DOI: 10.5281/zenodo.4278076

The economic policy of Ukraine: realities and prospects

Yuriy Batyr, Oleg Nazarov

National University of Civil Defence of Ukraine

Abstract: The article examines the state of economic development of Ukraine over the years of independece. After independence, Ukraine experienced a large decline in production. For the first ten years in a row, there was a drop in GDP and a decrease in investment in fixed assets. For all 30 years of independence in terms of GDP, Ukraine belongs to the poorest countries in Europe, the standard of living is lower than in Georgia, Turkmenistan, Belarus. The highest GDP per capita was achieved in 2008. However, the crises of 2009 and 2014. the economy was rolled back, therefore, even with an increase of 3.5-4%, the level of 2008 will be reached only until 2032. According to the results of 2019, the figures are good - GDP is growing by 3.3%, inflation is declining, and the hryvnia has broken all record highs (appreciation against the dollar by 15.5%), but production fell by 15%. Exports of agricultural raw materials and products continue to increase in exports, sales of metal, paper products and industrial wood exported under the guise of firewood are increasing, and the volume of high-tech products is steadily decreasing. Supply prices are specifically lowered to reduce taxes and bring money into offshore areas. Foreign trade is a negative balance of $ 10 billion. In Ukraine there is an extremely unsatisfactory state of industry and infrastructure, and the availability of energy for every consumer is reduced. The growth of the composite index of production of goods and services by main types of economic activity (ECO) decelerated significantly - up to 1.6% as a whole for 2019, and in the last months of the year it even observed its decline.With the advent of the new government in 2019, priorities and measures are put forward measures and bills to overcome corruption in Ukraine, transparency of transactions and public procurement, transparent customs clearance of goods with full clearance of customs authorities from the old staff, property guarantees.

Formulation of the problem. The transition of the Ukrainian economy to market relations is accompanied by scientific, technological and technological backwardness from industrialized countries. The reason for this is the lack of a stable country development strategy, which has led to instability of economic processes. Despite the fact that in recent years, there has been a slowdown in economic development, the country still has a strong production, raw materials and intellectual potential that can lead the country to the world's leading positions.

The purpose of the article is to study the methods and mechanisms of state regulation of the Ukrainian economy in the period of independence and to identify the main shortcomings and prospects for its development.

Research results. The development of reforms, on the recommendation of the IMF, led Ukraine to a profound process of transformation of the crisis, which the country failed to do in the beginning of the 21st century. By the depth and duration of the crisis, the recession of the Ukrainian economy far exceeded the level of the Great Depression of the United States in 1929-1933. [9]

The assessment of a country's well-being is determined by different indicators. In the system of macroeconomic indicators of any country, one of the main ones is the size and growth rate of GDP, which largely determine the overall parameters of economic development of the country. It is calculated in national and foreign currency, as well as per capita (Table 1).

Table 1

Nominal GDP of Ukraine for the years of independence [1]

Year	GDP		GDP on one person, dollars
	billion UAH	billion dollars	
1990	-	293,2	5616
2000	175,8	32,3	670,1
2004	357,5	67,2	1367
2005	457,3	89,2	1829
2008	990,8	188,2	3892
2010	1079,3	136,0	2974
2013	1465,2	179,5	3824
2015	1988,5	90,9	2115
2018	3558,7	130,8	3095
2019	3974,5*	155,2*	3687*

* Preliminary data

After independence, Ukraine experienced a major decline in production. High-tech industries are gradually disappearing, with agriculture, metallurgy and the chemical industry remaining. For ten years, GDP has fallen and fixed capital investments have been made. Thus, in 2000, nominal GDP declined 9.1 times and per capita 8.4 times. Only since 2000 has real GDP growth been achieved, but it has not yet reached half the 1990 level [9].

Despite the revival of the Ukrainian economy during 2000, most of the social development goals identified in the Government's Welfare Reform Program have been slow. For some important parameters, first of all, the real income growth, given the inflationary processes in the country, did not change for the better. Ukraine lost its chance to quickly reform effectively in the first half of the 1990s, with properly chosen economic orientations and political will [10].

