

**International Economy**

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**UKRAINIAN MODERNIZATION
IN THE FORMATION
OF NEW GLOBAL ECONOMIC ORDER**

Abstract

The directions of formation of Ukraine's innovation economy, taking into consideration the global experience is proved. The necessity of formation of national innovation model as a deeply integrated system into the global scientific and technological community is examined; the renewal of the network of research and development centers, enhancement of the action of financial support instruments and implementation of large-scale program of development of attractive investment climate is analyzed. The questions concerning formation of new global order and strengthening of the role of Ukraine in these processes are considered.

Key words:

Research and development centers, elite, investment climate, innovations, innovation economy, scientific and research institute, national innovation model,

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new global economic order, re-oriented economy, Ukrainian modernization, financial support.

JEL: F14, F15, F41, P21.

Retrospective view on the already done for the period of Ukraine's independence proves that the economy of Ukraine is at the initial stage of formation of its own model of «breakthrough in pursuit». Without doubt, not only achievements of the traditional leaders of the global economy should be considered, but also the useful experience of transformations in the new industrial countries should be mentioned. It is informative that their reformers began with the opened confession of underdevelopment and stiff denial from the past models and developments, which were unable to provide the development under the new conditions.

Mahathir bin Mohamad, who held a position of the Prime Minister of Malaysia for the period of 20 years is the example of the above mentioned fact. In his book «Malaysian dilemma», he criticized the human qualities of Malaysians. In particular, he openly wrote about their laziness, inactivity, reliance upon fate, secretiveness, unwillingness to study, everything which prevent them from being modern. To conclude everything Malaysians should change themselves. Such approach shows the decisive readiness of reformers to act in the face of tendencies, which promote modernization.

Ukrainian modernization in its initial stage solves Hamlet problem «to be or not to be». In spite of the fact that the country for the period of twenty years of independence has built its national variant of oligarchic mode of economy on the ruins of planned economy, it should be said that it did not become the basis of formation of «Ukrainian miracle». Herewith, the potential of the competitiveness leverages is considerably hindered; the country does not reach the level of the world leaders. Monitoring these branches, oligarchs were not interested in the inter-sectoral capital flow and structural changes, multiplying the private income through the channels of political rent thanks to the subordination of the state institutions to their influence. An essential feature of oligarchic economy is dominating of corruption on the basis of development of close relations between the economic and administrative and political «elite». At that population of the country and foreign capital are eliminated from privatization.

But the main disadvantage of oligarchic model of economy (beyond the social component) is quite low level of innovation component of growth. In accor-

dance with the latest researches, the demand for innovations sideways Ukrainian enterprises over the period of twenty years of independence is quite low, and does not meet the requirements of the stable economic growth; this tendency was not overcome even by crisis phenomena [9, p. 53–57]. At that, the enterprises of the lower technological modes dominate in the innovation activity, although in developed countries forms of high-tech spheres of economy amount to about 60% [11]. Finally, Ukraine has «quickly increased simplification of national economy» [5, p. 46]. We cannot agree with the opinion of V. V. Dementiev and V. P. Vyshenskyi that «in our country there is something similar with innovations and innovation activity but not the innovations properly» [4, p. 6]. It is said quite diplomatically because the authors are the moderate citizens who do not deny themselves in self-censorship.

Innovation direction of economic reforms for the countries with transitive economy in the region of Europe and Central Asia, the catalyzer of the economic recovery and more important component of its growth is recognized by the World Bank. The basis of such approach is the high quality of education and the level of fundamental sciences development. On their basis, the process of transformation of sunset industries into the economically successful ones and the introduction of the new industries is established. Innovation direction will obtain support from the World Bank; the Department of Global Practice on Innovation, Technology and Entrepreneurship was founded [16]. The process of overflowing of labor force from the prospectless spheres of national economy to the new structures will begin. It is explained by the fact that institutional infrastructure concerning transfer of price signals, incentives and physical flows and transfer of labor force is very imperfective. According to O. I. Tsybmal estimations, only in 40% of intersectorial pairs of labor force exchange, the autoregressive difference of salary was significant, pairs of exchange of the class «donor-recipient» – only 21%, intersectorial pairs, where the difference of salary is correlated with the direction of movement – 22% [12, p. 13].

