PROBLEMS OF FORMATION OF THE NEOINDUSTRIAL MODEL FOR INDUSTRY DEVELOPMENT IN UKRAINE

Urgency of the research. The current state of the Ukrainian industry, uncompetitive but with the desire to integrate into the world processes of neo-industrialization, practically has no opportunity to enter a new level of production and efficiency.

In connection with this, the need to elaborate the Ukrainian scenario of neo-industrialization and find the most favourable conditions for its successful implementation is actualized.

Target setting. Domestic industry should become the "point of growth" in the country, for this it is necessary to clearly identify the internal and external challenges that will arise along the way.

Actual scientific researches and issues analysis. Significant scientific developments on the problem of neo-industrialization in Ukraine and modern industrial policy are contained in the work of researchers Heyets V. M., Gorbulin V., Amosh A. I., Zveryakova M. I. Kindzers'kyi Yu, Mazur V. L., Zinchenko V. A., Vishnevsky V. P., Zbarazska L. O., Klim M. O.

Uninvestigated parts of general matters defining. At the same time, the problem of the effective inclusion of Ukrainian industry in the process of neo-industrialization as a leading global trend of economic development remains insufficiently highlighted.

The research objective. Substantiation of adequate solutions to the modern challenges of strategic decisions on the development of Ukrainian industry based on the formation of a neo-industrial model.

The statement of basic materials. The article deals with the main problem issues, presents both internal and external factors of the negative influence of the transition of industry of Ukraine to the process of neoindustrialization.

Conclusions. Industry is like the whole economy in a crisis situation, in this regard, a list of priority actions is actions that directly affect the functioning and development of industrial production, should be contained in the Strategy of Industrial Development of Ukraine.

Keywords: industry; industrial strategy; industrial politics; neoindustrialization; economic development.

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Urgency of the research. Further development of the industry of Ukraine in the shadow of modern global political, economic and social changes dictates the need for large-scale scholarly discussions involving national and foreign research workers. This particular combination of conceptual and informative developments helps to find the most efficient ways to solve the problem of system update for the industrial model of Ukraine suitable for modern global challenges and national interests.

Target setting. Ukraine with mainly non-competitive industry works towards fitting into global neo-industrial processes what shall provide an opportunity to move to a new level of production and efficiency.
However, the obstacles preventing it include: unstable dynamics of volume of production where downturns with significant market factor predominate; global structural deformations in sectorial, market and intraregional sections; speculation on margin of industrial producers in international markets with export raw orientation of economic performance predominating; significant lag in technology of existing producers; low level of environmental compatibility of technologies and products; oligarch monopolistic structure of industrial productions. Positive processes of industrial development are in equal measure hold down by lack of development of internal and external infrastructure (transport, marketing, logistics); investment and innovative insolvency of the majority of producers; absence of reliable development finance institutions due to limitedness of proper capital assets of the enterprises; deterioration in skilled personnel at the industrial enterprises. Such circumstances prove the necessity to study Ukrainian neoindustrialization scenario and to search optimum conditions for its successful implementation.

**Actual scientific researches and issues analysis.** Scientific rationale for further ways of industrial development at the current stage is an important course of recent research of key academic institutions and higher educational facilities of Ukraine. They cover a wide range of theoretic, methodological, conceptual and practical questions of industrial development in the light of system transformations of the state, business, society, world economy.

Based on the analysis of scientific publications the basic concepts of scientists and research workers were summarized:

- there studied the problems of transition to innovative model of industrial growth and development; influence of institutional environment on innovative development of industrial production; interdependence of economic and political transformations as a background for efficient development of the national economy [1];
- there analyzed relevant concept and tasks for modernization of state industrial policy of Ukraine oriented on the national interests;
- there developed the approaches to modern national strategy of industrial development and proper industrial policy;
- there given propositions for priority development fields of the industry of Ukraine at the present time that include endogenesis, technological modernization, cost-efficient for the country business line at a global, European and internal scale, diversification of the industry production and improvement of its structure; there specified such major goals of industrial reforms as minimization of external dependence, growth of high-tech production, taking dominating positions at an internal consumer market by domestic producers; assurance of food supply security of the country and achievement of the global producer status, assurance of the military security of the country due to renewal of national military-industrial complex, assurance of energy security [2];
- there examined historical and institutional aspects of organization of industrial policy [3]; there emphasized an important role of industrial policy for neoindustrialization in Ukraine particularly in regards to the organization of development institutions and capable of innovations corporate sector;
- there recommended priorities for state industrial policy in key industries of Ukraine; based on deep state analysis and possibilities of the development of various industrial productions, there emphasized the importance of consideration of peculiarities thereof when developing specific lines and government interventions in the industrial field [4];
- there proposed detailed comparative analysis of the models of modern industrial policy with preferences and type of development, degree of state support and selection of potential instruments [5].