As a result of the Orange Revolution in early 2005, President Yushchenko became President, and Prime Minister Yulia Tymoshenko. They were able to use the positive dynamics of the Ukrainian economy, founded by the previous government, to continue the course of qualitative economic reform, to provide their citizens with the proper social standards set out in the 10 Steps Toward People program. And such a peak of the economy, as in 2008, has not been reached under any other government. The GDP of the country, including per capita, has tripled in 2008 compared to 2004, ie for three years of government. GDP per capita reached a record $ 3892. However, this is still lower compared to Georgia (4660), Turkmenistan (7500), Russia (10680), Kazakhstan (8840), Belarus (5500) [6].

The Doing Business ranking of the World Bank of Ukraine has improved its common position by 15 points (from 152 places in 2001 to 137 places in 2013), which is the best indicator for Ukraine in all years of its existence. [10].

According to the results of the last 2018, real GDP growth according to the IMF amounted to 2-2.5%, which is not enough for the economic recovery of the country. If the increase continues with such small steps, Ukraine will reach the level of 2008 by the year 2008. The analysis of nominal GDP in the period from 2016 to 2018 shows higher rates of increase in all indicators: in hryvnias, dollars and per capita, but these data do not give an objective assessment of reality. There is no development in the country today, only the legacy of the Soviet era is used [2].

In June 2018, Ukraine ranked 2nd among IMF debtors, with its debt equal to $ 76.3 billion. Its growth was outpaced by an increase in foreign exchange reserves. The main problem with payments arose in 2014, when the hryvnia fell sharply. External debt payment in 2019 is the largest budget item and equals UAH 417 billion (USD 15 billion) or 68.8% of GDP, in 2020 USD 10 billion. (64.4% of GDP) [8].

There are no options for privatization of property in the country, with less than 10% remaining. Large companies in 2018 were offered for sale at a price 10 times less than their real value, and still there were no buyers. Agricultural land cannot be sold yet because there are no laws and regulations for these measures.

Exports of agricultural raw materials and products continue to increase in exports, sales of metal, paper products and industrial wood exported under the guise of firewood are increasing, and the volume of high-tech products is steadily decreasing. Supply prices are specifically lowered to reduce taxes and bring money into offshore areas. Foreign trade is a negative balance of $ 10 billion [2].

In Ukraine there is an extremely unsatisfactory state of industry and infrastructure, and the availability of energy for every consumer is reduced. The inflation rate in 2018 was 10%, prices for products increased by 30%, and for services - by 10-12%. The average salary was 8885 UAH. or $ 330, a heavily developed shadow economy. The cost of utilities in comparison with the European, and continues to grow. The high rate of migration is observed, which creates a disadvantage in demographics. The rise in prices at the IMF's urgent demand has led to impoverishment of the population. The social issue in the country is in the last place, as indicated by the election policy of 2019 - the contender Vladimir Zelensky was elected quite far from politics [5].

Gross Domestic Product (GDP) growth in Ukraine in 2019 slowed from 3.4% in 2018 to 3.3%, while the drivers of this growth have changed. The growth of the composite index of production of goods and services by main types of economic activity (ECO) decelerated significantly - up to 1.6% as a whole for 2019, and in the last months of the year it even observed its decline. But high domestic demand has generated strong performance in the construction, trade and a number of industries in the service sector. According to the Ministry of Economy, the slowdown of IVF from 3.6% in 2018 was primarily due to the difficult situation in the industry, where output fell by 1.8% after a three-year increase (in 2018, by 1.6%) [8].

According to a recent estimate by the State Statistics Service, real GDP growth accelerated to 4.6% year on year in the second quarter of 2019. Although the Ukrainian result was broadly compared to dynamic Poland, which our country was able to "outgrow" in the second quarter (4.1%), neighboring Hungary showed a steady growth rate just above 5% year-on-year during the same period. In any case, against the backdrop of our western neighbors, and especially in comparison with Russia (1.8%) and the global tendency to slow down the growth, the Ukrainian result looks quite impressive. And against the background of Poland, with its average growth rate of 4.7%, Ukraine is no longer looking good. And to compare oneself with "old" Europe or crisis Turkey is not quite decent [4].