Formation of national economic model of Ukraine oriented at innovations requires great interventions for the realization of the available potential both sideways the country and the private sector. Considering the possibilities and development of Ukraine's economy, defining the directions of elaboration of national policy of promotion and stimulation of innovation structural changes as a basis, the scientific and practical recommendations of the World Bank should be accepted. These recommendations are prepared summarizing the results of the decennial analytical and practical work towards provision of the global competitiveness of countries, which are under reforming [14]. At the present stage, it should include at least four complexes.

Firstly, the national innovation model should be formed as a deeply integrated system in the world scientific and technological community, especially in the sphere of inventions and involvement of the foreign research and development centers. Only on this basis, the corresponding level of the global competi-

tiveness of native scholars and practicing clerisy is provided, requiring the promotion in obtaining of international patent support before the negotiations with their west co-authors towards the rights of ownership. Actuality of the given direction nowadays increases considering the growth of activity in the submission of the applications for inventions according to the national procedure. Thus, in accordance with the information of the Ministry of Education, Science, Youth and Sport of Ukraine in 2011 in comparison with 2012, the number of applications from the national applicants increased for 4%; 131 applications, submitted for the patenting of inventions according to the procedure of Patent Cooperation Treaty in the foreign countries, which is 35% higher than the indicator of the last year. Sideways the national applicants – juridical persons in 2011, more than 8, 1 thousands of applicants for inventions and useful models were submitted, increasing the level of the previous year. From 1992 until 2011, 101955 of patents for inventions were issued, 66410 – for the useful models, 22618 – for the industrial patterns; 150077 – certificates for the marks for goods and services; 11 – for the topography of the integral micro-schemes, 18 – for the right to use the registered indication of origin of goods; 16 – registries of the indication of origins of goods [1].

Table 1

Organizations which fulfill scientific and technological works according to the sector of activity (units)

	2005	2006	2007	2008	2009	2010
Total	1510	1452	1404	1378	1340	1303
Public sector	501	511	496	496	499	514
Business sector	837	767	729	698	658	610
Sector of higher education	172	173	178	182	181	178
Private unprofitable sector	–	1	1	2	2	1

Source: Scientific and innovation activity in Ukraine. Statistical herald. – K.: SE «Information and publishing center of State Committee of Statistics of Ukraine», 2011, p. 10.

Secondly, Ukraine needs a reform for renewal of the network of research and development centers of academic, sectorial and business levels. It is understood that they should have such thematic specialization and reach the effectiveness of work in order to provide the commercial attractiveness for business. But in accordance with the indicators from the Table 1, in Ukraine the number of organizations, which fulfill the scientific and technological works, is reduced. At

that, the significant retardation from EU countries concerning the employment in this sphere is observed. According to the data from Eurostat, in 2008 the number of executors of scientific and technological works per 1000 persons of the employed population in EU amounted to 16,4, and researchers – 10,1; in Ukraine these indicators were 5,8 and 3,7, in 2010 they decreased to 5,7 and 3,7 [8, p. 178].

Thirdly, in the economic mechanism, the countries should obtain such instruments of financial support as grants, credits and venture capital. They should be supplemented by the system of indirect economic incentives among which V.Semynozhenko defines tax and amortization benefits, deferred taxation, concessional lending, charge-off on the prime cost of research and development costs, where the investment tax credit acts in the amount of 50-100% from the value of the introduced equipment [10]. It is understood that financial leverages can and should be essentially extensive, meeting the requirements of the individual and collective creative work.

Fourthly, innovative component of Ukrainian economy requires elaboration of the program of formation of attractive investment climate. Taking into consideration the fact that it includes both economic and uneconomic aspects, this element should be considered as the most important and complex, inasmuch as it requires renovated and concerted activity of the economic and security agencies. It means that development of the economic attractiveness needs comprehensive centralized solutions and in conditions of Ukraine a great political will concerning their fulfillment. Reformers should realize that only the «availability of effective political system and institutes' structure (effective incentives) automatically causes the economic growth» [6, p. 5].