Significant scientific studies of the problems of neoindustrialization in Ukraine and modern industrial policy can be found in the works of the researchers from the Institute of Industrial Economics of the National Academy of Sciences of Ukraine. They are based on modern theoretical insights into industrial development, analysis of foreign experience in industrial policy and practice, and mostly on detailed analysis of Ukrainian realities. Practical focus of these research works is reflected in suggestions on: implementation of matrix industrial policy as a more flexible model of combination of instruments of administrative and market regulation; identification of priorities and objectives of neoindustrialization based on interdependence of strategic targets of economic development and restricted at this stage
The context of global transparency of economics led to a situation where any competitive area national compressor, transformer and turbo equipment of available production capacity are required to produce new principles and courses of its institutional provision [6]. Significant attention paid to the problems of industrial development in the regions of the country where such value is in the context of deep transregional socio-economic disbalance and transition to a wide decentralization of government control.

Summing up the survey one may come to a conclusion about common to national scientific workers understanding of the importance to develop new strategies and policy for industrial sector in the context of the changes occurring in national and world economy. Primarily this refers to “new industrialization” (or “neoindustrialization”) as a result of reconsideration by the governments of world’s major economies of basic concepts of economic and above all things industrial growth under the conditions of development of new phenomena and tendencies.

Uninvestigated parts of general matters defining. At the same time, the problem of the effective inclusion of Ukrainian industry in the process of neo-industrialization as a leading global trend of economic development remains insufficiently highlighted.

The research objective. The objective of this article is to provide a rationale for relevant to contemporary challenges strategic decisions on the development of the industry of Ukraine based on neo-industrial model.

The statement of basic materials. Problems of real transition of Ukrainian industry to a new stage of development, called “neoindustrialization”, have both internal and external causes.

To begin with this refers to extremely unfavorable initial (available) conditions – major deindustrialization as an actual result of the transformation process over the years of development of national identity of Ukraine and its new economic model. The majority of researchers, experts as well as skilled workers agree that this happened accordingly of ineffectively selected economic policy oriented mainly on monetary control under the conditions of preserving ineffective structure of economics, industry and institutional environment. However, it is necessary to emphasize a no less significant role of general inefficiency of domestic production that in the context of global transparency of economics led to a quick collapse of the industrial complex of Ukraine as non-competitive. This brings the necessity to attract intensive investments, fundamental changes of innovation system (taking into account that it exists in Ukraine) or at least renewal and development of its efficient and key components in the first place in the research and development sphere and mechanisms of its interaction with real production. Scale of deindustrialization in Ukraine need quantitative production increase as a first stage of reindustrialization.

At the same time recognizes that separate isolated competitive productions in Ukraine practically in spite of national policy still preserved. In particular, Ukraine belongs within the eight countries that possess complete cycle of design and fabrication of aircraft engines that are used in more than 100 countries of the world, and within 10 countries with a complete cycle of aircraft engineering – from design to serial production. Globally competitive are national compressor, transformer and turbo-atomic productions [4, p. 48].

However, a full-scale deployment of this or any other high-tech productions faces the problem of distribution and insufficient financing and technological development of available production capacities. Thus the question of state support of innovative in nature productions for many years is one of the urgent but debatable issues – either to support thoroughly such unique productions or to “let go” to an independent competitive voyage? Considering current state of leading knowledge-based industries in Ukraine, one can absolutely agree, “preserving and development of such unique enterprises shall become a priority orientation of the industrial policy of Ukraine” [4, p. 52].

The generalization of global experience proves that the development of high-tech productions of serial character in one way or another relies on state support. The differences are around specific areas (research and development, production, export-import regulation etc.) and forms (direct or indirect).

