7 years using the green tariff and in 13-15 years without it. This period is comparable to the payback period of a classical thermal power plant. *(Инвестиции в "зеленую" генерацию Украины, 2021)*

- **Infrastructure**

One of the most promising sectors for billions of dollars in investment is infrastructure. So far, there is not much investment in this sector. Mainly, money comes to projects with already proven business models, the future of which is easy to predict.

The most telling example is the communications sector. In early 2015, Kyivstar, MTS Ukraine (Vodafone) and lifecell paid the state. Since that time, companies have invested more than UAH 20 billion in next-generation infrastructure. It turns out that, taking into account the licences, the volume of foreign investment (the shareholders of all three companies are not Ukrainian structures) has already totaled about UAH 30 billion ~ $1 billion. *(Рынок 3G связи — итоги 2015 года | Mediasat, 2015)*

- **Agrotech**

Unlike most developed European countries, agriculture in Ukraine is the most capacious industry for attracting foreign investment into the economy. This is facilitated by both market advantages and problems in other industries. Among the positive factors are the favourable natural conditions and the advantageous location of the country on the map of the world agribusiness, the cheapness of local resources and the historical predisposition to agriculture, the presence of developed infrastructure and agricultural engineering, proximity to the world's leading consumer markets: the EU and the Middle East.

Today the agricultural sector of Ukraine is one of the leaders in terms of investment attractiveness from both domestic and foreign investors. Despite the high level of corruption and bureaucracy, as well as the unpredictability of the conditions for the development of the land market, which was officially opened this year, foreign investors are quite interested in buying agricultural enterprises. Large M&A transactions take place primarily in agricultural companies that operate a land bank in Ukraine. But at the same time, a number of foreign investors are also showing interest in small farms, orchards, greenhouse complexes, livestock farms, as well as grain terminals and elevators.

On the other hand, it should be noted that according to the World Bank, Ukrainian agrarians annually, due to the poor condition of logistics facilities, receive from $600 million to $1.6 billion. This is 20-50% of the current volume of bank loans to agriculture. And yet, the potential of the market is huge - it grows by about 25% annually. According to the Ministry of Agrarian Policy, Ukraine exports 80% of its organic products. In total, 165,000 tons of organic matter went abroad in 2016, which brought farmers almost €46 million. The largest importers of Ukrainian products in 2016 were Germany, Switzerland, the Netherlands, Italy, Poland, Great Britain, Austria, France, Belgium, Hungary. Also, Ukrainian producers export organic products to the USA, Canada, Australia and some Asian countries. (*Agriculture, forestry, and fishing, value added (% of GDP) - Ukraine | Data, 2022)*

- **Mechanical engineering**

After the Revolution of Dignity, the Ukrainian machine-building industry sank heavily. The reason is the loss of the Russian and a sharp collapse of the domestic markets. For example, only Ukrainian car-building plants have reduced the production of freight cars by 50 times over the past four years. The industry, which in the 2000s annually generated multibillion-dollar currency inflows into the country, seriously lost ground in 2015. As a result, in the structure of export of goods in 2016, the share of mechanical engineering was only 11.9%. In 2013, this figure reached 20%. Despite all the difficulties, Ukrainian machine plants are trying to enter new markets. And large Western corporations are looking for investment opportunities in Ukrainian engineering. This is especially noticeable in the growth of the auto components sector. According to the investment company Art Capital, in 2015 Ukraine exported only wires for spark plugs worth almost $1 billion (22% of all exports in mechanical engineering). The products were delivered mainly to Hungary, Poland and Germany. Several more enterprises export other types of auto components - harnesses, covers, acoustics. Ukrainian products are used in BMW, Mercedes, Nissan, Ferrari, Porsche, Volkswagen, Opel, Audi, Fiat.

Despite the success of this sector, the dynamics of its development will be determined by the rate of additional investment, and this depends on the investment attractiveness of Ukraine as a whole. *(PhD in Economics, Associate Professor, 2017)*

- **Food industry**

The food and beverage industry is the most competitive, but also the most necessary industry for investment. Nestle, Mondelez, Danone, Carlsberg, Coca-Cola - these are just a few of the world-famous food giants who believed in Ukraine. It's no secret that not all of them have implemented projects from scratch. Most of the companies bought existing enterprises and were engaged in their modernization, but this does not diminish their impact on the country's economy. Their presence suggests that foreign companies can successfully operate in Ukraine. One of the striking examples of the impact on the Ukrainian economy is the activities of the Coca-Cola company: at the beginning of 2016, foreign direct investment (FDI) of the company in Ukraine reached $ 490 million, which is 1% of the total FDI in our country. New production facilities with foreign capital are being opened even in the last 2-3 years. Among them are the production of Puratos margarines in the Odessa region and the Unilever tea factory near Kyiv.

It is no secret that Ukraine is fully self-sufficient in food. However, the state of the domestic market is still far from the level of development of the markets of even neighbouring Central European countries, focused on a variety of tastes and, above all, the possibilities of consumers.

- **Retail**

In the first quarter, retailers opened 2010 small-format stores, which is 31% more compared to the same period last year, according to a study by GT Partners Ukraine. This exceeds the market average. For example, in the first three months of the year, 4350 new grocery stores appeared in Ukraine, while in the same period last year - 3650 (an increase of 19%). Mainly Ukrainian investors invest in the development of small-format chains, including Fozzy Group (Fora, Silpo, Fozzy C&C). The leader of the food retail market - ATB - operates in a discounter format. But the competition is intensifying. French retailer Auchan is planning to open shops near the house. Ukrainians, like residents of EU countries, increasingly prefer convenience stores and travel less to supermarkets and hypermarkets to buy food and essential goods. Last year, sales of small outlets, according to a study by GT Partners Ukraine, increased by 22% - to UAH 24.1 billion. For comparison: all food retail companies sold products worth UAH 219 billion last year, which is 16% more than in 2015. *(UKRAINIAN FOOD AND BEVERAGES INDUSTRY, 2019)*

- **Medicine and pharmaceuticals**

The pharmaceutical industry is an immense field for foreign investors to work in Ukraine. After all, the level of domestic medicine lags significantly behind the advanced world technologies. According to the European Business Association, about $200 million has been invested in Ukrainian pharmaceuticals over the past five years. According to the analytical agency Business-Credit, about a quarter of drugs on the Ukrainian market are imported. There are opportunities for foreign companies to open production within the country. Not only pharmaceuticals are lagging behind in investments, but also hospital infrastructure. Public medicine is losing the trust of Ukrainians. Private clinics are replacing the once habitual model of providing medical services. Moreover, private highly specialised medical institutions are often successfully developing -

ophthalmological, reproductive clinics, cardiological centres. If the proposed version of medical reform is implemented, private medicine may become one of the most demanded areas. *(Ukrainian pharmacy statistics, 2021)*

- **Finsector and fintech**

Of course, the most attractive financial sector for investment in the coming years is the banking sector. After the nationalisation of PrivatBank, the state gained control over 50% of the market. In addition to banks, there are also new areas in the financial sector, which, in terms of potential investment volumes, are hard to compare with giant banks. Roughly several million dollars are invested annually in fintech. There are a lot of financial startups in Ukraine. Basically, they relate to a more convenient transfer of funds from abroad and abroad, as well as methods of accepting / cashing electronic payments in Ukraine. Projects based on Bitcoin are gaining popularity. Even the National Bank plans to experiment with crypto-grivni. *(НБУ розповів про ризики та можливості криптовалют - FINBALANCE, 2021)*

- **IT**

In recent years, Ukrainian IT startups have also attracted a lot of money. For example, in 2012, the Google division bought the Ukrainian project Viewdle for $45 million. And in 2015, it became known about the deal of the Odessa startup Looksery and Snapchat with a record amount of $150 million. Ukrainian outsourcers generate solid dollar earnings and spend it domestically. Of course, this has a positive effect on the Ukrainian economy as a whole. But large investments in projects that Ukrainians are working on go to countries where the customers of the code and copyright owners are located. According to the Ukrainian Venture Capital and Private Equity Association, 87 investment deals with our innovative companies were concluded in the country in 2016, which is 32% more than in 2015. The total amount of investments in 2016 amounted to $ 88 million, and more than $ 400 million in the last 5 years. But the Ukrainian economy often does not see this money. Transactions, as a rule, are made at the level of the main offices of Ukrainian startups in the USA, Great Britain and other countries. Sales markets and production facilities for new projects are usually also not located in Ukraine. *(Rimskyv and Sasic, 2020)*

- **Military**

The main problem with the arrival of foreign investments in the Ukrainian defence industry is the lack of a private arms market as such. Ukrainian defence companies cannot fully develop, since they are critically dependent on the state defence order. It is unprofitable for foreigners to invest in Ukrainian military-industrial complex companies - most of them belong to the state, and all accompanying procedures require complex bureaucratic coordination. The largest and most strategically important enterprises of the domestic defence industry are united in the state concern Ukroboronprom. In 2014-2016, the concern's companies exported weapons worth $3.86 billion. Without private investments, both financial and technological, our military-industrial complex will not be able to develop. From the latest examples of foreign investment, one can recall the Motor Sich factory, which, according to rumours, is now going to be sold to Turkish entrepreneurs and to begin the development of Bayraktar-type combat strike drones on it, which will be cheaper than buying them directly from Turkey.
(Мотор Січ та Baykar Makina підписали угоду про співпрацю, 2021)
(ТОП-10 самых привлекательных отраслей украинской экономики для инвестиций, 2017)

I would like to finish this chapter by compiling a SWOT analysis of the Ukrainian economy as a whole:

Strengths

- human capital;
- favourable geographical location and logistics opportunities;
- natural resource reserves worth more than $1 trillion;
- developed IT industry;
- black soil and the agricultural sector, which can increase the production of finished products;
- powerful energy and military-industrial complexes.

Weaknesses

- political instability;
- lack of economic development strategy, support for entrepreneurs, transparent rules and healthy law enforcement and judicial system;
- expensive loans and dependence on imports;
- the high administrative burden on business;
- the low purchasing power of the population.

Opportunities

- conditions for conducting a pragmatic comprehensive economic national policy for the development of innovative industries;
- the potential to become one of the global guarantors of food security;
- significant volumes for hydrocarbon storage and developed infrastructure for electricity transit;
- opportunities for growth of domestic tourism — every year Ukrainians spend about $ 8 billion abroad, and local players can master part of these resources;
- actively developing pharmaceuticals;
- medical tourism — in the global market, health care services in Ukraine in some niches are relatively cheap and high quality.

Treats

- climate change — in particular, the southern regions of Ukraine already need land reclamation;
- the global transition from globalism to national protectionism;
- new military conflicts;
- labour migration, which washes out highly qualified personnel and labour from the country;
- reduction of global demand for biofuels, which may lead to a decline in exports of certain agricultural crops from Ukraine.

So what conclusion can we draw from the above? In general, forecasts for the Ukrainian economy remain positive given the growth in direct investment and exports, as well as the improvement in the business climate. The fastest development in recent years has been in information technology, agriculture, the automotive industry, the processing industry and renewable energy. It is expected that this pace of development will continue in the future. However, this does not mean that investors should not carefully weigh the risks specific to each industry. Having everything necessary for business development, Ukraine is becoming more and more attractive for international investors. Despite a number of challenges, investors value the willingness of the government and society to take steps to transform Ukraine into a dynamic market economy.

