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## Development of industry of Ukraine: experience and perspective of Eurointegration

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## **DEVELOPMENT OF INDUSTRY OF UKRAINE: EXPERIENCE AND PERSPECTIVE OF EUROINTEGRATION**

**Summary:** The state and perspective of European countries are analyzed in the article. The comparative analysis of dynamics of using the main resources of production in EU and Ukraine has been implemented. The temps of increase of main indicators are determined namely: dynamics of GDP, consumption energy resources, use of fixed assets and labor resources. Insufficiency of investment projects in development of sphere of industry is shown, which needs considerable capital investment and long term of payback. An increase of investors' interest in realization of projects in financial sphere with quick terms of payback and high norm of profitability is revealed. Among the main named problems of resources usage in economy of Ukraine are: imperfect legislation, absence of government maintenance in strategic sectors of national economic, imperfect of institute of property rights on number of resources, particularly natural, sufficiently level of latent inflation. Low efficiency of institutional actions in regulation of economic relations in Ukraine economy is shown.

**Key words:** dynamics, gross domestic product, investment, resources, industrial production, inflation.

### **1. INTRODUCTION**

Society faces in its development with a number of problems. The use of resources becomes the central problem, which are limited substantially and mostly exhaustive. In this situation gradual growth of costs on production occurs the narrow abilities of society in satisfaction their needs. Ukrainian economy is in state of deep crisis. In such conditions implementation of resource-saving technologies is impossible. So the main purpose of which is economy of costs, activation of innovation processes, diminish anthropogenic impact on the environment, progress usage of scientific and technological advance. Taking into account intensification processes of eurointegration and globalization, it is important to study experience of developed European countries and investigate dynamics of main indicator of resources using.

## 2. METHODOLOGICAL PART

The European Union has many problems on this stage of development. Ukraine has problems at this time, but these problems are: imperfect legislation, absence of government maintenance in strategic sectors of national economic.

The level of development of national economy characterize by a number of indicators, the main of which is gross domestic product. Dynamics of gross domestic product per inhabitant in Ukraine is analysed in table 1.

**Table 1. Dynamics of gross domestic product per inhabitant in Ukraine**

№	Indicators	Years					
		2006	2007	2008	2009	2010	2011
1	Gross domestic product per inhabitant (UAH)	11630	15496	20495	19832	23863	28802

Source: Own calculation, based on data from site statistics of Ukraine.

Growth of gross domestic product is caused by development of industrial production and sphere of services. Also factor of inflation influences on increase of gross domestic product, but it is a negative factor, action of which should diminish.

Comparative analysis of dynamics of gross domestic product in EU and Ukraine is presented in table 2, 3.

**Table 2. Dynamics of gross domestic product in EU (mln euro)**

№	Indicators	Years					
		2006	2007	2008	2009	2010	2011
1	Germany	2313900	2428500	2473800	2374500	2496200	2592600
2	France	1798115,5	1886792,1	1933195	1885763	1937261	1996583,1
3	Sweden	318170,8	337944,2	333255,7	292472,1	349216,3	386771,7
4	Spain	985547	1053161	1087788	1048060	1048883	1063355
5	Poland	272088,9	311001,7	363153,7	310653,2	354581,6	370013,8
6	Czech Republic	118290,8	131908,6	154269,7	141449,8	149313,3	154913

Source: Own calculation, based on data from site statistics of EU – EUROSTAT.

**Table 3. Dynamics of gross domestic product per inhabitant in EU (euro)**

№	Indicators	Years					
		2006	2007	2008	2009	2010	2011
1	Germany	28100	29500	30100	29000	30500	31700
2	France	28400	29600	30100	29200	29900	30600
3	Sweden	35000	36900	36100	31500	37200	41000
4	Spain	22400	23500	23900	22800	22800	23100
5	Poland	7100	8200	9500	8100	9300	9695
6	Czech Republic	11500	12800	14800	13500	14200	14700

Source: Own calculation, based on data from site statistics of EU – EUROSTAT.