This is not to say that state industrial policy in Ukraine entirely ignores unique productions and enterprises: there developed sectoral strategies with quite a wide range of methods of state stimulation and support. However, most of them are still strategies. Therefore, it is necessary to transform scheduled measures into practices because the development of specified industries is a real way to neoindustrial growth.
Another major problem is deficit of investment funds for implementation of neoindustrial projects. This entails both state and corporate investments. The first are limited by constant budget gap and others by unstable state of production and thus by revenue contraction and increase in economic loss.

Over the last years due to the affairs in Autonomous Republic of Crimea and in the east of the country business finances suffered bad losses: according to State Service of Statistics of Ukraine [9], in 2014-2016 production sector had negative financial result – correspondingly by year (-166,4), (-181,4), (-7,6) billions of UAH. Significant is the number of loss-making enterprises – around one third. The biggest loss is in refining industry what decreases its investment potential and financial sufficiency for modernization.

Thus through the lens of make up for investment deficit the system of public-private partnership must be developed as a mechanism of financial support of mutually beneficial large-scale projects, mainly for modernization of industrial infrastructure of national and regional level.

Not least important is attraction of foreign direct investments as a catalyst of investment processes at large and innovation-filled in particular. Although looking at the experience of the previous years one cannot rely entirely on substantial growth thereof in the mid-term period. Negative influence shall have macroeconomic, market and also sociopolitical instability, violent fluctuations of currency rate, poor quality of tax policy etc.

Another aspect that reveals the whole complex of problems of transition to neoindustrial model is quality and efficiency of industrial policy. Quite accurately the industrial policy of Ukraine throughout the transformation period can be characterized as [4, с. 5]: “Industrial strategies and policy from the date when the Independence of Ukraine was proclaimed practically did not involve measures on preserving existing industrial, intellectual, educational, workforce capacities of the country. Under such conditions spontaneous i.e. uncontrolled and unpredictable by the government authorities transition of national economy to unrestricted market conditions led to permanent losses in the industrial sector”.

This is only one of the many similar conclusions that are contained in a quite large national bibliography on inadequacy of state industrial policy to the conditions and tasks of industrial development in Ukraine and economic results thereof. Therefore, the proposition on the development of a new industrial policy on modern principles present among many scientists and experts is accepted as reasonable and urgent.

At present time at the stage of transition to practical solutions of neoindustrialization tasks, the problem of development of the efficient mechanisms of implementation of modern industrial policy takes on particular importance. This is conditional upon difficulty and complex character of new tasks, availability of specifically state political platform for approved and coordinated interaction between all interested parties – society, state and business.

Relevant to state industrial policy still are the following priorities: national security protection; protection of economic interests of national producers; reliable supply with fuel and raw material resources; development of dynamic domestic market as a growth factor; efficient state support of investments, innovations, foreign economic activity; accomplished interaction of science and production; effective international production and economic cooperation; demonopolization and reinforcement of competitive environment; balancing of industrial development of the regions; complex ecologization of the industrial sector.

Another burning problem of neoindustrialiation in Ukraine is personnel problem. Here several different factors come into play: purely demographic phenomenon – significant retirement of workers by age; loss of qualified personnel due to extinction of the whole productions or major shutdown thereof; labor emigration; lack of motivation for young people in a real sector due to low level of salaries; depression of career and technical education system; cut down in general level of training of engineers and technicians at higher educational facilities. In other words, extensive utilization of labor resources during neoindustrial growth is limited by the ability of labor market to attract to production ale-bodied persons. Thus priority shall be granted to the increase of efficiency of labor.

Poor quality of labor market that is not able to balance needs of employers and employees under the conditions of fast structural changes, general instability etc. also plays negative role. As shown in
official statistics the need of production in qualified personnel increases – at the end of 2016 it is 10 thousand people [10].

In case we agree that neoindustrialization is a way to innovative development then knowledgeable creative active human resources are meant to be the key factor of development and effective operation of the new production. New technologies demand from workers new knowledge and skills. Except experience it must be admitted that new unconventional approaches, active creativity, mobility are the prerogative power of young people. Although according to estimates the level of unemployment is twice as big particularly among young people before 25 than national average – 22.4% of economically active population [11].

Skills mismatch of personnel in Ukraine is even recognized at an international scale – less than 40 percent of graduates of higher educational facilities find work in the sphere they studied [11]. Such difference between proposition and demand for skilled personnel must be at least partially solved by the development of neoindustrial modernization of industrial production. At the same time, it is necessary to work now towards the situation when labor legislation does not restrain the processes of technological renovation but contributes to it in terms of structural changes, flexibility of labor management relations, motivation of business and workers to earn high qualification and its improvement, adequate standard of labour protection.