CHAPTER 2. THE PROBLEM OF THE "DEAD TOURISM" IN UKRAINE. OPPORTUNITIES, PROSPECTS AND NEEDED STEPS FOR THE RAPID AND EFFECTIVE DEVELOPMENT OF THE SECTOR

2.1. Why is there no tourism in a country with a thousand-year history, located in the centre of Europe?

In the last chapter, we talked a lot about the current state of the Ukrainian economy, the threats and opportunities for its development, as well as about the key problems of the investment climate of the state and the main areas of investment and, of course, about future forecasts. However, listing The top industries awaiting for additional investments, I did not indicate the tourism sector, which this study is devoted to. Why is that? After all, the tourism sector is, if not the key, then an extremely important sphere in many developed and developing countries.

The role of the hotel business in the modern economy is constantly growing and changing, and its internal restructuring is taking place. Countries that previously occupied leading roles in the hotel complex are leaving for second and third roles. They are being replaced by new leaders. In this case, the endogenous changes that arise cannot be explained by the action of only internal factors. Hospitality has an impact on the economy in one way or another in almost every aspect of the fundamental definition of this area of society.

From the point of view of fundamental economics, the hotel business is an economic complex, the development of which is to a greater extent explained by the world's economic processes and relations than by internal reasons. The hotel business is also an important catalyst for the economic growth of many rapidly developing countries, since it acts as a channel for the redistribution of the gross national product between countries.

Nevertheless, there is no single, unified rating of the most popular countries for tourism over the entire existence of this service sector, since people's preferences tend to change over time and one type of vacation may be replaced by another. However, for many years the TOP countries for travel have included France, Great Britain, the Netherlands, the Republic of Korea, the Maldives, Tenerife, Sri Lanka, Thailand, Turkey, Japan, etc. So, as we can see, this list includes completely different countries in culture, languages, history, ethnicity, geographic location, climate. Thus, we can immediately say that tourism can be developed in any country, regardless of cultural and historical heritage, language, location, etc. Also, we can say that there is no country to which people would absolutely not want to go, just some countries are more successful in the development of the tourism sector, due to large investments, both from private investors, and thanks to assistance and stimulation of this market from the state, and others are less successful, in view of the fact that the emphasis in economic development is placed on other areas, such as mechanical engineering or the agricultural sector. But this does not mean at all that in, let's say, Romania, Poland or Argentina there is no tourism, just this sector is less developed and is not considered to be the key one.

Also, you can recall the example of Georgia, which only relatively recently began to add huge amounts of money to the development of the tourism sector and is already one of the most popular places for recreation by the sea among the post-Soviet countries, bringing very good money from the state and private entrepreneurs. So why in Ukraine, which is located in the geographical centre of Europe, has a pleasant climate and a long history dating back to the 5th century AD, with such a rich cultural and ethnic diversity, this sector is practically undeveloped. This is the problem that I will analyse in this chapter.

One of the most important for the development of tourism in Ukraine was the holding of the World Cup in 2012, when tens of thousands of fans came to Ukraine from all over the world to watch this grandiose event live. After Euro 2012, the Ukrainian authorities were optimistic that now the host cities will become popular tourist centres for foreign guests, and tourism is one of the main strategies for the development of these cities and Ukraine as a whole. It seemed that it was the very moment that would help in turning Ukraine into one of the main tourist hubs in Europe. However, in practice, it turned out that all these tens of thousands of fans were disappointed by the terrible quality of roads, poor infrastructure, bad service, a small number of hotels, as well as the lack of signs in the Latin alphabet, which led to confusion and inconvenience in navigation.

There will be no tourism development in Ukraine in the near future. They talk about the development of this industry every year, but do nothing. The only resort that can be considered tourism is Bukovel. To develop other resorts, large investments are needed. Now we have houses in the Carpathians, near Vinnitsa, somewhere else. There are not enough investments in the spheres of infrastructure in Ukraine. Our country is not America, where you can travel across the country for several months. Of course, we have some beauty, but we cannot compare domestic and foreign tourism. It is difficult to develop domestic tourism in Ukraine. "*There is a lack of infrastructure and a poor climate*." This was stated by the founder of the travel agency Mer-Ka-Ba Valery Severchuk. *(Почему в Украине невыгодно развивать внутренний туризм, 2020)*

Investments need to be made in the infrastructure of cities. We have a small number of hotels throughout Ukraine that can be remotely compared with Turkish ones. The nature and weather of Ukraine might not be very suitable for the development of tourism. There are no prospects to build hotels on the Black Sea similar to Turkish ones. Increasingly, the Black Sea is cold in summer and cannot be compared with the Mediterranean one. In Turkey, they begin to receive tourists from May 1 to the end of October. Our tourist season usually lasts from mid June to September. In fact, 2.5 months, and during this time people should earn the same money as Turkey earns in 8 months, and in fact in a year, because there are many spa resorts with foreign hotels that work all the year. Also, we should not forget about the pandemic, which hit global tourism hard.

Most of the problems in the sphere of resorts and tourism are determined by the systemic crisis of the politics and economy of Ukraine, and there is hope that now the country will face a holistic recovery of the economy and a rise in living standards. Therefore, in this work, we will consider only industry-specific issues. The most important of them are the next:

1. A rather painful breakdown of Soviet standards and mechanisms in the management and development of the tourism sector. The traditional non-European thinking lack of attention to fashionable youth movements in the field of free time and, as a result, the lack of serious investment in new types of tourism and outdoor activities;
2. Weak work with promising markets, the complete absence of any strategies to enter the markets of Central and Eastern Europe;
3. Narrowing of individual terms of rest from 24 days to 7-14;
4. Reduction of the sea holiday season;
5. Capture of Crimea - the most popular place for tourists;
6. Destruction of route hiking;
7. Undeveloped beaches and coastal structures;
8. Mass destruction of green spaces of parks and reserves;
9. Massive violation of environmental, seismic, landslide, storm safety standards;
10. Economic inefficiency and a huge number of private hotels operating in the "shadow".

Despite the risk of stumbling upon questionable service, a tour to Ukraine is not a cheap pleasure. To a large extent, the price is influenced by the lack of cheap airlines and the lack of budget hotels. For example, the site of one of the British tour operators offers a trip to Kyiv and Chernobyl from 995 pounds per person. For three nights in Lviv you need to pay at least 435 pounds, in Odessa - from 610. A tour to neighbouring Poland on the same site can be purchased for 940 pounds, a trip through Prague, Vienna, Bratislava and Budapest - for 799 pounds, a "luxury vacation" in Dresden will cost the Briton 445 pounds, three nights in Helsinki - 320 pounds, and three nights in Sofia - 285 pounds. It was the high cost of Ukrainian hotels that was one of the main complaints from the international community on the eve of Euro 2012 and pushed away some of the tourists. Although on the English-language website of the Ukrainian tour operator, you can find cheaper offers of a visit to Ukraine - from $ 285. At the same time, the number of tourists wishing to visit the country is not comparable to the flow of visitors to other European countries. Much needs to be changed here. Develop a hotel base, make roads, and promote the country as a tourist destination. Today, we simply do not keep pace with the pace of development of the world tourism market, as a result, the competitiveness of domestic tour operators in the international arena is significantly reduced.

Imagine a situation: two young people are sitting in Paris and say: "Listen, where are we going to rest? Oh, let's go to Kyiv - there are cheap and high-quality hotels." It's funny ... until now, Ukraine has not promoted itself at all on the international tourism market. I hope that now the state will begin to take the tourism industry seriously. Prior to that, tourism in Ukraine was some kind of annex to this or that body, and it was not treated as a branch of the economy, but as something incomprehensible. We need to decide on the positioning of this country, since we have a huge potential for both sightseeing tours and beach holidays. But we do not have a holistic concept for the development of all this. No country advertisements. In order to make a country attractive, you need to find motivation to visit it. Euro 2012 was motivation, but it was a one-off. For example, a visit to Egypt is a vacation in the cold season and a pyramid. Every major tourist country has some kind of invented motivation. In Ukraine, its uniqueness has not been raised to the state level - that is, the state has not found and developed this motivation.

And there is more than enough such potential for the development of its own tourism concept in a country that until now has kept secret of its charms - from the natural fund, historical heritage, to more specific destinations, such as interesting cultural and artistic events, ancient Orthodox churches, different from anything that can be seen in Europe, or tourist routes associated with world famous outstanding people. First of all, we need to focus on the development of tourism products that would no doubt be affordable, understandable - where one can buy them, how to get to them, how much they cost and what he/she gets for that money. In my opinion, there are still shortcomings in this sense. There are many opportunities here, but if you try to find a central tourist office in Kyiv where you can get information about all these products, it will be really difficult. To begin with, it would be worth at least to create a full-fledged Internet resource about tourism in Ukraine for foreigners.

2.2. How to attract foreign tourists? Successful development of the tourism sector of the economy. Examples of Turkey and Georgia

Continuing my research in the next paragraph, I would like to take a step back, and have a little talk about the history of tourism, which is more than one thousand years old and is directly related to the history of the development of Western civilization. The geography and main goals of travel, the state of the infrastructure serving tourism - all this was determined by the main stages in the history of the development of society. In turn, the evolution of enterprises in the hospitality industry, primarily hotels and catering establishments, repeats the main stages of the formation of tourism. One of the first types of tourism was travel associated with the development of trade and exchange, primarily in Asia and the Middle East. It was business tourism that was the primary reason for the emergence of hospitality enterprises on the territory of those regions where the largest trade routes passed. Of course, globalisation has not spared the hotel industry either. The idea of forming global associations has been actively promoted in the United States since the mid-1980s. Research by US universities and management consulting firms has characterised global consolidation as a surefire vehicle for capturing major foreign markets and increasing the competitiveness of America's multinationals. There is a kind of intrigue in the history of the birth of hotel corporations. Their prototypes appeared in Europe in the late 19th and early 20th centuries, but this idea reached the mass level much later, almost half a century later, and the action site was transferred to America, which received the status of the homeland of chain hotels. Today there are over 100 international hotel corporations in the world - from small ones with several dozen properties to "heavyweights", which include thousands of hotels.

The following possibilities of including new hotels in a hotel corporation are distinguished: the construction of its own hotels by the corporation, the purchase of a hotel, leasing, the conclusion of a franchise agreement, the conclusion of a management contract, the construction of joint ventures, joining a consortium, an association.

Renting (leasing) became popular in the 1950s and 1960s. In the hotel industry, this method is still used today, although less often than before. A lease agreement allows both the lessee and the corporation to enter or expand the market. With this approach, the hotel is rented for a specified percentage, usually from 20 to 50% of gross sales receipts. For example, the international expansion of American hotels began with the Hilton leasing a hotel in San Juan. Wanting to spur the development of national tourism, the Puerto Rican government rented out the hotel on preferential terms: two-thirds of the profits plus marketing costs. *(Hubbard and Jeffrey, 1987)*

The management contract is concluded between the owner of the enterprise and the company whose main activity is the professional management of hotels in this market segment. The company entering into management under the contract does not receive any rights to the property of the enterprise itself. For work, the company usually receives a management remuneration in the form of a certain percentage of gross or net operating income, usually from 2 to 4.5%. In recent years, increased competition among management firms has led to a decrease in the amount of contractual remuneration. Management companies often enter into mutually beneficial deals with property owners who do not want to manage it. The most noticeable feature of modern management contracts is the increase in the number of clauses they stipulate.

