SOME COMPONENTS OF THE DEVELOPMENT STRATEGY OF UKRAINE

Abstract. The approaches to the doctrine of long-term development of Ukraine, considering realities of functioning national economy, are substantiated. It is proposed diversification of Ukraine’s economy to realize by two directions: through the modernization of traditional sectors and infrastructure and active transition to knowledge-intensive non-raw sectors of production and services.

At present, the transformation of existing global system of economic and political relations is underway. For Ukraine’s economy this generates new challenges though, at the same time, reveals new opportunities— to identify new strategic economic priorities and drastically change the model of economic development of the country. Ukraine yet again finds itself at the interception of development trajectories and by constantly postponing the implementation of the strategic objectives of the state would feel extremely dire consequences of non-systemic reforms, technological underdevelopment of the domestic economy, populism and legal nihilism. Ukraine must become a highly organized country that would create conditions for sustainable development and offer a wide range of opportunities for individual development. This will increase the sense of justice and social solidarity, and public confidence.

Researches, that are associated with determination of ways to achieve the long-term growth on qualitative basis taking into account...
global trends and the current realities of Ukraine’s economy requires deepening. The final goals of economic reforms should be a significant increase in welfare of all Ukrainians over the next 10 years, an effective protection of their fundamental rights and freedoms, forming of numerous and powerful middle class in Ukraine.

During 2003—2008 GDP grew on the average of 7%, international reserves increased from 0 to 38 billion dollars, quarterly budget revenues increased from 20 to 60% [3]. Growth was achieved by increasing of world prices of our export raw materials (metals, grains, sunflower oil, nitrogen fertilizers) in almost three times. In late 2008, when foreign markets and raw materials prices fell, the global crisis has brought to Ukraine almost twofold decrease prices of raw materials, deficit of foreign credits and escape of domestic and foreign investors. The main reason of reducing GDP is investment in real estate, not technology; banks and trade, rather than in manufacturing; in imports and not in domestic production; in current consumption, not in future capacity.

Renovation of growth has been during 2010—2011. Raw materials markets rose — impact of anti-crisis programs of the US, Europe and Japan. Jump of raw materials prices in 1.5 times made it possible to restore currency inflows, supporting the exchange rate of hryvnia, budget and to increase international reserves. And in 2012 there was recovering of raw recession.

Macroeconomic indicators in Ukraine have reached critical values in 2014—2015: GDP of Ukraine decreased by 17% is the worst result for 25 years. GDP decreased from 180 billion dollars in 2013 to 130 in 2014 and to 90.5 billion dollars in 2015; Ukraine became one of the poorest countries in the world by GDP per capita (below 2000 dollars, which is equivalent to the poorest countries in Africa); GDP per capita PPP in 2008-2015 changed from 8.42 to 8.71 billion dollars; average salary in 2015 was about 200 dollars; real income of the population decreased on 35%; total inflation rate close to 79%, the highest since the introduction of the national currency; national currency lost about 2/3 of its dollar value; external debt exceeded 130% of GDP. Raw material economy, which does not create high value added, has no resources for its maintenance.

In 2015, the country faced a significant budget deficit, growing external debt, hryvnia devaluation, inflation at 45% and 11% recession. Also, the country has experienced the greatest banking crisis as a result of which the third of financial institutions withdrew from the market, 30% of deposits in the local currency and more than 40% of deposits in dollars were lost.
Instead of searching for domestic economic sources that would stimulate entrepreneurship and innovation and result in growth of competitiveness, Ukraine favored debt funding to close off gaps in macroeconomic and financial structures. Vision of Ukraine’s development should be harmonized with international strategic documents and consider the current situation in Ukraine, starting level, conditions for development and national interests.

Along with the radical reform of the tax system with the view of encouraging investment and innovation, decentralization of public finances and creation of sound financial basis for the local self-governance, addressing the issues of Ukraine’s external debt shall provide for implementation of strategically oriented development policies in modern sectors of economy capable of producing high added value products and entering the most promising markets.

This will guarantee the availability of resources in such amount that the issue of external debt would, in principle, stop being the subject of discussion and turn it into purely technical instrument to stimulate development. To this end, the above mentioned key areas of strategically oriented development policies shall be the subject of open public dialogue involving government authorities responsible for these issues, influential business associations and civil society.

Overall, this is the evidence that in Ukraine the issue of external debt is not simply the result of mistakes in foreign economic policies, though the sign of deep structural imbalances in Ukrainian economy formed in previous years as a result of erroneous ways of reforming in general. At the same time, it should be emphasized that in 2015 a lot was made to improve the business climate and promote deregulation of economy, administration of state-owned enterprises and to support exports. The fight against corruption though can not be called a success; law enforcement and fiscal authorities kept pressure the business that further worsened the investment climate in the country.