The problem of qualitative human resources is not specific for Ukraine. One has only to think about the active policy of developed countries (West Germany, the USA) and the emergent nations (China, India) on import of qualified personnel and promising students, from Ukraine also, through efficient programs of motivation. Maximum demand is for professionals of IT-sector, R&D, workers of high-tech manufacturing. Developing countries practice mechanisms of targeted specialist trainings at the leading higher educational facilities of the world with their further application in the national economy (as an obligatory condition for state support of the education). Further visa regime liberalization with the EU contains not only advantages but also risks of labor migration from Ukraine (despite the existing limitations of the new order).

It is impossible to ignore the problem of big share of informal economy (shadow economy) and informal employment. Under these conditions the processes of strategic planning and government control over economic functions become more complicated, significant funds, potentially important for investment and innovative activity, are moved from the sphere of budgetary resources. Informal employment, with a more attractive cost of labor, works as a mechanism of crossflow of skilled personnel essential for domestic high-tech manufacturing.

For dynamic and efficient implementation of the neoindustrialization programs in Ukraine, it is also necessary to solve the problem of organization equal cooperation between government and business. Nowdays absence of such strategic parity is evident and this greatly holds back the reforms in economics. The main reason thereof has an institutional character – the institute of trust has been destroyed between all the subjects and all the stages of society.

The vital task in this regard is the development of stable and reliable communication lines as to strategies and industrial policy including involved subjects of the society. Foreign experience provides variety of forms of such cooperation that can be adapted to Ukrainian conditions.

Specific Ukrainian problem of nowadays is the situation with Crimea and Donbas. It causes political instability, significantly draws attention and costs to priority problems of national security and defense. At the same time, it may push the economy to quick renewal of high-tech industrial production because military-industrial sectors that is usually oriented on innovative technologies and products.

Regarding the problems of neoindustrialization in Ukraine (and also other countries) connected with external factors, which should be noted, it is reasonable to mention the following: global processes of redistribution of natural resources, destabilization of economy of many countries and regions (EU); marked aggravation of social and economic conflicts up to military collisions etc. This makes it harder to access global market of resources, products, investments and innovations, to reinforce global competition, to change the structure of transnational production chains of value creation.

The general dynamics of industrial production in Ukraine as well as its structural characteristics are greatly influenced by international market conditions and by business environment of foreign econo-
mies. Field structural proportions prove the absence of clear strategy for the development of industrial production. Territorial structure of Ukrainian industry reflects its “historic genesis” as oriented on raw and low processing plants concentrated around the deposits of natural resources.

According to the budget for 2018 the key area of systemic reforms is: defense capacity, diplomacy, social standards, education, healthcare service, agro-industrial complex, road infrastructure, culture. Industry is not specified among systemic reforms.

Reduction of the share of production sector in GVA in economics is caused mainly by the industrial efficiency reduction factor but not by the reduction of its scope (although that has its own influence). This is a matter of principle in the context of such strategic orientation of neoindustrialization, as integration into effective global value chains (GVCs). Such dynamics of GVA makes the industry of Ukraine unattractive for MNC, which are key players in establishing manufacturing GVCs.

According to basic dynamic and structural parameters, Ukraine is in quite critical state comparing to the developing countries. Identified issues are typical for the industry of Ukraine for a long time what proves their dependence from system factors. Present situation belongs to integrated influence of factors of transformation (establishment of market model) and exceptional character (military and political conflict in Donbas). This should be considered as a significant argument in favor of neoindustrialization as the latest model of economic development under circumstances of new challenges of national and global character.

Moreover, according to the characteristics of present losses of industrial production (in a volume of output, sectoral structure, efficiency) a course of complex industrial recovery oriented on the priority of technological and structural renewal shall dominate in the national concept of the neoindustrial development.

In the strategies of industrial policy of Ukraine extremely limited attention is paid to labour potential of the industry, its organization, utilization and development in accordance with the demands of progressive changes thereof. Personnel of industrial enterprises has low characteristics of competitive ability. Its common characteristics include rigidity to changes in production processes and weak apprehension of innovations, low labour activity and efficiency of labour, failure to observe safety requirements and work safety, low legal and computer literacy etc. Thereafter cost of labour in industrial sector is low as well as in the economy of the country. In the industrial sector with inflation the dynamics of nominal wage do not guarantee growth in prosperity of industrial workers. Low pay does not guarantee the implementation of both productional and motivation functions. It does not inspire personnel to increase labour productivity, qualitatively perform labour functions, increase professional skills, worker to be interested in the development of an enterprise. Therefore, underpayment slows down the development of labour potential of the industrial sector, stipulates high turnover of staff and loss of the most qualified and talented workers, prevents attraction of young people to industrial sector.