Franchising in the hospitality industry is a concept that allows a company to expand its activities more dynamically. Its essence lies in the fact that the franchisor provides "a legally protected right to engage in certain entrepreneurial activities, as well as assistance in organising this activity, training, implementation and management for remuneration from the franchisee." The franchisor creates a complete concept of the enterprise or working methods, and the franchisee buys the right to use the existing developments. For both the franchisor and the franchisee, the franchising system is fraught with both benefits and drawbacks.

In order to resist competition from integrated and franchise chains, independent hotels are joining together in hotel consortia. Experts distinguish four main types of consortia, namely marketing consortia, booking system consortia, full consortia (provide not only general marketing research and service, but also help in human resource management, purchasing), directed consortia (represent the combination of hotels with airlines and their booking systems, such as JalWorld). *(Storozhenko, 2010)*

Also, it should be noted that in many cases the investor providing the loan capital for the construction of the hotel is not responsible for the further development of the hotel's activities, he/she is only interested in fast return of funds invested in the project.

This digression was necessary to show that the tourism sector did not develop overnight, it was a long process, which some countries took dozens of years and huge sums of money invested in the development of infrastructure and advertising aimed at increasing the recognition of the so-called brand of the country. Therefore, if we consider the problem of the lack of tourism in Ukraine and are trying to find ways to solve this problem, then we should take into account the fact that this process can take more than one decade and huge investments from both the state, which should initiate the development of this economic sector, and on the part of private investors and large corporations, which the state is obliged to attract, proving to them the feasibility and benefits of the development of the Ukrainian brand and the tourism market in it.

In the title of this section, I indicated that specific examples of the development of the tourism market in Turkey and Georgia will be considered. This choice was made by me for several reasons: firstly, historically, it so happened that Turkey is the most popular holiday destination among citizens of the main states of the post-Soviet space, and secondly, turkey hotels are recognized all over the world, since most of them provide excellent service and correspond to the ratio of price and quality, thirdly, the choice of hotels in turkey is so wide that a tourist can be guaranteed to find a hotel according to his budget, be it a modest but cosy 3* or an all-inclusive 5* hotel, the fourth point is , that Turkey is rich in its long history, cultural monuments on the territory of modern Turkey have been preserved since the times of Ancient Greece, medieval monasteries and fortresses have also been preserved almost in their original form, and the ancient streets and oriental bazaars have not lost their colour today, continuing to attract tens of thousands tourists from all over the world every year. In addition, the nature in Turkey is also rich in its diversity, deserts and dunes are replaced by palm trees, cypresses, rocks off the coast, green mountains, salt lakes, wide white beaches and dark forests near the rivers. All this provides a wide choice for tourists and does not allow them to get bored, travelling from one region of the country to another, tourists can not only lie on the beach, but also visit dozens of excursions to the historical and natural places of the country, while not forgetting about rafting, riding ATVs , skydiving, etc. If you are resting in the south of the country, then you also have the opportunity to swim to the Greek island of Rhodes by ferry in a couple of hours, which can also diversify an ordinary hot day. Georgia is interesting because over the past couple of years it has also begun to actively develop the tourism sector, and very successfully. A small mountainous country with a rich history, stunning landscapes and access to the sea, as well as an extremely hospitable people, cannot leave tourists indifferent. Therefore, Ukrainians are increasingly choosing Georgia as a country for recreation, and active advertising both by the state and by chat businessmen who have opened hotels in the resort city of Batumi shows its effectiveness and expediency. Below we will consider in detail the foreign experience in the development of the tourism sector in these countries.

Turkey

It is impossible to talk about tourism in Turkey without going deeper into its history, as a process of developing this sphere started way back in Ancient times, when Turkey has been famous not only for its concentration of cultural monuments, but also for its medical resorts. These needs prompted the authorities to build tent camps, pavilions, all kinds of buildings for travellers, as well as organise their food and consumer services. The development of trade relations played a colossal role in the development of the hotel business in Turkey. It is worth noting that it was through the territory of this region that the largest trade routes passed: huge caravans with goods moved along them. In ancient states, the arrival of merchant caravans to cities, fortresses and villages was an event of great importance. The merchants not only brought the expected goods of everyday use, but also were the buyers of the goods they produced for the inhabitants. Travellers arriving from afar had to take care of food, accommodation and rest both for themselves and for pack animals. Based on these needs, local residents, in order to guarantee themselves more frequent visits of merchants and caravans for goods, began to build premises that provided accommodation, preservation of goods, shelters for camels and horses, food, often in places located near water.

With the spread of pilgrimage and an increase in the number of travellers in the country, inns began to appear at the monasteries, accepting both ordinary travellers and pilgrims and priests. In the beginning, these courtyards were free. This hindered the development of private entrepreneurs engaged in the accommodation of travellers. But then they began to charge the travellers, which was the birth of the hotel business, which brought a good income to its owners. Thanks to the spread of carriages as a means of personal transportation in the XVIII-XIX centuries the number of roadside visiting yards started to increase. During this period, political and economic interstate relations were actively developing. Various types of travelling have become an important part of the life of Turkish society, which in turn has pushed the development of tourism and hotel business in Turkey. It was then that the first real hotels with the rudiments of service and infrastructure appeared in resorts, near temples, as well as in other places of mass gathering and along the route of people.

In the XIX century. clientele demands are growing, and the hotel business, adjusting to demand, offers more and more services, the comfort and level of equipment of hotels is increasing. With the increase in the flow of travellers in Turkey, the traditional culture of hospitality is changing - hotel services are becoming more and more unified and standardised. Since the end of the XIX century. The hotel business in Turkey is starting to act as an independent factor in the development of tourism, creating new opportunities for attracting clientele and marketing services. The improvement in the quality and reliability of transport, together with their reduction in cost, contributed to a significant increase in the flow of travellers. Tourism is quickly becoming a mass phenomenon. Tourism bureaus and advertising agencies are being created to promote hotel services. There is a widespread emergence of the first businesses specialised in serving temporary visitors. At this moment, the history of the hotel business underwent a real turning point: it was then that corporations and syndicates began to appear, uniting different hotel industries, in fact, offering the world the first chain hotels with unified room prices and a certain type of service.

In 1982, Turkey adopted a "revolutionary" law "On the Promotion of Tourism". The Turkish Ministry of Culture and Tourism has received the right to determine promising areas for tourism development, order the construction of roads and issue loans to businesses through its own bank. Moreover, the ministry was given the right to nationalise private property for the construction of hotels. Officials could also check and fine hoteliers. Fines often reached several percent of the property's value. It is noteworthy that investors invested money not only in the construction of hotels, but also in infrastructure. For example, on a concession basis, private companies built tunnels in the mountains leading to resorts. In addition, foreign investments have been made in the construction of the airport in Antalya. The funds in the airport were invested by the German company FraportAG, which manages the Lufthansa base airport in Frankfurt.

(Hospitality Industry in Turkey - Growth, Trends, and Forecast (2020 - 2025), 2020)

With the help of a policy of stimulating an industry that is important for the economy, in a short period of time, the Turkish authorities have employed local residents, built an extensive network of hotels, and also attracted foreign tourists to the country. At the same time, the development of tourism took place without any preferences for local business - for both Turks and foreigners, the government provided equal opportunities. From that moment on, the tourism industry in Turkey began to grow at a rapid pace.

In 1983, the government of T. Ozal came to power, the main goal of which was the transition to a free market economy through privatisation, refusal to regulate prices, liberalisation of imports, development of the private sector, etc. This had a positive effect on the development of tourism. Thanks to the focus on external relations during the period of reforms, the creation of a competitive environment in the entire economy and in the service sector, in particular, the overall provision of socio-economic stability in the country, the growth of the tourism industry has intensified. With the use of foreign investments, it was possible to create an extensive network of hotels, campgrounds, build excellent roads, and start training own highly qualified personnel who speak the main European languages. Much attention was paid to the reconstruction of old attractions. A chain of five-star hotels appeared. *(Deggin, 2017)*

Since 2001, the number of hotel chains and groups in Turkey has doubled. By 2005, there were 600,000 official and 400,000 unofficial hotel beds in Turkey, and the number continued to increase. In 2010, more than 28 million tourists visited Turkish resorts, bringing the country's economy a profit of $ 21 billion.

But good hotels and roads are not enough to attract tens of thousands of tourists. About 15 years ago, the all inclusive system was invented and adapted in Turkey, which led to an increase in the number of tourists. The first company in Turkey to use this system was Magic Life, which rented hotels from German owners. The second important problem that tour operators had to solve was the quality requirements. When assessing the star rating of a new hotel, the Ministry of Tourism of Turkey approaches the issue formally and considers the number of pools, restaurants, room equipment, etc. It is beneficial for the hotels themselves to improve the quality of services. Such a thorough check is due to the fact that foreign tourists dissatisfied with their vacation, upon returning to their homeland, file claims against tour operators, insurance companies and hotels.

Tourism for Turkey remains one of the priority areas. A separate area of the authorities' work is business support. For example, last year, the Turkish government introduced compensation for tour operators in the amount of $ 6,300 for each flight arriving at resorts with more than 100 passengers on board. This initiative was extended for this year as well. Last year, most of the hotels, shops, restaurants in resort areas could get a deferral to pay interest on loans. If the hotel worked for 10 months, then its owners were exempted from paying health insurance for their employees. The government paid for them. *(Разумный and Абдель Хамид, 2008)*

Georgia

In the Caucasus, the development of the tourism industry can be considered as one of the important directions for the countries of the region to achieve the Sustainable Development Goals for the period up to 2030. A unique variety of landscapes from the mountains to the Black Sea coast, biodiversity of flora and fauna, favourable climatic conditions, mineral and medicinal waters, historical and cultural heritage from ancient times, folklore and traditions of indigenous peoples, a variety of national dishes, winemaking and other sectors of the economy - all this creates great potential for the development of various types of tourism.

Georgia, a state located in Transcaucasia, on the Black Sea coast. Georgia in the south borders Turkey and Armenia, in the south-east - with Azerbaijan, and in the north, Georgia borders with Russia. The nature of Georgia is multifaceted, but somewhere it is simply unique, which presents a great potential for the development of ecotourism. National parks and protected areas make up 7% of the country's territory, with 75% of the protected areas being forests. There are 14 national reserves, 9 national parks, 17 protected areas, 14 national monuments and 2 protected landscapes in Georgia, where the corresponding infrastructure for ecotourism has already been created or is being created. In 2008, 1.3 million tourists visited Georgia. This was facilitated by a PR campaign to promote the country in the international tourism market, the organisation of special tours for foreign journalists and participation in international tourism exhibitions. The resource potential of Georgia makes it possible, with an appropriate level of development of the tourist infrastructure, to provide a sufficiently high contribution to the country's budget. Popularisation and marketing of a positive tourist image of the country, ensuring the safety of the diversity of the tourist product, training competent personnel and developing infrastructure - this is a task consisting of five main priorities that requires an early solution in order for tourism development to become realistically possible. The unique natural resources of Georgia - climate, mineral and medicinal waters, sea, mountains, forests and rivers - the potential that will allow the country to make serious economic progress in the shortest possible time. The full use of this potential for the benefit of the country is reflected in the "National Tourism Concept of Georgia" and its action program, which were considered on July 26, 2009. In addition, the Department of Tourism and Resorts of Georgia is actively working on the development of domestic tourism.