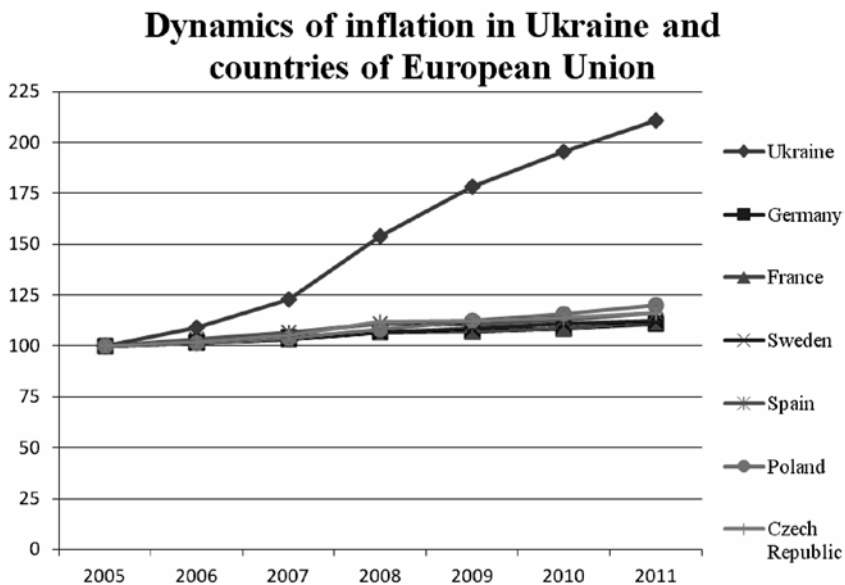
**Table 4. Percentage of gross domestic product per inhabitant to previous year in EU and Ukraine**

№	Indicators	Years					
		2006	2007	2008	2009	2010	2011
1	Germany	104	105	102	096	105	104
2	France	104	104	102	097	102	102
3	Sweden	106	105	098	087	118	110
4	Spain	107	105	102	095	100	101
5	Poland	111	115	116	085	115	104
6	Czech Republic	113	111	115	091	105	104
7	Ukraine	124	133	132	097	120	121

Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

Stable high level of growth of gross domestic product is observed in countries of European Union. This is due to that develops market of European Union and as a consequence develops industry and sphere of services in all countries of European Union.

Stable growth of gross domestic product is observed in Ukraine and in countries of European Union, but Ukraine having a good indicators situated in lower level of development, than countries of European Union. Stable growth of gross domestic product is observed in Ukraine and in countries of European Union, but Ukraine having a good indicators, situates in lower level of development, than countries of European Union. An analysis of inflation in Ukraine and EU is given in figure 1.

**Figure 1. Dynamics of inflation in Ukraine and countries of European Union**

Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

Countries of European Union have a stable high level of growth gross domestic product per capita, at the same time very low level of inflation. Ukraine has growth of gross domestic product, which approximates to the countries of European Union, but at the same time Ukraine has high level of latent inflation, it causes big problems for our country. Development of foreign trade of Ukraine with countries of EU gives occasion to doubt in usage dollar, as main currency of mutual settlement. All countries EU enter in zone of mutual settlement of european currency, but all other countries enter in zone of mutual settlement of dollar. There are many reasons to adoption euro nearest time as main currency of mutual settlement. The adoption of euro will promote expansion of market of foreign trade with countries of European Union. Conversion to euro permit make revaluation of hryvna relatively dollar. Today portion of foreign investment from countries EU in our economy makes up 76%. Implementation euro will stimulate attract of foreign investment from EU countries to Ukraine.

An important component in the resources consumption is energy resources.. Dynamics of energy consumption for production and maintenance needs in Ukraine and the European Union are analyzed in table 5 and figure 2.

