

Oleksandr Sharov

## THE ECONOMY OF KRYNYTSA

Last year early September, it was the eleventh time the Economic Forum gathered politicians, businessmen and analysts from Central and Eastern Europe in the resort town of Krynytsya Hurska. It is a well known fact, that resort cities play a particular role in the international economic relations. Such cities as Bretton-Woods in the United States where the decision to found the International Monetary Fund was taken, and Swiss Davos where the meetings of the most influential people are held every year, are also considered to be resort cities... The Krynytsya Forum was intended to be like the «Eastern Davos» in Switzerland. This time the representatives from 19 countries took part in it, though the degree of their participation was different. Naturally, besides the representatives of the governments, such famous personalities participated as Leshek Baltserovych, Marek Belka, Zigmund Berdyhovsky, Bronislav Geremek, Yuzef Oleksy who dominated there. As usual, Hanna Gronkevych-Valtz had a brilliant speech. Lithuania, Slovakia and Moldova (the last newcomer of this year) were represented rather impressive – on the president level.

At first, European outlook and the way of thinking of Bulgaria's officials astonished everybody until it appeared out that a lot of them had western experience. Say, N. Vasilyev, the young Vice-Prime Minister and Minister of Economy made a successful career in the investment banks of the London City. Traditionally, active were the representatives of Russia. And though the level of their representation was significantly lower in recent years – it is not even a question of minister and gubernator level – only the deputy of the State Duma, S. Kovalyev, could be mentioned here, – «the pressure in voice» is not decreasing. On the whole, the Ukrainian side, which promised last year via Prime Minister V. Yushchenko to

take more active participation, kept the word. It was not only V. Yushchenko (as the «Man of 1999», who handed to the president A. Kvasnevskyy the award the «Man of 2000», the title, awarded to Central and East European politicians and businessmen in the results of a survey of the Forum participants, but also the incumbent Prime Minister A. Kinakh, as both participated in the Forum. The efforts of the members of the attending official delegation were actively supported by the representatives of financial and banking circles. So in the whole, Ukraine was represented adequately and was rather a competent participant of the discussion. (To such extent that one of the representatives of the Russian delegation was bewildered that while discussing the problems of Ukraine's integration into the European framework nobody mentioned... Russia. The Prime Minister of Ukraine has been asked on the matter, but he avoided the question reminding that «they do not speak about the rope in the house of hanged man». It all proceeded in a rather civilized and European way). The speech of ever-present B. Havrylyshyn also added to improve our image. The latter has been also congratulated on his restless putting of our officials on the right track. (I would like to sympathize with him personally and am amazed of his patience). Finally, everybody was surprised by economic way of thinking (as he says, compelled) of the poet D. Pavlychko and Minister of Economy who spoke poetically.

However, the aim of this article is not reporting on our delegation activity in general and not even surveying the Forum events. Much more significant is the object of the discussion. As it can be perceived from the heading, the main subject of the discussion was the economy. But sometimes the feeling, read on the faces and in the speeches of some official economists, that it was not the economy as it used to be

discussed at the Forum, evoke. The reports on the all-time yield in our country, on continuing foreign investment inflow, and of high increase in production caused no excitement in the audience either. Even the unbelievable fact that Ukrainian hryvnia turned out to be the most stable currency if not all over the world, but at least in Central and Eastern Europe, seemed not to impress the Forum participants. They were thinking of some kind of «new economy» all the time.

Modern economy, not absolutely predominant yet but already giving a lead, is the economy, based neither on the manual labor, nor on the means of production or the raw stock. Its keyword is knowledge. «Knowledge-based economy» was the definition of the subject of discussion made by the Polish Minister of Economy Y. Stainhof. One of the monographs, presented at the Forum also had such heading (but very likely, it was interesting to nobody but the representatives of Ternopil Academy of National Academy). In general, the notion «new economy» is not new at all for foreign politicians, economists and journalists. Numerous research in this field was conducted under the aegis, first of all, of the World Bank, UNESCO and International Organization of Intellectual Property. However, it should be mentioned that even A. Marshall stated, that knowledge is the most powerful motive force of production. More often this notion is reduced to the development based on information and communication technology, which is, in fact, the leading force of the «new economy». In a broader sense, this is the economy based on knowledge (EBK) and other spheres of science. It is a question not only of progress in genetics and biotechnology, but also of technological policy and social knowledge in national economy and its pertinent spheres – personnel training and institutional infrastructure. Hereby, the most acceptable is the mutual definition of knowledge-based economy, made by OECD and the World Bank. This is the economy, in which the enterprises, organizations, individuals and the entire society efficiently develop, master and use knowledge, thus stimulating rapid development of the economy and society. Such approach doesn't seem to be innovative at all. Lester Turov, one of the modern scholars, points at the fact that previous industrial revolutions were based on the no less epoch-making discoveries. The only «but» is that our present technological basis of the «new economy» provokes the globalization of economy (including supply, production and sales of products), government loss of some sovereign rights and strengthening of the major multinational corporations. At present, globalization and the «electronic economy» («e-economy»), correspondingly, are the apparent results of the «new economy». Although, it's