(Georgia - Tourism, 2021)

In the period 2009–2013. Georgia has shown one of the highest rates of tourism growth in the world: the total number of tourist arrivals to the country increased by more than 300% - from 1.5 million to 5.4 million people. Total tourism revenues increased over the same period from $ 475 million to $ 1.8 billion, more than 20 times the global average. According to statistics, in 2016 the number of international tourists who visited Georgia exceeded 6.3 million people, which is 7.6%, or 450 thousand people, more compared to 2015. For 11 months of 2016, international tourists made payment transactions through foreign payment cards in the amount of about 1.5 million lari (about 536 thousand US dollars), which is 10.1% more compared to the same period in 2015. Last year, the country managed to generate $ 2 billion in international tourism revenue for the first time. *(МИРОВОЙ АТЛАС ДАННЫХ ГРУЗИЯ ТУРИЗМ, 2019)*

In 2015, the Government of Georgia adopted the “Strategy for Tourism Development in Georgia - 2025”, which was developed by the Ministry of Economy and Sustainable Development of Georgia in cooperation with the National Tourism Administration with financial and technical support from the World Bank. Representatives of government authorities, tourism business and the public participated in the preparation of the strategy. In particular, consultations and in-depth discussions were held with the participation of national and local authorities, administrations of specially protected areas and cultural heritage sites, investors, tour operators, hotel owners and representatives of educational tourism.

The tourism development strategy adopted is aimed at maximising tourist satisfaction and developing the tourism industry, as well as expanding opportunities for creating new jobs and eradicating poverty. The emerging tourism industry in Georgia offers investors a wide variety of opportunities to participate, including large and small hotels, supplies, sports and recreational resources, and financial services.

The strategy aims to achieve eight strategic goals:

1) development of respectful attitude, regeneration and preservation of the cultural and natural heritage of Georgia;

2) the formation of a unique authentic experience of tourists based on familiarisation with the objects of this natural and cultural heritage;

3) increasing the competitiveness of the industry by providing tourists with world-class services;

4) attracting tourists from markets with a higher level of spending by expanding and increasing the effectiveness of marketing and promotion of tourism services;

5) expansion and development in the country of opportunities for collecting and analysing data on tourism activities and assessing the effectiveness of the tourism industry;

6) increasing public and private investment in the tourism sector;

7) improving the state of the business environment in order to increase the volume of foreign and domestic investment;

8) forming partnerships between government, tourism industry, non-governmental organisations and the public, necessary to achieve all of the above goals.

The strategy is expected to enhance the contribution of the tourism industry to Georgia's economic development. The strategy envisages that by 2025 the country should significantly increase its revenue from tourism: from 1.8 billion lari (about 670 million US dollars) to 5.5 billion lari (2 billion US dollars).

Taking that into consideration, I can make an inference that the Government of Georgia will gradually concentrate its efforts on diversifying tourism markets, raising awareness about the country, assisting the private sector in creating a high-quality niche tourism product, improving the quality of services and stimulating the further development of the domestic tourism market.

In conclusion of this paragraph, I believe it is worth outlining the problems in the development of tourism in Ukraine, not only from the point of view of the economy, but also from the point of view of attractiveness for foreign guests in general.

- The **first** example is the fact that the historical infrastructure of most large cities is underdeveloped in Ukraine. We often see how historical buildings are deliberately destroyed in order to build new office buildings and shopping centres, which does not in any way increase the attractiveness of the city in the eyes of tourists. One could take this approach as a kind of strategy if Ukraine were one of the European shopping centres, in which case it would be possible to attract tourists by the presence of a huge number of stores of various world brands, such as in Paris, Milan, Rome or Barcelona, because despite the undoubted historical value and beauty of these cities, they are not in vain considered European shopping centres and many people go there just to visit a huge number of shops. In Ukraine, there are almost no large shopping malls with hundreds of stores of world brands, and each opening of one such store becomes a real holiday and a miracle for ordinary Ukrainians. The presence of the historical centre is developed and is not subject to systematic destruction only in the western regions of the country. Examples are Lviv, Ivano-Frankivsk, Chernivtsi, which, however, are quite small towns that can be bypassed in 1-2 days.
- **Secondly**, the nature in Ukraine cannot boast of its strong diversity, we have beautiful mountains in the west, where the possibilities for development are limited by the landscape and where there is only one resort - Bukovel, which

is not distinguished by either affordable prices or high-quality service, it is also quite hard to get there as the only road from Lviv (which is 200 km away) takes 4-5 hours to get there.

- The **third** point is of course linked to the total geopolitical situation and reputation of Ukraine on a world arena. Since travelling to a country at war for 8 years, having a colossal level of corruption at all levels, even schools, hospitals and the police, a country in which almost no one speaks English enough to understand foreigners and help them in various situations, a country known for its terrible roads (which is finally beginning to change for the better), high crime rates and mistrust in power, as well as low living standards and weak economy.

All these factors definitely do not inspire confidence even in their own citizens, not just foreigners. No matter how hard they tell me that such a country can be attractive for tourism, I would not go to such a place. Therefore, as we see, in order for Ukraine to begin its path to the development of the tourism sector and to attract foreign tourists, it is necessary to get rid of the problems described above first. This is not an easy path, primarily because of the war and the difficult economic situation directly related to the corruption scheme that permeates all layers and structures of the state. However, nothing prevents at least trying to develop domestic tourism, to offer people an adequate alternative to Turkey, Georgia, Greece, Egypt, the countries of Eastern and Western Europe. How can this be achieved? We will consider this question in the next chapter. World experience shows that the tourism industry can be developed during economic crises, since the cost of creating one job here is 20 times less than in industry, and the turnover of investment capital is 4.2 times higher than in other sectors of the economy. Ukraine has a favourable geographic and geopolitical position, a developed transport network, and has significant natural, recreational, historical and cultural resources. It is possible to ensure a proper return on this powerful potential, to use it in the interests of active recreation and health improvement, only with a clear organisation of tourism, the creation and strengthening of the material and technical base, the attraction of experienced and qualified personnel to it, that is, subject to effective tourism management.

CHAPTER 3. THE DEVELOPMENT OF THE HOTEL BUSINESS AND ITS SIGNIFICANCE FOR THE ECONOMY OF THE COUNTRY

3.1. History of the hotel business in Ukraine. An example of the successful development of Premier hotels in Ukraine

Just like in the previous chapter, where we considered the examples of Turkey and Georgia as powers that have managed to effectively develop the tourism sector, we will begin this chapter with a short excursion into the history of the development of the hotel business and tourism in Ukraine in order to better understand which way of becoming a tourism state we have already passed and what else we need to do in order to make Ukraine more attractive for Ukrainians themselves, in the first place. Of course, these issues will also be considered in the economic context, where we will try to calculate the amount of investments for the construction and commissioning of one 5* hotel using the Turkish example and conclude whether it is advisable to develop a hotel business in Ukraine at all, or whether it is a completely unprofitable and useless undertaking.

In the first half of the XIX century among the progressive Ukrainian intelligentsia there was a growing interest in the historical, cultural and natural sights of their Batkivshchyna. In the second half of the XIX century. the therapeutic potential of the Crimea, the Carpathian and Transcarpathian regions was investigated. The end of the century was the period when the first travel agencies were founded, which organised tourist travel in the region. One of the first was the Yalta excursion bureau (in 1895). The same organisations at the end of the XIX - at the beginning of the XX century. were organised in Galicia (Lvov, Peremishli, other cities of the region). The same period saw the beginning of the development of the recreational and tourist areas of Yaremchi and Vorokhti, where the Bukovel ski resort will be located in the future.

During the Soviet era, tourism in Ukraine developed on a trade union and departmental basis. Vouchers to bases and rest homes were a kind of privilege. Until 1991, the recreational and tourist economy of Ukraine functioned in the only recreational and tourist complex of the Soviet Union. The resorts belonged to the state, and the management of tourism activities was centralised.

The period from 1990 to 1993 was especially difficult for tourism in Ukraine. The volume of tourist activity in the domestic market has decreased by four times, and the number of foreign tourists who have visited Ukraine has decreased to 80%. Only 120 thousand foreign tourists were registered in 1992.

For the first time, independent Ukraine declared itself as an independent partner in the tourism market at the Warsaw Tourism Fair and the Tourism Salon in Poznan in 1993, having concluded more than 300 contracts, mainly for the reception of tourists in the country. The basis for the revival of the tourism industry was the creation of a state committee for tourism, the development of foreign acts regulating tourism activities, licensing of enterprises, institutions, firms and companies in the tourism sector. In 1994, certification of hotel and tourism enterprises began, the first in Ukraine International Travel Salon "Ukraine-94" was organised, in which 79 firms from 26 countries of Europe, Asia, Africa, North America, as well as 226 domestic firms took part. These measures contributed to the rise in the tourism sector (in 1994, the number of tourists who visited Ukraine, four times exceeded the level of 1992). *(Федорченко and Дьорова, 2002)*

With the adoption of the "Law on Tourism" by the Verkhovna Rada of Ukraine *(LAW OF UKRAINE On Tourism, 1995)*, a new stage in the development of Ukrainian tourism began. Today it is considered as one of the most promising, and therefore in the near future, the leading sectors of the Ukrainian economy.

The realities of the times are forcing Ukraine to look for its niche in the global tourism industry. The leadership of the State Tourism Administration sees the future of the industry in the development of transport corridors and tourism infrastructure. Another important issue is control over the quality of tourist services.

So, let’s now move from a foreword to the core. I have chosen Premier Hotels and Resorts as an example for my analysis as I believe it is considered to be one of the best, if not THE best, ukrainian hotel chains in the country, although in my opinion there are definitely some cons and issue that I will address to, but nevertheless these hotels are quite solid and comfortable to stay in, I can say that due to my own experience, as before the pandemic started I used to travel a lot.

Premier Hotels and Resorts is the first Ukrainian hotel operator, founded in 2003. The first objects of the chain were 2 hotels: Premier Palace Hotel (Kyiv) and Oreanda (Yalta).

General Director - Oleg Bolotov. The largest objects of the chain are Premier Palace Hotel, Premier Hotel Rus, Premier Hotel Lybid - in Kyiv, Premier Hotel Dnister - in Lviv. Also popular recently is the Premier Hotel Odesa, which was completely renovated last year with the addition of a small spa complex and improved rooms.

As of 2020, the chain includes 17 hotel properties of categories 3, 4 and 5 stars, the total number of rooms is about 2,100 rooms. All hotels of the chain are united by a single service standard.

Despite the fact that the hotels are united by a common standard of the company, each of them tries to maintain its own individuality and its own style of service, and also tries to adhere to relative independence in making decisions on certain positions of the enterprise. This form of activity allows us to characterise the hotel as part of the hotel chain and as a separate enterprise at the same time.

The company has its own higher school of hotel business - a set of programs for training and development of personnel and hotel management. The company also includes the Premier Hospitality Consulting division, which provides comprehensive consulting services on the construction and management of the hotel business, as well as training and education of hotel personnel.

The network develops three brands:

1. Premier Compas Hotels, which includes two-star economy class hotels. The network is developing as a franchise.
2. Premier Hotels, which includes business class hotels located in city centres.
3. Premier Palace Hotels, which includes hotels "aimed at the discerning visitor."