**Table 5. The use of energy resources for production and operational needs (million tons) in EU and Ukraine**

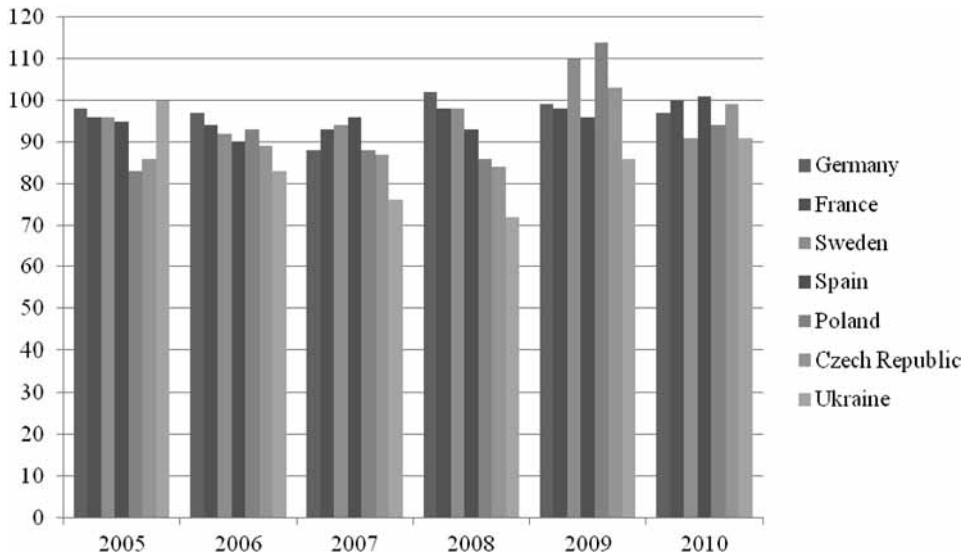
№	Indicators	Years					
		2005	2006	2007	2008	2009	2010
1	Germany	229,527	233,212	215,346	223,781	213,096	217,378
2	France	162,383	161,058	158,072	160,178	154,368	158,771
3	Sweden	33,554	33,138	33,269	32,475	31,495	34,436
4	Spain	97,647	96,065	98,837	95,590	88,827	90,599
5	Poland	58,199	60,765	61,657	62,222	61,178	66,319
6	Czech Republic	25,999	26,420	25,847	25,660	24,407	25,618
7	Ukraine	170	174,3	175,7	166,4	137,7	149,6

Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

Dynamics of energy usage decreases, it shows that Ukraine is implementing programs for energy saving. Ukraine has good dynamics of reduce energy consumption owing to the implementation of energy-saving programs, but at the same time, there is no stable reducing of energy consumption. Reduction of energy consumption is stable in EU countries, because save of energy is one of the priorities direction of development of the European Union. Common energy system function in EU. Energy politics of EU countries proves one's efficiency in sphere of energy-saving and therefore it must will be used our country.

Ukraine is energy-deficient country, import of natural gas make up 75%, import of petroleum make up 85%. Great portion of import of energy resources in structure of energy balance is unsafe for energy safe of country. Great portion of import of energy resources in structure of energy balance is unsafe for energy

**Figure 2. Dynamics of use energy resources for production and operational needs (million tons) in EU and Ukraine on 1 euro/1uah GDP in percentage**



Source: Own calculation, based on data from site statistics of EU-EUROSTAT and Ukraine.

safety of country. The main task of Ukraine is significant reduction consumption of energy resources. Energy politics of Ukraine must be directed on increase of own extraction of energy resources, improvement technological process at the expense of implementation innovation in production, development of energy-saving and production of energy from renewable source. Realization energy-saving programs requires improvement algorithm of work in organizational, legal and informational sphere. Effective energy-saving makes sense to implementation, when in country is created effective working agency which makes energy politics, elaborates legal documents, controls their implementation and also gives necessary support to enterprises in realization of effective energy power work. Germany have a best experience in this. Energy-saving require significant financial capital investment, therefore should carry out step-by-step by a country and private structure, relative to which is carried out politics of facilitation investment. Legal documents should become effectual means of regulation of effective consumption of energy. Legal documents work then, when they include all spheres of questions, linked with usage of energy and are based on systematic control.