According to the results of 2019, in numbers everything is good - GDP is rising, inflation is falling, and the hryvnia has broken all records for strengthening. And such economic paradoxes - at every turn. Team Ze came to power under the slogans of libertarianism, which means - the state in the life of business should be as small as possible.

But instead of the tax cuts that entrepreneurs were expecting, the authorities began to tighten the nuts of the FOPam and prepare for the onset of big business. And the free market, which "will put everything in its place," ended in the fact that the state began to manually regulate prices.

Since the beginning of this year, our national currency is the absolute world leader (15.5% appreciation against the dollar). Only in November, the hryvnia went up by another 3%. The exchange rates hit all the psychological lows in the exchangers, dropping below UAH 23.5 per dollar.

But experts say long ago that the hryvnia is strengthening "wrong". The growing exchange rate of the national currency practically does not depend on the state of the domestic economy, and even resonates with it. Although the industry has been down for a few months now, the hryvnia is still growing.

The effect of the strong hryvnia was provided mainly by speculators - buyers of Ukrainian domestic government bonds (OVDP) bonds. The Finance Ministry has broken all records for placement of securities. Only in December there were two large auctions: December 3, the budget attracted 4.65 billion, and December 10 - 4.4 billion UAH. In total, more than 300 billion have been raised since the beginning of the year, with around 230 billion planned for this year [4].

At the same time, in addition to the planned ones, there were additional so-called "privatization" T-bills - to compensate for the failure of the sums received but not planned in the budget from privatization. This year, T-bills were released by UAH 16.4 billion.

However, despite the fact that the Ministry of Finance has reduced the profitability of Ukrainian securities by the end of the year, there is no shortage of those willing to buy them. Which, in fact, is not surprising. After all, in the world list of objects for investing, our T-bills appeared in the first place. Deposits and T-bills in the Ukrainian hryvnia, which brought investors more than 31% of their income, became the most favorable currency placement option in 2019. The US stock market would bring no more than 20.5%, and investment in gold - 14% "[3].

But the strong hryvnia did not improve the lives of Ukrainians - the prices in the shops of dollar subsidence practically did not affect. But a huge hole in the budget has been punched - by the end of the year it will amount to about 80 billion hryvnias, and half will be "provided" by the customs shortfall in customs duties and taxes, tied to the dollar and the euro.

Also losing are our exporters, whose products are becoming uncompetitive in the world markets, and domestic manufacturers, which are increasingly being pushed out by importers on the shelves. But the main thing - no one knows how long the era of strong hryvnia will last. After all, it may end as suddenly as it began.

If speculators start to record profits and the dollar leaves Ukraine, the exchange rate will fall. But when it will be is unknown. Maybe in three months, and maybe a year and a half. Any event, such as the onset of the global economic crisis or even a deterioration in the situation for our exported goods, can be the impetus, that is, what will cause speculators to panic [7].

According to the State Statistics Service, the volume of production has fallen by 15% this year, and many enterprises are working with incomplete loading. In October, industrial production in Ukraine fell by 5%, and in 10 months of this year - by 0.6%. In November, the decline accelerated to 7.5%. And for 11 months, the industry's minus is already 1.2%. The most difficult situation is processing. In October, it fell by 6%, and in some segments even more, for example, in the food industry the production of canned food dropped by almost 9%, and the confectionery industry - by quite 11.4%. Since the beginning of the year, processing has been minus 1.7%, which is higher than the industry average [7].

Production of coke and its products fell by 12.4%, household chemicals - by 13%, etc. But the most painful for the domestic economy is the risk of a decline in metallurgy, which in October amounted to about 12%. Metallurgists are one of the main suppliers of the dollar in Ukraine, so their problem may soon be answered throughout the country. The reasons that propel domestic industrial production into a new crisis are different. This is the loss of markets (exports to Russia have declined and the EU has not reached the required volumes) and the situation on world markets, in particular, the collapse of metal prices).