Previously, the chain developed the Accord Hotels brand, which included three-star mid-range hotels. The main characteristics of the hotels of this brand were the orientation towards business services and the needs of businessmen, the organisation and holding of events of various formats, etc. The network developed due to the addition of hotels on the basis of franchising or contract management. The main activity of the chain is the management of hotels (both included in the network and independent), as well as consulting and technical support of hotel facilities. In addition, the company is also developing a resort area, investing resources in the reconstruction of facilities.

At the end of 2003, the Star Hotel was opened in Mukachevo.

In February 2004, the Londonskaya Hotel was opened in Odessa.

In 2005, the Premier Hotel Dnister in Lviv joined the chain. Later, a partial reconstruction of the hotel was carried out.

In 2006, the company launched the Premier Hotel Cosmopolit in Kharkiv.

On October 18, 2007, the chain signed an agreement with the Kharkov-based HoDoS company to manage the four-star Premier Hotel Aurora. The hotel was put into operation on August 20 this year.

At the end of October 2009, the Kozyrnaya Karta company opened the Bakkara art hotel in Kyiv, which came under the management of Premier Hotels and Resorts. In the same year, the Accord Hotels brand was created. Later, VS Energy invested about $ 300 million in this network. At the time of 2009, this chain included five hotels.

In 2010, the chain developed the Happy World program, the essence of which is to include the chain's hotels in greening processes. In the same year, an online booking module was introduced on the Facebook pages of Premier Hotels and Accord Hotels.

In September 2011, the company agreed with the Development Construction Holding group to manage the Kharkiv Palace hotel. The company also took over the management of the Sapphire hotel in Alexandria, which became part of the Accord Hotels chain. In July, the company began to claim the role of a strategic investor for the hotel assets of the Russian holding company Intourist. But the deal did not materialise.

In 2012, the three-star Amarant Hotel entered the market. In the same year, the company took over the management of the four-star Premier Hotel Palazzo in Poltava and the Praga Premier Hotel in Donetsk (the company also bought the

Praga Accord Hotel in Uzhgorod, which became part of the Premier Hotels chain. which develops according to a franchise scheme.

On March 28, 2013, within the framework of the International Exhibition "Hotel and Restaurant Business Ukraine", the chain together with the "Academy of Hospitality" magazine held a one-day master class for owners, managers and TOP-managers of hotels. In April, Premier Hotels signed a cooperation agreement with the National Olympic Committee of Ukraine. At the end of November, the company signed an agreement on the management of the Lost World hotel in the city of Kherson. The hotel was later renamed Compass Hotel Kherson.

In May 2014, a 38-room Premier Geneva Hotel with a restaurant and a conference room was opened in Odessa

At the beginning of 2015, Premier Hotel Shafran appeared in Sumy.

In 2016, Premier Hotel Lybid in Kyiv became a new member of the chain. Later, the network became the general partner of the French Spring in Ukraine festival.

In April 2017, the chain, together with the development company LevDevelopment, began construction of a five-star apart-hotel in Bukovel. The company planned to finish construction in early 2019. In December, the company joined the coordination council for the socially responsible legalisation of casinos.

In November 2018, the network was presented at the national stand of Ukraine at the world's largest tourism exhibition WTM in London. *(Украина представит национальный стенд на крупнейшей туристической выставке мира WTM в Лондоне, 2018)*

On May 1, 2019, the Premier Kharkiv Palace hotel ceased cooperation with the chain. In the fall, the chain launched the first chatbot for hotels, which provides a virtual concierge service. In December of the same year in Hungary, in the city of Miskolc, the chain opened a four-star Premier Hotel Miskolc, which became the company's first international project.

This network was not created in accordance with generally accepted strategies. The network is an unification of hotels completely different in concept and range of services in different centres of Ukraine. Such a strategy allows doubling the competitive advantage, but on the other hand, this chain is difficult to characterise as a full-fledged hotel operator, since the chain's hotels are positioned in different segments and under different brands.

Previously, the chain included only 4 and 5-star hotels, but later the chain included two-star and three-star hotels. This can be explained by the desire of management to cover new budget segments of the market during the crisis and the decline in demand for luxury hotels. According to Forbes magazine: The company's rental income in 2012 was $ 27 million. The following year, rental income was $ 26 million. In 2014, the company earned UAH 162 million. *(Совокупный доход 25 украинских рантье в 2013г вырос на 5% – рейтинг Forbes, 2014)*

Awards

In 2019, the company received the QSC certificate, which was recognized by the China Friendly program; *(Мережа готелів Premier однією з перших в Україні отримала сертифікат QSC і визнана China Friendly - European Business Association, 2019)*

International Hospitality Awards - "Best Local Network" 2016, 2019;

In 2013, four premier hotels of the company were included in the list of the 20 best hotels in Ukraine, compiled by the travel website TripAdvisor. *(Top 20 best hotels in Ukraine, 2014)*

International Hospitality Awards - "The Best Domestic Chain Hotel Operator" 2012, 2013, 2018;

In 2012, the company received four awards from the Hospitality Excellence Awards;

In 2012, 10 hotels of the company were included in the list of "100 best hotels in Ukraine", compiled by the Council for Tourism and Resorts of Ukraine.

The company is a member of the European Business Association, the American Chamber of Commerce in Ukraine, the International Hotel and Restaurant Association (IH&RA); *(Премьер Интернешнл вступил в Международную Ассоциацию IH&RA, n.d.)*

In 2021 won “The Ukraine Tourism Awards 2021” in the category "Affordable Tourism: Hospitality without Borders" *(News - Premier Hotels and Resorts, 2021)*

Basic values of Premier Hotels and Resorts according to their official site are the next:

1. Focus on the guest

The guest is the most important priority in our work. All our actions are subject to one thing - to create for the Guest an atmosphere of home, warmth and hospitality, where he wants to return. Our guests have no unfulfilled wishes, in our hotels for the Guest everything is possible.

2. Leadership

We strive to be a leader in our field, influence business processes and inspire our employees to achieve better results. The leadership of each of us shows the desire of our team to be first in everything.

3. Teamwork

Everything we do, we do in a team, supporting each other and helping to achieve a common goal, despite the difficulties and obstacles. We value each other's opinion, respect the interests of our company and are convinced that only a team can achieve a better result.

4. Striving for perfection

We have the best and most talented employees. We know that only the perfect work of each of us makes our hotels the best on the market, and we are constantly striving to improve our personal and professional qualities. There are no trifles in our hospitality, every detail matters.

5. Innovation

The world around us is changing rapidly, and our hotels are the first to introduce new technologies, advanced solutions and non-standard approaches to make the guest comfortable and the workflow efficient. We are always one step ahead of the competition and always up to date with new trends in the world.

6. Responsibility

Each of us feels full responsibility for the decisions made, adheres to the interests of the company and our guests, shows concern for the environment and the world around us. We have identified three most important areas where we can be useful:

1) care for the environment and its preservation;

2) development of domestic tourism through the support of regional tourist infrastructure, historical and cultural sites;

3) care for children, promotion of patronage and charity.

7. Efficiency

We aim for maximum efficiency with optimal use of our company's resources. We are constantly improving business processes, looking for new opportunities, contributing to the development of hotel business and tourism in our country. *(About Premier Hotels chain, n.d.)*

Next, let's move on to prices and services. I decided to compare prices in different hotels of the Premier chain. I took as a basis a standard room for two for 5 nights. The objects for research were the following hotels: Premier Resort Bukovel, Premier Hotel Dnister Lviv, Premier Hotel Rus Kyiv, Premier Hotel Odesa. Prices are taken from the official website of the company in order to avoid extra charges from various operators and agencies.

It should be noted right away that first of all I took up a hotel in Bukovel, since now it is the high season for holidays in the mountains, so I was extremely interested to know the level of prices for a relatively high-class hotel (by the standards of Ukraine) in the most popular ski resort in the country ... However, to double down, I found that the site page of this hotel was not working correctly, as I could not indicate the number of people to check in. The menu just didn't work, so I had to look for this hotel on the Booking and AirBNB websites. *(Hotel, n.d.)* There I saw that a standard double room with breakfast included for 5 nights would cost UAH 7,500 (~ 272.46 USD), which is actually a very good price for by Bukovel standards. Also, I note that there were practically no places in the hotel, and the last 2 rooms of this class were subject to a discount and the price was 6750 UAH (~ 245.22 USD). The hotel has free Wi-Fi, heating and air conditioning, a terrace, barbecue facilities (additional charge), a bar and a restaurant. Sauna, 2 indoor pools and massage services are also paid separately, well, at least towels are provided free of charge. On the other hand, if you decide to travel such a long way in your personal car, then you will be pleased to know that parking is free, and it is also possible to bring animals, but only with prior agreement. Double+1 will cost you 10,000 UAH (~ 363.28 USD), a room for four - 10,500 UAH (which, as for me, is much more profitable than double + 1, given the small surcharge of 500 UAH). A family room-studio in Bukovel will cost 11,000 UAH, although in the photographs I practically did not see the difference from the usual double standard, it is necessary to cut more and the design of the bath is made in more neutral colours. There is a suite to choose from - with or without a balcony, the price is the same - 12,500 UAH. The room has a large bed and one sofa bed, its own patio and a view of the river, which is not a necessity for everyone and a reason to overpay. The design of the rooms can be described with the words "fire your designer as soon as possible", because both the standard and the suite rooms do not differ not only in some unique and beautiful design or creative solutions, but also in a rather poor layout, as if all the furniture was simply thrown against the wall, it also seems that the furniture was chosen not by the combination of colours or series, but by its cheapness. But there are sockets, a free kettle, bath accessories, towels, TV, wardrobe, bathrobes, slippers, refrigerator.

Also, it should be borne in mind that prices in Bukovel are much higher than in any other city of Ukraine, for example, an ordinary chocolate bar instead of 20 UAH will cost 120 and this is not the limit. To dine in the evening at a restaurant will cost you several thousand hryvnias. Also, given the fact that Bukovel is still a ski resort, so most people go there exclusively for skiing. Equipment rental and ski-pass are not included in the price in any hotel in Bukovel. The prices for these services are also very, very high. All of this should be taken into account when planning your trip and your overall budget.

To compare prices, I provide a list of hotels with prices for the same search criteria and a similar level of quality:

- Edelweiss - 15,600 UAH (566.72 USD). At the moment there is a discount and the price has dropped to UAH 10,140.
- Hotel Club Yaremche - UAH 9,500 (345 USD) without discount and 7,695 at a discount.
- Baron SPA Hotel - UAH 16.950
- Apart Hotel Vershina - 35,000 UAH, with a discount - 28,350 UAH
- SPA Hotel Gora - 19,000 UAH

Also, for comparison, it should be noted that the cheapest hotel I found in the ski resort of Courchevel (Alps, France) costs 40,000 UAH. A resort in Zakopane (Poland) according to the same search criteria will cost two Ukrainians for 5 days on average 13,000-18,000 UAH. Also, during the search, I was able to find many hostels and individual houses there at a price of 3-5 thousand UAH. A vacation in the mountains of the Czech Republic, the Harrachov resort, will cost an average of 15-20 thousand UAH, but I found hotels as for 40-50 thousand UAH, as for 7-10 thousand. *(Booking.com: The largest selection of hotels, holiday homes and more, n.d.)*

Thus, we see that the prices for holidays in top hotels in a ski resort in Ukraine are very competitive, however, do not forget that the quality of services and the rooms themselves, as well as all other costs that can and will arise during the holiday , can quickly reduce the difference between our and European prices, for which you are 90% likely to receive a first-class service

Next, let's go through and touch on only the prices, since the filling of the Premier hotels is extremely similar and may differ only in the general design and/or layout of the rooms. The next hotel to explore was Premier Hotel Dnister Lviv, the search criteria are the same. Imagine my surprise when I discovered that in Lviv this hotel costs 12,500 UAH, as well as the Suite in Bukovel. What caused such a high price level? To this question, alas, I have no answer, especially considering the fact that in Lviv people, as a rule, stop only passing for 2-3 days in order to further continue their route to Europe or to the mountains, since all the most interesting part for tourists cities can be bypassed in one day. There is simply no point in staying there for a week, although the city itself is of course unusually beautiful and atmospheric, which really does not justify such prices, by the way, I can add that the suite will cost you “modest” 28,000 UAH. *(Premier Hotel Dnister, Львов, Украина, n.d.)*

More than a hotel in Lviv, I was surprised by a hotel in the capital, namely Premier Hotel Rus, located almost in the very centre of the city and distinguished by its strict and classic interior design. A room for 5 days WITHOUT breakfast for two will cost 7,088 UAH, which is a fairly low price for the capital. The price of the Suite is UAH 13,550. Given this difference in price, many tourists might think that Lviv is the capital of Ukraine and not Kyiv.