It is also important to analyze use of fixed assets, which are held for use in production (land, buildings, equipment, tools, etc.). Dynamics of use fixed assets in EU and Ukraine is presented in Table 6.

Usage of fixed asset have a tendency to increase in Ukraine, consequently there are no effective programs of reduction cost of fixed assets. Usage of fixed assets grows constantly on 1 hryvna of gross domestic product in Ukraine, unlike countries of European Union, in which usage of fixed assets on 1 euro GDP

**Table 6. Dynamics of usage fixed assets in EU and Ukraine**

№	Indicators	Years					
		2005	2006	2007	2008	2009	2010
1	Germany	100	101	100	102	-	-
2	France	103	101	102	101	104	-
3	Poland	96	96	96	97	96	-
4	Czech Republic	98	97	97	100	106	-
5	Finland	102	100	99	103	107	95
6	Denmark	97	98	102	102	108	95
7	Ukraine	87	99	99	117	129	144

Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

decreases. It is necessary analyse programs of decrease cost of fixed assets of European Union and elaborate own programs of decrease cost of fixed assets in Ukraine.

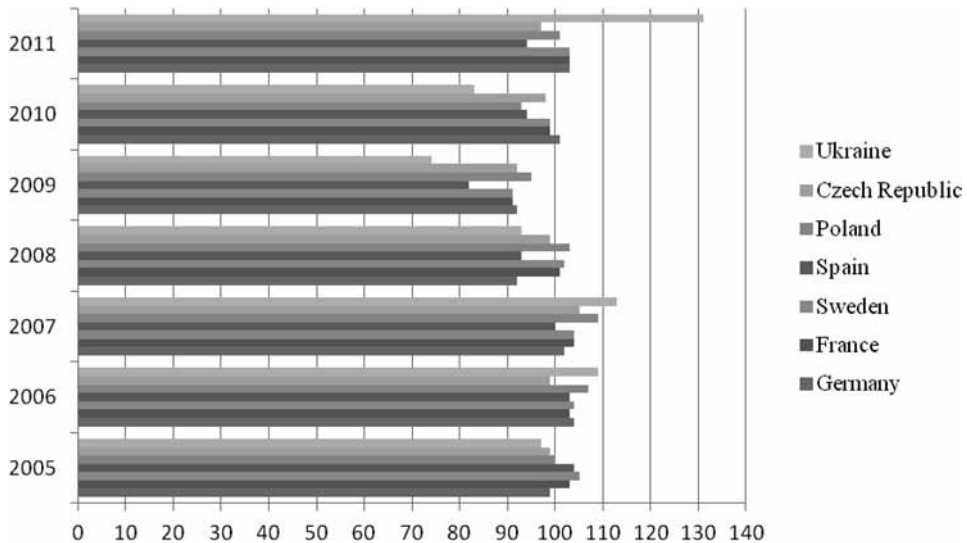
Integration of Ukraine to uropean market and accordingly increasing level of competitiveness of goods require change obsolete fixed assets, only owing to their renewal and technical-technological modernization. Industrial enterprises don't are able independently renew fixed assets. Renewal fixed assets and effective their usage are possible owing to politics of country in direction of change approaches to technical-technological renewal. Certain steps are implemented by country in this direction. So was accepted strategy of national modernization Ukraine 2020, in which is pointed out, that for technological breakthrough in industrial it is necessary intensification institute-investment as component of development industry, usage potential of Ukraine with expansion average technological productions, complex restructuring of sectors with low competitive characteristics, renewal of preparation system, retraining and professional development of personnel for industry.

An important factor in the development of every country is the use of investments on enterprises. Comparison the use of investments in Ukraine and European Union is given in figure 3.

Usage of investment increases on 1 hryvna of GDP in Ukraine. Investors need to develop a more effective business plans for increase profits. Ukraine does not have a stable reduction in the use of investment resources on 1 hryvna of GDP, while in the EU reduction of investment resources is more stable. Investors need more effective business projects to gain more profit in Ukraine.