quite obvious, that the large-scale information and communication technology diffusion significantly enhances the efficiency of national economy.

Of course, the perspectives of the «new economy» are not cloudless at all. The fall in market quotations of highly technological corporations all over the world was the clear reflection of the «overheating» in the sphere. The irresponsible optimistic forecasts became a thing of the past. The «new economy» wonder, together with its principles, rules and regularities, turned into planet's everyday life. As the Prime Minister Buzek stressed, it's not possible to be successful in all fields within the «new economy» conditions. The focus should be made on what is possible to do the best. Though, this idea originates from the principle of comparative costs developed by D. Ricardo. Nevertheless, it would be useful to remind it for those who learned similar concepts only within the «Critics of Bourgeois Economic Theories» course and still tries to point out the priority sectors of national economy under the principle of «announce the list, please».

It's quite obvious, that the factors that stimulate the development of EBK are as follows: more open economy in terms of world trade and international investments, and also convenient allocation of the country (it's desirable out of the periphery of international communications). Classical is the case, which demonstrates the degree of efficiency of open economy and the participation in globalization processes. Comparison of South Korea and Ghana may serve as illustration. Approximately forty years ago these countries had equal start position and today the GDP per capita of Korea which chose the principles of «new economy», is three times higher than the Ghana's economy based on raw materials and the national manufacturer protection.

More obvious is also the fact that the globalization is not the general equalization process and transformation of the world into one large «world village». Such visions, if they are not just the political slyness, inherent only to exulted ladies and analysts that believe the world to have arisen on the eve of their birth. Meanwhile, there are no wonders in this world. The history is the witness of numerous and no less serious attempts of united civilization formation – Paix Romana, the empire of Chinghiz Khan, the World communism – that help us realize that the God-given diversity of our life (cultural, political, economic) can never be reduced to dull uniformity of neither flashing lights of Paix Americana nor highly oppressive world of Gulag. It is peculiar for people to unite trying at the same time to preserve their diversity. Therefore, in due course, any tendency to unite crisscrosses with the tendency of

separation, and any aspiration to separation and autarchy would be inevitably leveled by the aspiration to feel oneself as a part of the whole, named Mankind. For this reason, the development of the regionalization process can be traced within the globalization framework. The European Union, NAFTA, NIS, ASEAN, GUUAM... Various political and economic associations act like crystals formed in a hydrochloric solution: they grow fast as if they are going to reach the huge size but suddenly they split off on having reached the critical size. Meanwhile, observing the current process of globalization, we can point out Europe, uniting, but not going to lose its identity, more integrated countries of Benelux and Vyshegrad group. Yet, against the background of elimination or complete ignoring the boundaries, introducing the common currency and unification of laws, we can distinguish not only sustained separatism in the realm of banks, but also reinforcement of the tendency of self-determination of Wales in Britain or North in Italy. The number of independent states continues to rise in spite of futurists' ideas of common world government. The unity in diversity is the real motto of globalization.