Any variant of the economic model of Ukraine's development should contain solution concerning its integration into the international markets and world civilization processes. Present epoch of the big historical changes is the period of tectonic changes, when the developing countries have bigger rates of growth than developed countries (Table 2). Essentially, they became a propulsive force of the global economic development. If in the 1990-s the world investment volume amounted to 20 % in the developing countries, nowadays this indicator reached about 45%.

Post-crisis development of the global economy is specified by the gradual transition to the new economic order, which changes mechanisms, players and dynamics, which occurred after the end of the Cold War. Ukraine plays an important role in those processes. As a rule, Ukrainian investments do not find an effective use abroad and are of shadow character – they run away and return as a foreign ones to carry out the shadow corruptive operations. Thus, capital of the residents in the economy of other countries at the beginning of 2010 amounted to 6226,3 billion of US dollars, 5910,9 billion of US dollars – into EU countries. Simultaneously, Cyprus invested 9005,3 mln. of US dollars into the economy of Ukraine in 2009, and 9914,6 mln. of US dollars in 2010 [7, p. 9, 17].

Table 2

Rates of growth of the world volumes of production (annual changes in %)
[17]

	Average indicators										Predictions	
	1993–2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Whole world	3,3	3,6	4,9	4,6	5,3	5,4	2,8	-0,7	5,1	4,0	4,0	4,9
Countries with developed economy	2,8	1,9	3,1	2,7	3,1	2,8	0,1	-3,7	3,1	1,6	1,9	2,7
Countries with developing markets and developing countries	4,1	6,2	7,5	7,3	8,2	8,9	6,0	2,8	7,3	6,4	6,1	6,7

Tendencies with international investment flows, which are of Ukrainian origin, are developed in conditions of formation of complex financial links, connected with the emergence of strong regional centers. The question is about intensification of the role of the USA and EU in the West, Russia and Persian Gulf countries, Central Asia, and Near East, China, India, and East, in other words about the formation of new financial worldview, which becomes really global and multipolar. Nowadays, we can predict that under these conditions in the certain centers the surplus of monetary funds will be formed, they will be used for the purpose of security enforcement from economic and financial turmoil and monetary crisis. But those surpluses will be channeled not as investments in the countries with the financial resources deficit, but towards the provision of the ambitions of growth and leadership in the new centers. Channels of capital movement will be expanded in the direction of the formation of competitive scientific and human resources, stimulation of acquirement of marketing habits by the population and cultural inclinations to the creative work; formation of dispersed energy production and next generation of Internet-technologies and information technologies (by the example of solid computerization and Internet of Things»); development of the sources of clear water and finally resource locking abroad (especially raw and ground), search of dependent partners in the strategic regions.

Taking into consideration the tendencies, which become popular in the global economy, Ukraine has to face with the important task – to promote interest in the investment concerning creation of the national productions and service industries with the high level surplus value, which could be able to be leaders or centers at the global market. At that, reforms concerning separation of business from politics, which do not give any basis for the construction of corruptive schemes, are required. At that, it should be considered that demand for leadership in future will be further deteriorated. It is supposed that in accordance with

the new policy, lots of directions will emerge for step by step advance to until at least the top twenty of the economic leaders. For example, among others, Ukraine stands a good chance to pretend to the leading positions in the ecological sphere both in the aspects concerning reduction of hydrocarbon emission, and in the plan of foodstuff producing in conditions of scientifically grounded and properly realized policy. Reserve of the labor force in the new spheres is on the front burner, as well as governmental susceptibility to the innovations in business, developed up to the experience level for the promotion of innovations and encouragement of creative approach to the public servants.

It should be mentioned that reformers (bureaucratic elite) are the first who assume liabilities concerning refusal from income of parallel entrepreneurship activity or visa versa from the management, abolish benefits in the case of inviolacy, introduce the system of accountability and transparence of public officers of the high level concerning income and expenditures, accept competitiveness in the sphere of management and grow out of control those kinds of activity which cause corruption. Implementation of the system, which makes impossible the adhering to the philosophy of ownership for politicians in reference to the country as a source of their own comfort in the name of the future prosperity of the state. «Compensation» for the public officers will be creation of the new look on the world stage as a modern legal state, opened for business in accordance with the civilized standards.