National politics should be directed on implementation effective mechanisms of stimulate attraction national and foreign capital and create effective system of management of investment processes, in conditions deficit of investment processes in real sector of national economy, limited opportunities of governmental investment and availability a number of risks for continuation rising tendency of investment activity:

**Figure 3. Dynamics of the use of investments in Ukraine and European Union on 1 euro / hryvna of GDP in percentage**



Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

- improvement of investment climate by means of perfection general (taxation, agrarian, corporative, customs) and special legislation, that regulate relations when realization investment accordingly european norm;
- create a contemporary system of state guarantees of defend private, including foreign investment and regulation commercial dispute between subjects of investment process;
- intensification a role and effectiveness of state investment as effective instrument direction of investment resources on realization strategic investment projects;
- development mechanism of state-private partnership, expansion sphere of its usage for realisation infrastructure projects, modernization of basic sectors of national economy (energetics, coal industry, gas-transport system, housing and communal and transport economy);
- usage separate types of special regimes of economic activity, particularly create industrial and technological parks<sup>1</sup>.

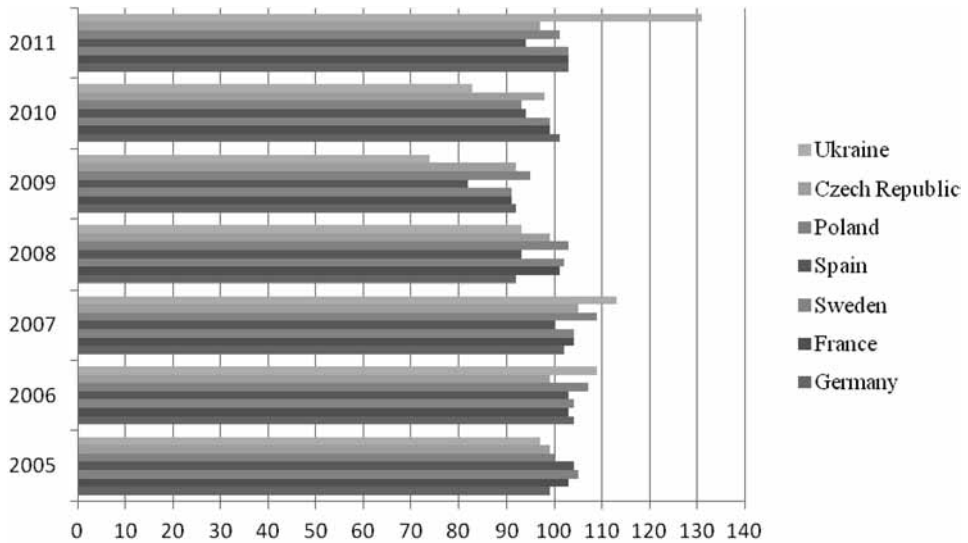
Comparison of usage of labor resources in Ukraine and in the European Union is shown in figure 4.

Ukraine has a stable workforce reduction on 1 hryvna of GDP, but Ukraine must simultaneously create workplaces. In the EU is observed a stable reduction of the number of workforce to produce products, but EU implements programs to create new workplaces.

<sup>1</sup> «Щодо тенденцій та напрямів стимулювання інвестиційної діяльності в Україні в післякризовий період». Аналітична записка // web: <http://www.niss.gov.ua/articles/639/>



**Figure 3. Dynamics of the use of investments in Ukraine and European Union on 1 euro / hryvna of GDP in percentage**



Source: Own calculation, based on data from site statistics of EU – EUROSTAT and Ukraine.

Problem of save labor potential is very actual in Ukraine. Demographic crisis led to reduction qualified labor force in Ukraine, to disbalance labour-market and education services that entailed structural unemployment and incorrect employment of population. Strategic task of Ukraine is saving labor resources for provision sustainable development. Achieve this purpose is possible by condition reformation system of management and regulation manpower resources. It is necessary stimulate birth rate, return qualified personnel from abroad to Ukraine for the purpose of improvement situation. It is necessary to conduct reforms in sphere education, in order that make it more qualitative. Implementation connection between existent needs of labor market and programs of educational institutions, provide guarantees of employment of graduating students on speciality by means of making contractual agreement between graduating students and enterprises. It is essential increase level of remuneration of labor for development labor force, but increasing should correspond to increasing of productivity labor. It is necessary improvement labor conditions on production. Also it is essential stimulate science for success development of innovation on production.