As the president A. Kvasnevskyy noted, the alternative of united Europe could be the formation of something essentially new, reasonless and free of necessary intellectual potential, but not retention of status quo. The inevitability of the European integration process is obvious, at least in the coming decades. The absence of alternativeness to European integration and globalization is unlikely to be apprehended seriously. As we saw, even more radical and comprehensive processes such as «the international victory of socialism» lose their way and fail before achieving the aim. Meanwhile, rather aggressive statements of antiglobalists make the development of the opposite tendencies more feasible. That is why, as the Prime Minister of Poland, E. Buzek suggested, we should prevent the transformation of the globalization into the «zero result game», i. e. the payoff-resulting-from-equivalent-loses relationship (as, say, in preference). Actually, the antiglobalists' statements stem not only from dissatisfaction with globalization, but also from discontent about the globalization results as for specific groups of population or corporations. In fact, the first large-scale protests in Seattle were provoked not by the activity of the World Trade Organization. (It goes without saying that the majority of the protestants knew nothing about the day-to-day activity of this organization). They were caused by the plain fact of competition sharpening on the labor market in the USA resulted from Mexican citizens' access facilitation after the NAFTA accord. Obviously, it is no good to speak about it directly. Firstly, the

number of adherents will decrease significantly. Secondly, it is fraught with hazard to hear the sound pros not only from the authorities but also from the citizens who gain additional privileges over the increased competition on the labor market and over the other integration events. One of the apparent proofs that contradict the antiglobalists movement is that without globalization achievements – such as Internet, transparency of boundaries, transcontinental transport, payment system unity – the movement would not be possible.

Professor B. Havrylyshyn also argued the ambiguity and contradictory character of the processes observed. In particular, he attempted to define the special rules of behavior that ensure the development of «the new economy» and globalization: 1) amalgamation (i. e. merging and agglomeration of the corporations); 2) deregulation; 3) competency; 4) liberalization of the economy and; 5) privatization. The critical insight of the economist revealed to all the by-phenomena resulting from the observance of these rules. Indeed, the facilitation of the globalization processes is possible under the rational distribution of its advantages between all the sides involved. That is, it is the question of «adjustable globalization». Though, it is not clear, who has to ensure this adjustment. National governments cannot do it as they are not authorised, neither United Nations because of great diversity of country members' interests and the complicity of achieving consensus, nor small groups and international supranational organizations because of their rejection the idea of mankind divided into «life masters» and «younger brothers».

The important result of globalization is the more evident shift in influential decisions making from the politician's office to the manager's. More and more often not the political arguments, but the economic ones turn out to be crucial. This means that social outcomes of the decisions taken without adequate democratic procedures are losing their value. Thus, we all were entrapped by globalization. Financial, ecological, juridical traps, all of them ruthlessly ensnare those who are gaping and who underestimated their threat. Sometimes the victims are not only separate countries, but whole continents as well. In this connection, famous Polish international economist emphasized the fact that within the «new economy» it is more important to focus on capital movement control not because of its outflow restriction but because of its inflow control. Financial crisis is imminent for countries' underdeveloped infrastructure, which immediately spreads over other geographically remote nations, as they are inseparably joined together by international capital movement channels.

As in any industrial revolution, present revolution will result in increasing the inequality between countries with different level of economic growth. Hence, the question of what is to be done to be the winner is an issue. Propensity, or, on the contrary, inability to generate and master innovations and new technologies depends largely on knowledge accumulation and also on the level, rate and universality of educational development of the society. Relevant infrastructure, governmental policy and local authorities, national and foreign investors are of great importance in this case. Obviously, the economic progress of any country will depend on its preparedness and ability to ensure long-term social investments in skills improvement, education, science and relevant infrastructure. Nevertheless, it is more correct to speak about the pattern of acquirement and spread of knowledge instead of more usual «science and education». The process of knowledge acquirement becomes less disintegrated and concentrated only in the ad hoc institutions. It is obvious that it requires not only the increase in education and science

expenditures, but also radical change of the whole budgetary structure. This is not to be considered as social expenditures. This is a rather pragmatic investment. The production of every bit of information is easily measured in money terms, and supply of information on the international market can be profitable both for single corporations and for entire countries and for the transition economies, in particular (Vice-Minister of Slovakia, I. Miklosh). This is quite true for our country. Under the «new economy» the geographical location being a curse becomes an advantage. Unfortunately, it does not refer to our country. It was the president of Poland who said that. The representative of our country spoke about quite different sort of administrative problems he has to solve every day. In our country every effort is devoted to solving the «old economy» problem and the problems of the «new economy» seem to be of no matter. The words of A. Kvasnevskyy involuntarily come across the mind: «You cannot treat the details thoughtlessly. After all, the perfection consists of details. The very perfection is not a small thing».