But one thing is clear - without additional incentives (investment), the industry will not get out of the current crisis in the near future. So, the Ukrainian economy will increasingly slip into the commodity model. We will export grain and maize instead of high value added products that are less prone to price spikes on world exchanges [7].

It is significant that the authorities have not noticed problems in the industry for a long time. And only at the end of the year, the Ministry of Economic Development announced the establishment of a headquarters to combat the recession. Contrary to expectations, in November the situation in the extractive industry, mechanical engineering, electricity, gas and steam supply - the types of industries with the highest negative indicators - worsened. To start saving the industry traditionally - from a memorandum with industrialists. It will outline "the first steps, strategy and action plan". But when it comes to real action and whether it will be time to save - the question is open [3].

According to the Ministry of Economy, reforms in all spheres of economy will continue in 2020, modernization of the industrial complex, active renovation of infrastructural objects, but the factors that influenced the development of the economy in 2019, against the background of structural imbalances and accumulated problems already formed in previous periods hold back the growth of the economy as a whole [5].

Conclusions. The most important priority of the state policy on economic development is measures and bills on combating corruption in Ukraine, transparency of transactions and public procurement, customs clearance of goods with full clearance of the customs from the old personnel, guarantees of ownership and exclusion of raider seizures. It is envisaged to deepen the decentralization of reducing the role of the state in the life of Ukrainians to a minimum, while at the same time clearing and strengthening the judicial system [4].

Based on this principle, the structure and functions of public authorities should be constructed based on the needs to achieve the following goals: 1) Ukraine's transition to a social market economy with a powerful middle class; 2) ensuring accelerated high-tech economic growth while maintaining the stability of the national currency (ie, domestic prices and exchange rates); 3) transition of Ukraine to the league of highly innovative industrial states; 4) ensuring high quality of life of the population and social guarantees.

Reference

1. “Gross Domestic Product: Ministry of Finance of Ukraine”. URL: https://index.minfin.com.ua/economy/gdp/2019/
2. “Ukraine's GDP: table by years, dynamics”. URL: https://yandex.com/turbo?text=https%3A%2F%2Fbbqcash.com%2Feconomics%2Fgdp-of-ukraine
3. “Strong hryvnia, Privatbank, land. What did the Ukrainian economy live in 2019 and what will happen to it in 2020?” URL: https://strana.ua/news/241738-chem-zhila-ukrainskaja-ekonomika-v-2019-hodu-i-chto-s-nej-budet-dalshe.html
4. “Little miracle: in terms of GDP growth, Ukraine has overtaken Poland. Why early to rejoice”. URL: https://finance.liga.net/ekonomika/article/malenkoe-chudo-tempy-rosta-vvp-ukrainy-obognali-polshu-pochemu-rano-radovatsya

5. “The Ministry of Economy estimated the GDP growth of Ukraine last year to 3.3%”. URL: https: // yandex.ua/news/story/Mnekonomki_ocnilo_zrostannya_VVP_Ukrani_ minulogo_roku_do_33--11da71ffe7c89c34400dcd6c0aef79bc?from=newswizard&lang=uk&persistent_id=87293442&rubric=business&stid=cnxssz0SvookYBeMOcLT&wizard=story
6. “GDP per capita in the world”. URL: http://investorschool.ru/rating-stran-po-vvp-na-dushu-naseleniya-2018
7. “Industry of Ukraine. General characteristics of the industry of Ukraine”. URL: https://fb.ru/article/177825/promyishlennost-ukrainyi-obschaya-harakteristika-promyishlennosti-ukrainyi
8. “Economy of Ukraine 2014-2019 according to foreign data and statistics”. URL: https://deepcool-ma.com/ekonomika-ukrainy-2014-2018-po-zarubezhnym-dannym-i-statistiki/.html
9. “Ukraine's economy in the conditions of independence”. URL: https://banauka.ru/4043.html.
10. “Economic development of Ukraine in the early XXI century”. URL: https://studbooks.net/79860/politekonomiya/ekonomicheskoe_razvitie_ukrainy_nachale