Indicative is the World Bank forecast that estimated the fall of Ukraine’s GDP in 2015 at 10% and kept the Ukrainian economy growth forecast in 2016 at 1%. Mr. Chimyao Fan, World Bank Director for Ukraine, Belarus and Moldova, during presentation of the new economic survey and macroeconomic forecast for Ukraine, said: «We are now seeing the first signs of stabilization which came out at the end of the last year. And now we forecast that GDP could grow by 1% in 2016 and by 2% in 2017, « said Mr. Chimyao Fan [4].

However, the projected Ukraine GDP growth below 3% in 2017 actually deepens the gap with the Western countries as the global
economy will grow at a faster pace. World economic growth this year is forecasted at 3%. That is, the difference between living standards in Ukraine and the Western world continues to widen.

Development dynamics of the domestic economy are characterized by significant technological gap between its production structure and those of the EU. The resulting low factor productivity is the main reason for the low level income and living conditions. The expected harmonization of business environment in Ukraine and the EU could create opportunities for its technological approximation to these countries. This approximation will require significant investment resources that must be brought into the country to make capital expenditures in Ukraine to introduce modern technological solutions and ways of doing business.

Today the country is in a position where the possibilities of accelerated economic growth and further economic development will largely depend on the quality of public and market institutions which reform is necessary and mandatory prerequisite for the initial phase of reforms. As a part of the institutional reforms the priority should be given to accelerated improvement of the investment/business environment and identification by the state of conditions to attract investment.

To create a strong and competitive industry and restore the growth of jobs, industrial policy should be aimed at: increase of productivity in manufacturing industry and related services; promotion of creation, growth and internationalization of small and medium enterprises (SMEs) that provide for 2/3 of employment in EU; development and active use of technologies, IT and new skills in international competition with China, Brasil, India and other growing economies on the markets of high-tech products; ensuring leading positions during transition to low carbon and resource efficient economy.

Diversification of Ukraine economy will take place in the following two directions: modernization of traditional sectors and infrastructure and active transition to knowledge-intensive and non-raw materials production sectors and services. In traditional sectors with low redistribution (metallurgy, chemical industry, construction materials) — optimization and reduction of costs, adoption of plans to reduce energy and resources intensity by way of introduction of European energy and environmental standards along with appropriate financing, formation of investment programs to upgrade equipment and business processes, training of personnel and, thus, expansion of existing and development of new markets.

In terms of creating a new high-tech economy, it is necessary to ensure the development of a service economy based on ICT including
intellectual business services and creative sector, increase their impact the economy of the country including by strengthening the ties with enterprises of the real sector. The latter must base its activities on the development of modern databases that will increase their productivity and contribution of powerful ICT base into GDP growth in Ukraine. At the same time, the state should encourage efficient productions. State support should be given only in combination with effective system of monitoring its implementation.

Transition from model of adaptation of borrowed technologies to innovation model can be accelerated at the expense of introduction of the cluster approach with focus on integration of related activities, continuous training of SMEs in networks of knowledge and innovation, partnership between the state and business. It is necessary to remove the influence of the state on business and focus on horizontal policies to create framework conditions for its development: a transparent investment and competitive environment, infrastructure development, equal access of business, including SMEs to resources, markets and funding.

An integral part of accelerated economic growth is energizing of small and medium businesses that would allow to perform, primarily, social function, namely, to reduce unemployment in the country and increase volumes of production of unique and exclusive products that cannot be produced by large enterprises. SMEs are capable of forming strong development potential because they can create jobs relatively quickly, including jobs for workers laid off from large enterprises, they are flexible to new rules on the market, have high potential for the development of creative economy and are capable to compete on the global market.

Public understanding and support are the main arguments in favor of the success of reforms. Reforms are not viable if they are unpopular because they have to reach the general public, only then they will attest to the fundamental change. Hurting people all the time without showing them the ways out of this pain is a false solution.

References


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SOVEREIGN DEBT REFORMING VERSUS HYBRID THREATS: THE CASE OF UKRAINE’S DEBT TO RUSSIA

Abstract. The present paper seeks to raise a few political questions on the current stage of Ukraine’s debt to Russia within the context of contemporary Post-Soviet hybrid threats and its impact on national economy modernization and macroeconomic stabilization. It mostly focuses on the (geo)economical dimensions of the Ukrainian passive debt management process and its (geo)political and military implications to the relations with Russia. The aims is to begin drawing what are deemed to be some geopolitical coordinates of sovereign debt as a hybrid threat which is rapidly rising not only within the case of Ukraine’s debt to Russia but also on the scene of modern national and international geopolitical and geoeconomical conflicts nowadays within the context of the worldwide debt crisis.

After the end of the Cold War and the shredding of the Iron Curtain the world has been challenged by various risks, threats and attacks in geopolitical aspect: terrorism and radicalism, climate changes, shifts in paradigms of governmental management, endless political reforms, ethnic and religious antagonistic contradistinctions, frozen and unfreezing (from time to time but always on the right geopolitically time) Post-Soviet conflicts, hybrid threats etc. Moreover, recent years have shown us undoubtedly how the last (hybrid threats) could be reframed in various new forms and lines. It also includes sovereign debt deals as part of the economic and financial security of the State under a record pile of global debt. The world has continued to borrow hand

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