The last is Premier Hotel Odesa, located in one of the favourite cities of Ukrainians and the most popular place for a beach holiday after the loss of Crimea. A standard room for two for 5 nights with breakfast will cost you UAH 13,700, and a suite will cost you UAH 21,000. The filling of the rooms, however, does not differ at all from other hotels of this chain, except for the interior design.

3.2. Why do world-known hotels do not want to enter the Ukrainian market?

We have considered in sufficient detail many of the challenges facing the state if we really want to develop the tourism sector, since this development should be perceived as a long-term investment. We studied the investment climate, a list of problematic issues, the history of emergence and development in Ukraine, outlined in which direction to move in order for this economic sector to become profitable, and of course we considered examples of the development of countries that have significantly succeeded in this area. So why does the Turkish experience not work in Ukraine? Personally, I am offended that neighbouring Bulgaria and Montenegro have dozens of resorts on the coast, where guests from all over the world arrive, and our resorts are in demand mainly by Ukrainians, and only because not everyone can afford to travel abroad.

The level of many small hotels in the west of the country, in Mirgorod and in the south is high. But the development of a tourist region must start with infrastructure. For example, after the reconstruction of the Odessa-Reni highway, the number of tourists in the Odessa region has increased several times. But there is no large-scale industry development program in Ukraine. A separate problem is the unwillingness of hotels to work with large Ukrainian and foreign tour operators.

The growing tourist flow has failed to stimulate the stagnating hotel market. Despite the influx of tourists, developers are in no hurry to enter the market with new properties. The main limiting factor is a long payback period, development and operating costs, the political and financial situation in the country, as well as the imperfection of the legal framework in terms of international investment and the development of business tourism in Ukraine. In the current market conditions, the payback period for a quality hotel in Kyiv is more than 10 years. This is due to both the relatively high costs of development (in the structure of which imported products make up a significant share), and the operating performance of hotels and the stabilisation of cash flow from their activities, which, as a rule, takes from 3 to 5 years.

In Kyiv, there are already examples of former hotels losing weight. For example, in 2018 the object of the economy segment "Cooperator" was closed for reconstruction in order to turn into an office centre. The construction of offices today, in most cases, is a more investment-attractive business that requires less investment at the start and, accordingly, has a shorter payback period.

Affects the segment and the general microclimate in the country. Many projects and contracts were suspended due to a number of important political events and decisions, such as the imposition of martial law at the end of 2018, presidential and early parliamentary elections, lack of a clear understanding of the further state course and, accordingly, lack of support from the state.

As we can see, the problem here is not only in the undeveloped tourism sector, but in general in the reluctance of investors to enter the Ukrainian market, which is primarily due to corruption and geopolitical instability in the state that leads to huge risks of losing all the funds invested.

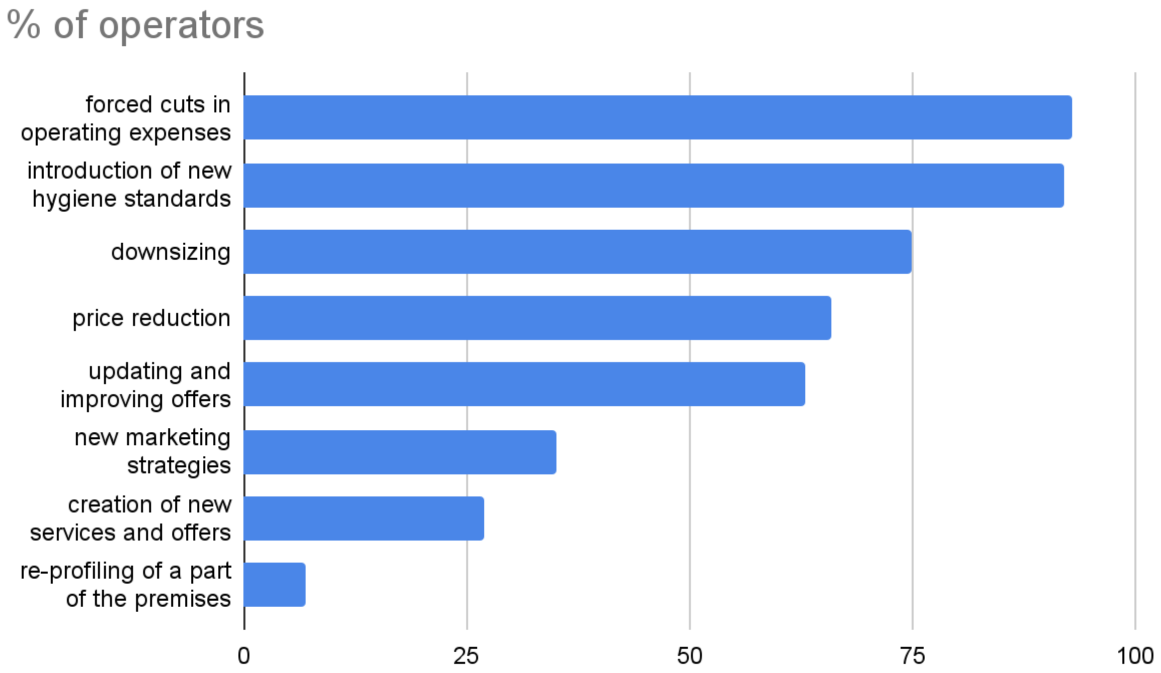
3.3. Further steps, analysis and prospects of future development of the hotel business in Ukraine

Tourism is an amazing sector of the economy with a huge multiplier effect. He is able to give impetus to the development of not only the hotel market, retail and service sectors, but the whole economy of Ukraine. Coming to the country, a tourist actually looks in the mirror of the investment climate. If we manage to create conditions for trading expectations and hope for the opportunity to make money and develop business in Ukraine and back them up with real actions on the part of the authorities, the inflow of international investment will really grow. The share of tourism in Ukraine's GDP is only about 3%, while the global average is 10.3%. In our country, tourism is practically not taken into account as a serious factor in the formation of economic policy at the national level - the Ukrainian tourism sector does not receive rapid systemic support from the government, as is an example in neighbouring countries and the EU. The 2020 crisis turned out to be difficult for the hotel business - more than 90% of operators noted that with the introduction of quarantine restrictions, the demand for out-of-home accommodation services has significantly decreased. Only about 4% of operators felt no change or unexpectedly improved their revenue figures. During the five months of quarantine, the turnover of the hotel market fell by 70-90%. This can be estimated, first of all, in terms of the amount of tourist tax - in 2019 it amounted to about UAH 35 million, in 2020 it decreased by 80%. In 2020, the average occupancy of hotels in Ukraine amounted to 27% of the required 30% for break-even operation. According to the forecasts of the operators themselves, in 2021, the load is projected to be no more than 60% of the 2019 level, depending on how quickly international transport links and the domestic market are restored.

In 2020, in comparison with 2019, more than 90% of market operators announced a decrease in income. In 31%, income decreased by 40-60%, in 21% by more than 60%, in 17% by 25-40%. The hotel industry is characterised by a high level of costs, so the total decline in revenue has become disastrous for many hotels. Only 4% of operators have slightly increased revenues and 3% have remained at the same level.

Table 8.

Challenges that market operators faced with in 2020

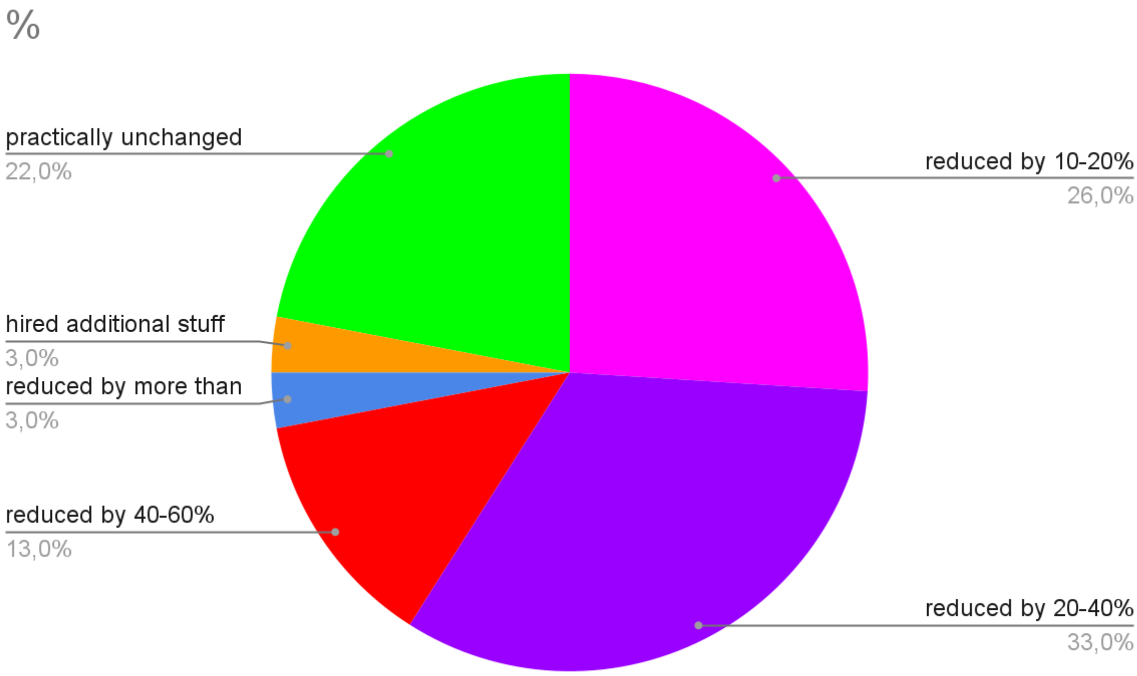


(Евтушенко, 2020)

As for the major tourist centres of Ukraine, Kiev and Lvov suffered the most. The Odessa direction "survived" due to the summer period (the load reached 68%, which is not worse than in previous years). Lviv in 2020, according to various estimates, received less than 60-70% of guests, the load was at best 40%, Kiev suffered the most - the occupancy in the capital was minimal over the past 25 years, about 10-20%, and in hotels, business and the premium format was up to 5% in the spring, and up to 10% in the fall. The only exception to this is the suburban format of hotels and cottage locations - there was a demand for them at all times of restrictions. In order to overcome the consequences of the pandemic, all market players were forced to introduce strict hygienic conditions to reduce physical contact between people, 2/3 had to reduce the prices of their proposals in the hope of increasing the load in this way. Thus, the average general rate in 4* hotels since the beginning of the year have fallen by 20% to about $ 90, while prices for 3-star hotels have dropped by 25-40%, depending on the location and concept of the hotel.