Optimistic expectations of Ukraine to enter WTO failed. It had no positive results as domestic products have low competitive ability. Instead opening of domestic markets attracted foreign producers. Attempts of Ukrainian government to change the conditions of Ukrainian presence in WTO still have no results. Rate of growth of export of Ukrainian goods is lower than in other countries of the world. Export allows developing countries to increase its prosperity (exporting goods we import middle class that motivates the development of internal market). In the meantime, Ukraine has lost global competition both at the goods market and at the investment market fight for investor. The second results from the first.

Unsuccessful were the conditions for signing of the Agreement of Association “Ukraine – EU”. This step led to tremendous drop in volume of export-import operations with CIS countries and Russian Federation. Export to EU also decreases. Out of 36 positions of goods, Ukraine received quota for from the EU in 2015, only two were realized. The others are not realized because of low quality of goods and services of domestic production, production thereof has deviations from European standards ISO 9000. By various estimates transition to European standards requires much time and expenses in the amount of 150-200 billions of euro. EU practically does not provide any donations to Ukraine, it is also impossible to obtain and then return such large capitals by way of credits.

**Conclusions.** Following the research it is made clear that national industry as well as all the economy is declining. Nevertheless, it is meant to be a “growth point” in the country and pull out all the sys-
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tem of national economic management if neoindustrial model of development shall be formed and implemented in Ukraine. For this purpose, there are defined internal and external challenges that may arise on the way. The problems mentioned above are not the only hardships Ukraine may come across on the way of neoindustrial modernization. However, the state and economy practically have no time to postpone the transition to new models of industrial development.

In this regard the list of priority governmental actions during mid-term period that have a direct impact on functioning and development of industrial production can be found in the Development Strategy for the Industry of Ukraine and must include:

- development of innovations and reform in the sphere of intellectual property (foundation of premises for the development and large-scale implementation of innovations in all the fields of the economy, and for further transition to digital economics, and in particular improvement of statutory and regularity background in regard to innovations, intellectual property and digital economy, improvement of state policy in these areas and implementation of programs directed to promote and support innovation development);
- development of industrial production and attraction of investments (arrangement of conditions for investment growth in industrial sector, modernization of production and infrastructure, foundation of premises for the development and diversification of export, engagement of domestic production unit in global value chains);
- development of export and expansion of foreign economic relations (search of new markets and reorientation of foreign economic relations of Ukraine to alternative product markets, development of export of goods and services);
- increasing of energy independence (growth of domestic production of power resources; modernization of energy infrastructure, energy supply diversification; transition of energy industry of Ukraine to market principles of operation, implementation of standards of European system of energy security with the focus on cyber security and energy supply security; expanding of regulating shunting hydropower capacities and pump-storage power plants);
- reform in coal mining industry (ensuring of economic efficiency (self repayment) of coal mining sector by going to market principles of coal market performance, introduction of electronic stock trading, attraction of private investments to the sector and privatization of coal mines; control over effective restructuring of the field and social support of coalminers);
- development of renewable energy sector (increase in the number of energy carriers produced from renewable energy sources within general final energy consumption);
- establishment of energy efficiency and energy conservation (decrease in volume of energy consumption, implementation of up-to-date energy-efficient technologies; arrangement of measures on growth of energy efficiency, control over economical use of energy resources by the population, improvement of the quality of life of the population due to reduction in expenses for energy resources, rational use of funds of state and local budgets directed to recover expenses for the use of energy sources);
- expansion of mineral resources base (satisfaction of needs of the nation economy in mineral resources by means of domestic production; decrease or total elimination of the dependency of Ukraine from import of mineral resources and growth of export potential of the country due to domestic production of mineral resources that have demand on the global market; attraction of exploration companies to the market of Ukraine);
- assistance to productive employment, reform of the labour market (realization of the active employment policy helping unemployed to return to labour activity, arrangement of conditions for decreasing informal employment, rise of earnings for working citizens, deregulation of employer-employee relations).

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