### 3. CONCLUSIONS

Having researched usage of resources in Ukraine and EU, have been made conclusion. Ukraine has many problems in this stage of development. Among the main named problems of resources usage in economy of Ukraine are: imperfect legislation, absence of government maintenance in strategic sectors of national

economic, imperfect of institute of property rights on number of resources, particularly natural, sufficiently level of latent inflation. Ukraine and countries of European Union have growth of gross domestic product. Having a good data of GDP, Ukraine situates on a lower level of development than countries of European Union. It is necessary fasten euro as main currency of mutual settlement for consolidation position of national currency. Conversion to euro permit make revaluation of hryvna relatively dollar. Ukraine has good dynamics of reduce energy consumption owing to the implementation of energy-saving programs, but reduction of energy consumption is more stable in EU countries, because save of energy is one of the priorities direction of development of the European Union. The main task of Ukraine is significant reduction consumption of energy resources. Energy politics of Ukraine must be directed on increase of own extraction of energy resources, improvement technological process at the expense of implementation innovation in production, development of energy-saving and production of energy from renewable source. Realization energy-saving programs requires improvement algorithm of work in organizational, legal and informational sphere. Usage of fixed asset have a tendency to increase in Ukraine, consequently there are no effective programs of reduction cost of fixed assets. Renewal fixed assets and effective their usage are possible owing to politics of country in direction of change approaches to technical-technological renewal. Ukraine does not have a stable reduction in the use of investment resources on 1 hryvna of GDP, while in the EU reduction of investment resources is more stable. Ukraine has insufficiency of investment projects in development of sphere of industry, which need considerable capital investment and long term of payback. State investment politics should be directed on implementation effective mechanisms of stimulate attraction national and foreign capital and create effective system of management of investment processes, in conditions deficit of investment resources. Ukraine and EU have a stable workforce reduction on 1 hryvna / euro of GDP, but EU implements more programs to create new workplaces. B Demographic crisis led to reduction qualified labor force in Ukraine, to disbalance labour-market and education services. Strategic task of Ukraine is saving labor resources for provision sustainable development. Achieve this purpose is possible by condition stimulation birth rate, return qualified personnel from abroad to Ukraine, implementation connection between existent needs of labor market and programs of educational institutions, provide guarantees of employment of graduating students on speciality, increase level of remuneration of labor, improvement labor conditions, stimulate science for success development of innovation on production. Low efficiency of institutional actions in regulation of economic relations in Ukraine economy is shown. Formal institutes of regulation of recourses usage are established to have formal character of action, which don't impel economical agent to resource-saving. The main reason should be considered as replication of economic activity models, which adopt from experience of enterprises functioning in the conditions of Soviet Union. These models are oriented predominantly on consideration of resources from a position of their unlimited, gratuitousness of

engagement and use, blur of property rights, which lead in certain accidents to total their destruction. It is necessary to detail study experience of EU countries in sphere of institutional actions in regulation of economic relations in economy. Also it is necessary to search innovative instruments to regulation cultural and social sphere of economic relations.

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## ROZWÓJ PRZEMYSŁU NA UKRAINIE: DOŚWIADCZENIA I PERSPEKTYWA EUROINTEGRACJI

**Streszczenie:** Artykuł ten analizuje kwestie rozwoju państw europejskich. Autor ukazuje postępy państw europejskich w gospodarce światowej. Ukazano główne problemy państw Unii Europejskiej. W artykule zbadano także ekonomiczne problemy Ukrainy. Zbadano dynamikę używalności zasobów w Unii Europejskiej i na Ukrainie.

**Słowa kluczowe:** dynamika, produkt krajowy brutto, inwestycje, zasoby, produkcja przemysłowa, inflacja

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