Table 9.

Structure of market operators by stuff reduction in 2020 in comparison with 2019



(Евтушенко, 2020)

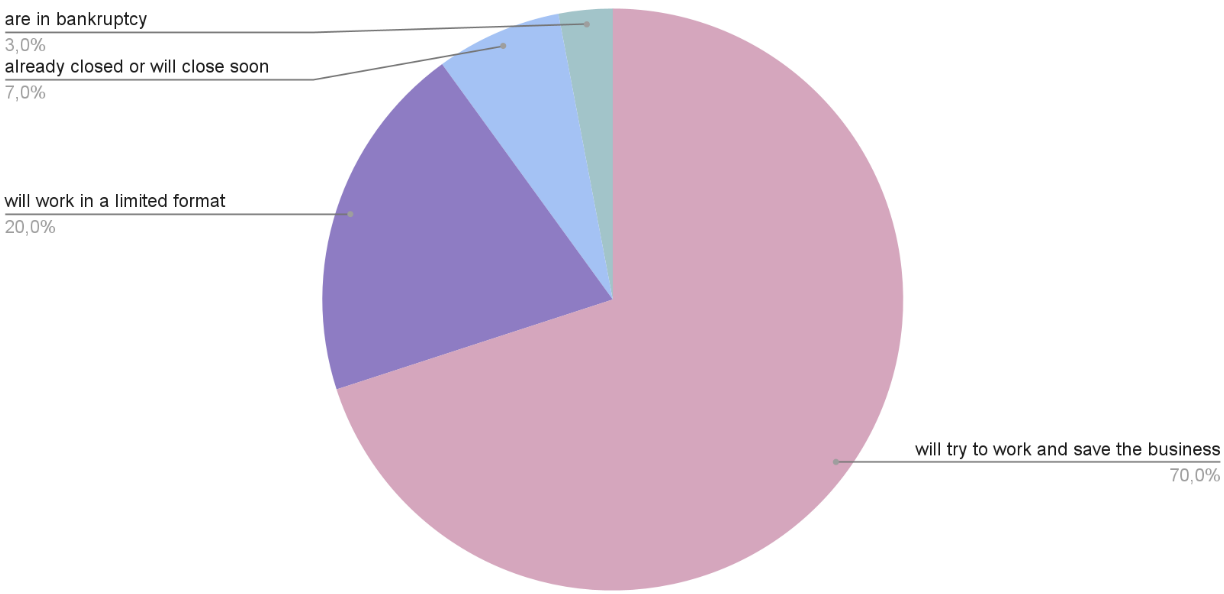
At the same time, the hoteliers "remaining afloat" do not lose their optimism - 23% expect that their business will return to the pre-crisis 2019 revenue already in 2021, after the end of quarantine restrictions; 57% think it will happen in 2022, with only slightly less than 20% planning it in 2023 or later. By far, 2020 and 2021 have been the most challenging years for the hospitality industry. The only and very successful goal of the operators, based on the results of the past two years, is to get to zero. Companies are faced with a difficult goal - to minimise costs, but at the same time preserve the fund and human resources for a full recovery. (*Гостиничный рынок Украины: проблемы роста, 2020)*

Ukraine needs powerful advertising, guarantees in line with the promises for the investor and clear fulfilment of obligations. The Ukrainian tourist business needs to unite and work together to develop and popularise their resort regions. It's worth starting small - abandoning the tourist tax, which was extended last year.

The fee is collected from each guest upon check-in and sent to local budgets, however, very often this money is not spent at all on the development of tourist attractiveness. In addition, it is calculated not based on the cost of the room, but on the minimum wage - that is, it is constantly increasing. This has already led to an increase in prices for accommodation in economy-segment hotels and may subsequently negatively affect the tourist and investment attractiveness of Ukraine.

Table 10.

Share of market operators in relation to business closure



(Евтушенко, 2020)

In addition, the VAT rate for services related to the temporary accommodation of tourists has not yet been reduced in Ukraine. It remains at 20%. Reducing the rate, following the example of European countries, will help attract investment, create new jobs, and improve the country's business climate.

Stimulates the development of tourism and the policy of visa liberalisation - the abolition of entry visas, as financially it will be more beneficial for Ukraine than expensive visas that breed corruption. At the moment, citizens from more than 100 countries can easily come to us.

A temporary reorientation of foreign tourists to the domestic market, as a result of the closed borders of most countries from popular destinations, will have a positive effect on the operating performance of hotels. A striking example is the tourist boom, which is now observed in Bukovel - as a result of restrictions on tourists from Georgia and European countries, the number of tourists has almost doubled compared to the same period last year. As for the investment attractiveness of the industry, for the next few years it has become of little interest to new players. More or less attractive in these conditions are country and cottage hotels with an interesting and unique format or with an emphasis on eco-direction.

It would also be nice to remember that Ukraine is not only Kyiv. The impetus for an increase in the flow of visitors to the country can be given just by the diversification of tourism - it can be green, gastronomic, medical, extreme, entertainment, sports, etc. True, the question immediately arises: will we have enough resources, capabilities, infrastructure to meet the wishes of the guest? For this, the participation of the country and local authorities in the development of a particular city and region is important.

CONCLUSIONS AND PROPOSALS

It can take a long time for foreign visitors to develop interest in a country. Ukraine is capable of becoming one of the most popular countries in Europe in terms of tourism. However, this requires serious work that will take more than one year. First of all, you should learn from the experience of other countries that are successful in terms of tourism. Moreover, first of all, this should be done at the level of the highest authorities.

Let me give you a simple example: there is Thailand, it is one of the most tourist countries in the world, before Covid they had tens of millions of tourists. And just a few decades ago, there were no skyscrapers in Bangkok, and there was a fishing village in Pattaya. At one time, the ruler of Thailand set a task - a special state program was needed for the development of a tourist destination. It took decades to bring it to life. They studied their country, found the brightest magnets and made appropriate infrastructure for them, searched and described their history. And Thailand entered the list of top tourist destinations. This is exactly what Ukraine should do. This can help to ensure that in twenty years Ukraine has become one of the "top" countries in Europe in terms of tourism. However, for this to really bear fruit, the work should start now.

The market does not hide: recently, a lot of tourists and guests have come to the country. This is facilitated by low-cost airlines, the opening of borders with the European Union, and the growth of the country's brand recognition in the international arena. Now we need to devote all our efforts to the development of tourist attraction.

The direct participation of top officials of the state and government bodies is important here. We are talking about investments, and about promotional campaigns, and about attracting international capital.

Do not forget about the support of the hotel business. Developers need preferences and guarantees to see the economic feasibility and viability of the project. Apart from hostels, the sector of service apartments managed by international and local operators may gain great popularity.

If we really want to attract tourists it is necessary to eliminate all of these weaknesses that still significantly distinguish the country from its neighbours who have learned to make money on tourists. care should be taken that a large number of people learn about Ukraine as a possible destination for travelling, and provide them with enough information about why exactly this territory is attractive for both tourism and investing.

REFERENCES

1. Hdr.undp.org. 2020. *Human Development Reports 2020*. [online] Available at: <http://hdr.undp.org/en/content/latest-human-development-index-ranking> [Accessed 10 October 2021].
2. epravda.com. 2015. *Економічна нестабільність другої половини 90-х*. [online] Available at: <https://www.epravda.com.ua/publications/2015/08/25/555902/> [Accessed 10 October 2021].
3. rbc.ua. 2021. *Як змінилася економіка України за 30 років*. [online] Available at: <https://www.rbc.ua/ukr/news/nezavisimost-tsifrah-izmenilas-ekonomika-1629802576.html> [Accessed 11 October 2021].
4. Index.minfin.com.ua. 2022. *ВВП України*. [online] Available at: <https://index.minfin.com.ua/ua/economy/gdp/> [Accessed 11 October 2021].
5. Data.worldbank.org. 2022. *GDP growth - Ukraine*. [online] Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=UA> [Accessed 12 October 2021].
6. Statista. 2022. *Ukraine - gross domestic product (GDP) per capita 2026 | Statista*. [online] Available at: <https://www.statista.com/statistics/296152/ukraine-gross-domestic-product-per-capita/> [Accessed 12 October 2021].

7. Data.worldbank.org. 2022. *GDP per capita (current US$) - Ukraine | Data*. [online] Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=UA> [Accessed 13 October 2021].
8. Tradingeconomics.com. 2022. *Ukraine Average Monthly Wages|1996-2021 Historical*. [online] Available at: <https://tradingeconomics.com/ukraine/wages> [Accessed 13 October 2021].
9. Index.minfin.com.ua. 2022. *Середня заробітна плата (Україна)*. [online] Available at: <https://index.minfin.com.ua/ua/labour/salary/average/ukraina/> [Accessed 13 October 2021].
10. GMK. 2021. *IMF forecast for Ukraine's GDP in 2022*. [online] Available at: <https://gmk.center/en/news/imf-improves-its-forecast-for-ukraine-s-gdp-in-2022-to-3-6/> [Accessed 7 November 2021].
11. Ukrrudprom.com. 2021. *На коррупционных схемах в Украине воруют 37 млрд долларов в год*. [online] Available at: <https://ukrrudprom.com/news/> [Accessed 13 October 2022].
12. Me.gov.ua. 2021. *Тенденції тіньової економіки*. [online] Available at: <https://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f-50e5243eb15a&tag=TendentsiiTinovoiEkonomiki&isSpecial=true> [Accessed 14 October 2021].
13. socportal.info. 2021. *Глава Национального банка Украины оценил влияние карантина на экономику*. [online] Available at: <https://socportal.info/ru/news/> [Accessed 13 October 2021].
14. Index.minfin.com.ua. 2021. *Внешний государственный долг Украины (2021)*. [online] Available at: <https://index.minfin.com.ua/finance/debtgov/foreign/2021/> [Accessed 13 October 2021].
15. Data.worldbank.org. 2022. *GDP growth (annual %) | Data*. [online] Available at: <https://data.worldbank.org/indicator/> [Accessed 13 October 2021].
16. Index.minfin.com.ua. 2019. *Рівень безробіття в Україні (2019)*. [online] Available at: <https://index.minfin.com.ua/ua/labour/unemploy/2019/> [Accessed 13 October 2021].
17. Index.minfin.com.ua. 2022. *Індекс інфляції [2022] ᐅ Індекс споживчих цін в Україні*. [online] Available at: <https://index.minfin.com.ua/ua/economy/index/inflation/> [Accessed 14 October 2021].

18. worldbank.org. 2022. *The World Bank In Ukraine*. [online] Available at: <https://www.worldbank.org/en/country/ukraine> [Accessed 20 October 2021].
19. Ukrinform.net. 2021. *Average salary in Ukraine up 30% in April 2021*. [online] Available at: <https://www.ukrinform.net/rubric-economy/3254740-average-salary-in-ukraine-up-30-in-april-2021.html> [Accessed 20 October 2021].
20. National Bank of Ukraine. 2022. *Ukraine's International Reserves Rose to Almost USD 31 Billion in 2021*. [online] Available at: <https://bank.gov.ua/en/news/> [Accessed 20 October 2021].
21. 2022. *Дані статистики фінансового сектору*. [online] Available at: <https://bank.gov.ua/ua/statistic/sector-financial/data-sector-financial> [Accessed 20 October 2021].
22. Публикации / Суд инфо. 2021. *Президент подписал судебную реформу*. [online] Available at: <https://sud.ua/ru/news/publication/209838-sudebnaya-reforma-chto-zhdet-sudebnuyu-sistemu-krome-perezapuska-vkks-i-vsp> [Accessed 20 October 2021].
23. president.gov.ua. 2021. *Президент ввел в действие решение СНБО о Стратегии экономической безопасности Украины до 2025 года — Официальное интернет-представительство Президента Украины*. [online] Available at: <https://www.president.gov.ua/ru/news/prezident-uviv-u-diyu-rishennya-rnbo-pro-strategiyu-ekonomic-70065> [Accessed 23 October 2022].
24. Superagronom.com. 2021. *В Україні офіційно запущено ринок землі*. [online] Available at: <https://superagronom.com/news/13460-v-ukrayini-ofitsiyno-zapuscheno-rinok-zemli--nabrav-chinnosti-zakon-552-ix> [Accessed 23 October 2021].
25. Agropolit.com. 2021. *Про внесення змін до законодавчих актів України щодо умов обігу земель сільськогосподарського призначення*. [online] Available at: <https://agropolit.com/zakonodavstvo/517-pro-vnesennya-zmin-do-deyakih-zakonodavchih-aktiv-ukrayini-schodo-obigu-zemel-silskogospodarskogo-priznachennya> [Accessed 23 October 2021].
26. Kmu.gov.ua. 2021. *Кабінет Міністрів України - Проект Закону про внесення змін до Податкового кодексу України та інших законів України щодо детінізації виробництва сільськогосподарської продукції*. [online] Available at: <https://www.kmu.gov.ua/bills/proekt-zakonu-pro-vnesennya-zmin-do-podatkovogo-kodeksu-ukraini-ta-inshikh-zakoniv-ukraini-shchodo-detinizatsii-virobnitstva-silskogospodarskoi-produktsii> [Accessed 24 October 2021].

27. DLF attorneys-at-law | Ukrainian Law Firm. 2020. *Инвестирование в Украине*. [online] Available at: <https://dlf.ua/ru/investirovanie-v-ukraine-statistika-otrasli-informatsiya-dlya-investorov/> [Accessed 24 October 2021].
28. Nam.kiev.ua. n.d. *УСЛОВИЯ ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В ЭКОНОМИКУ УКРАИНЫ*. [online] Available at: <https://nam.kiev.ua/ape/n_01_5-6/Gytkevih.htm> [Accessed 26 October 2021].
29. Project.liga.net. 2017. *Десятка самых привлекательных отраслей украинской экономики для инвестиций*. [online] Available at: <https://project.liga.net/projects/ukraine_investment/> [Accessed 26 October 2021].
30. Экономическая правда. 2021. *Инвестиции в "зеленую" генерацию Украины*. [online] Available at: <https://www.epravda.com.ua/rus/columns/2021/12/17/680724/> [Accessed 27 October 2021].
31. Mediasat. 2015. *Рынок 3G связи — итоги 2015 года | Mediasat*. [online] Available at: <https://mediasat.info/2016/02/10/3gresults2015/> [Accessed 26 October 2021].
32. Data.worldbank.org. 2022. *Agriculture, forestry, and fishing, value added (% of GDP) - Ukraine | Data*. [online] Available at: <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=UA> [Accessed 26 October 2021].
33. PhD in Economics, Associate Professor, L., 2017. *DEVELOPMENT TREND ANALYSIS OF MACHINE-BUILDING ENTERPRISES IN UKRAINE*. MACHINE-BUILDING ENTERPRISES IN UKRAINE.
34. Gtpartners.com.ua. 2019. *UKRA I NIAN FOOD AND BEVERAGES INDUSTRY*. [online] Available at: <http://www.gtpartners.com.ua/> [Accessed 28 October 2021].
35. eba.com.ua. 2021. *Ukrainian pharmacy statistics*. [online] Available at: <https://eba.com.ua/en/comitet/ohorony-zdorovya/> [Accessed 28 October 2021].
36. Finbalance.com.ua. 2021. *НБУ розповів про ризики та можливості криптовалют - FINBALANCE*. [online] Available at: <https://finbalance.com.ua/news/nbu-opisav-riziki-i-mozhlivosti-kriptovalyut> [Accessed 28 October 2021].
37. Rimskyv, Y. and Sasic, F., 2020. *Ukraine's booming IT sector can drive positive change*. [online] Atlantic Council. Available at: <https://www.atlanticcouncil.org/blogs/ukrainealert/ukraines-booming-it-sector-can-drive-positive-change/> [Accessed 30 October 2021].

38. Ukrinform.ua. 2021. *Мотор Січ та Baykar Makina підписали угоду про співпрацю*. [online] Available at: <https://www.ukrinform.ua/rubric-economy/3321798-motor-sic-ta-baykar-makina-pidpisali-ugodu-pro-spivpracu.html> [Accessed 28 October 2021].
39. Inventure.com.ua. 2017. *ТОП-10 самых привлекательных отраслей украинской экономики для инвестиций*. [online] Available at: <https://inventure.com.ua/analytics/articles/top-10-samyh-privlekatelnyh-otraslej-ukrainskoj-ekonomiki-dlya-investicij> [Accessed 29 October 2021].
40. Gazeta.ua. 2020. *Почему в Украине невыгодно развивать внутренний туризм*. [online] Available at: <https://gazeta.ua/ru/articles/economics/_pochemu-v-ukraine-nevygodno-razvivat-vnutrennij-turizm/961503> [Accessed 31 October 2021].
41. Hubbard, N. and Jeffrey, D., 1987. *Foreign Tourism, the Hotel Industry and Regional Economic Performance*. [online] Freepapers.ru. Available at: <https://www.tandfonline.com/doi/abs/10.1080/00343408812331345000> [Accessed 3 November 2021].
42. Storozhenko, R., 2010. *foreign experience in the development of hotel chains*. [online] Available at: <https://cyberleninka.ru/article/n/zarubezhnyy-opyt-razvitiya-gostinichnyh-tsepey/viewer> [Accessed 3 November 2021].
43. Researchandmarkets.com. 2020. *Hospitality Industry in Turkey - Growth, Trends, and Forecast (2020 - 2025)*. [online] Available at: <https://www.researchandmarkets.com/reports/5176623/hospitality-industry-in-turkey-growth-trends> [Accessed 4 November 2021].
44. Deggin, C., 2017. *The rise and rise of Turkey's hotel industry*. [online] propertyturkey.com. Available at: <https://www.propertyturkey.com/blog-turkey/the-rise-and-rise-of-turkeys-hotel-industry> [Accessed 3 November 2021].
45. Разумный, В. and Абдель Хамид, Д., 2008. *Опыт Египта и Турции в сфере развития туристического бизнеса: сравнительный анализ*. [online] Tourlib.net. Available at: <https://tourlib.net/statti_tourism/razumnyj3.htm> [Accessed 4 November 2021].
46. International Trade Administration | Trade.gov. 2021. *Georgia - Tourism*. [online] Available at: <https://www.trade.gov/country-commercial-guides/georgia-tourism> [Accessed 9 November 2021].
47. Knoema. 2019. *МИРОВОЙ АТЛАС ДАННЫХ ГРУЗИЯ ТУРИЗМ*. [online] Available at: <https://knoema.ru/atlas> [Accessed 9 November 2021].
48. Федорченко, В. and Дьорова, Т., 2002. *Історія туризму в Україні*. [online] Available at: <https://tourlib.net/books_history/fedorchenko.htm> [Accessed 16 January 2022].

49. Zakon.rada.gov.ua. 1995. *LAW OF UKRAINE On Tourism*. [online] Available at: <https://zakon.rada.gov.ua/laws/show/324/95-%D0%B2%D1%80#Text> [Accessed 11 November 2021].
50. Интерфакс-Украина. 2018. *Украина представит национальный стенд на крупнейшей туристической выставке мира WTM в Лондоне*. [online] Available at: <https://interfax.com.ua/news/general/542468.html/> [Accessed 11 November 2021].
51. Интерфакс-Украина. 2014. *Совокупный доход 25 украинских рантье в 2013г вырос на 5% – рейтинг Forbes*. [online] Available at: <https://interfax.com.ua/news/economic/184766.html> [Accessed 12 November 2021].
52. European Business Association. 2019. *Мережа готелів Premier однією з перших в Україні отримала сертифікат QSC і визнана China Friendly - European Business Association*. [online] Available at: <https://eba.com.ua/merezha-goteliv-premier-odniyeyu-z-pershyh-v-ukrayini-otrymala- sertyfikat-qsc-i-vyznana-china-friendly/> [Accessed 17 November 2021].
53. ProHotelia - гостиничный бизнес онлайн. n.d. *Премьер Интернешнл вступил в Международную Ассоциацию IH&RA*. [online] Available at: <http://prohotelia.com/2013/03/ihra/> [Accessed 15 November 2021].
54. 2014. *Top 20 best hotels in Ukraine*. [online] Available at: <https://news.obozrevatel.com/travel/tourism/45073-top-20-luchshih-otelej-ukrainyi.htm> [Accessed 13 November 2021].
55. Phnr.com. n.d. *About Premier Hotels chain*. [online] Available at: <https://www.phnr.com/en/brands> [Accessed 20 November 2021].
56. Hotel, n.d. *Premier Resort Hotel - Premier Resort Hotel*. [online] Premier-resort.phnr.com. Available at: <https://premier-resort.phnr.com/en> [Accessed 23 November 2021].
57. Booking.com. n.d. *Booking.com: The largest selection of hotels, holiday homes and more*. [online] Available at: <https://www.booking.com/index.ru.html> [Accessed 26 November 2021].
58. Booking.com. n.d. *★★★★ Premier Hotel Dnister, Львов, Украина*. [online] Available at: <https://www.booking.com/hotel/ua/dnister.ru.html?aid=356980;label=gog235jc-1DCAso6QFCB2RuaXN0ZXJIM1gDaOkBiAEBmAEhuAEXyAEM2AED6AEBiAIBqAIDuALW1_iOBsACAdICJDUzZmRjMGMyLTBkYzItNGYxZi05YjEzLTBmYzI3ZThmYTZlNtgCBOACAQ;sid=8465b63b7e84c776f46ae85b6b6a25fd;dist=0&keep_landing=1&sb_price_type=total&type=total&> [Accessed 28 November 2021].

59. Commercialproperty.ua. 2020. *Гостиничный рынок Украины: проблемы роста*. [online] Available at: <https://commercialproperty.ua/cp-articles/gostinichnyy-rynok-ukrainy- problemy-rosta/> [Accessed 8 December 2021].
60. Евтушенко, А., 2020. *Что ждет рынок гостиничной недвижимости в 2021 году?*. [online] nventure.com. Available at: <https://inventure.com.ua/analytics/articles/chto-zhdet-rynok-gostinichnoj-nedvizhimosti-v-2021-godu> [Accessed 9 December 2021]