Defining the availability of the wide range of global movements, which open the considerable opportunities for Ukraine, it is necessary to realize that Ukraine is a country with symptoms of the chronic disease concerning crisis, to overcome which the recipes, tested «catching-up» economies are applied. It is expedient to mention that the year 2012 began with the basic level of GDP, which is less than the level of the year 1990. The above mentioned speaks about the fundamental modernization or according to Hegel about the «interval in acquiescence» [3, p. 466], without reduction of the rates of movement. At that, the task of modernization is to create an economic model, oriented first of all at the qualitatively and quantitatively high results in the competition at the global market.

Nowadays, the formation of the global economic order competes with the adherents of two main directions: technologically-innovative and oriented at rent. The first of them gives the priority to the monopoly of innovator as a bearer of competitive advantages in the market economy.

Model oriented at rent as V. V. Dementiev and V. P. Vyshnevskiy supposes, «speaks about the fact that the source of economic profit is reduction (in comparison with the market of free competition), of prices per cost unit of production, overpricing on the final product, refusal from the total sum of the social payments, the enterprise is connected with (reduction of tax and other payments) or refusal is shared with the other challengers by the earned profit. *In such a case owner (oligarch) appropriates rent, in other words income, which exceeds*

the payment of owners and production factors, which belong to him for the creation of the social product».

Lots of foreign economists examined the behavior oriented at rent. Special attention is paid to the experience of the countries of Central and Eastern Europe and West Balkans. It speaks about the fact that for the strategy oriented at rent, elite faces with the enticement, which speaks about the refusal from the political pluralism and economic liberalism and provide reaping of the benefit to the narrow groups of interest at the society's expense as a whole. «If there is no competition in the country», – M. A. Vakhudova explains, – nothing disturb the ruling elite to cherish the non-liberal democracy, adhering to those strategies oriented at rent – strategies which sacrifice the economic welfare and ethnic tolerance» [2, p. 30].

It is known that the problem definition concerning the necessity of rewriting of political and economic laws as a basis of transition to democracy, supported by market is not discussed. The question is concerning the strategy of reforms implementation; among them Hungarian, Polish ones were the most radical. These reforms are known in the history as «shocking therapy». Variation of reforms in Central and Eastern Europe differently influenced on the development of economic and political competition after 1989 in Czech Republic, Slovakia, Bulgaria, Romania [2, p. 25]. But in no one of them direction of growth oriented at rent did not reach such wide range and did not form such limited range of «lucky men», as it happened in Ukraine. Therefore, to examine such phenomena it is important to analyze the possibilities of models of piecemeal reform stagnation, offered by the Joel Gelman.

Ukrainian practice concerning reforms' implementation faced with the jeopardy of comprehensive reforms. It was considered that the last mentioned can be desired only by temporal losers because of fall down of their living standards or lost opportunities. But it was not informed that in spite of economic difficulties for the general of voters they did not dispense to stop them.

It was a surprise that these difficulties came short than in the countries which prefer piecemeal reforms implementation. At the same time the challenge of post-communist transition became of fundamental importance. D. Gelman has formed it as a defense from the advancement of reforms from the temporary lucky men of the piecemeal reform.

Reformers and their adherents' behavior oriented at rent has different forms. V. V. Dementiev and V. P. Vyshnevskiy points out the predatory way, which provide the ownership of advantages in the resource assess and rights of economic power, which include market monopoly in its different variations, administrative and monetary power, access to the sources of political and law-enforcement power, relations with criminal power etc [4, p. 10]. D. Gelman underlines the unavoidability of creation of the certain possibilities for the arbitrary operations, which are beneficial for the lucky men of piecemeal reforms and

emerge thanks to the liberalization of the external trade while incomplete liberalization of prices without market competition or privatization of company while the new mechanisms of control over the state credits and production subsidies are absent. «Instead of creation of the social base for the progressive reforms support, as D. Gelman points out, – temporary lucky men often try to keep economy in the state of congealed piecemeal reform which brings them generous rent and high expenditures to the other part of society» [15, p. 204]. It is conformable with the position of the ideologist Leszek Balcerowicz, who blames the slow reforms implementation in the channeling of the entrepreneurship energy on the rent seeking behavior and corruption instead of the searching of ways for the achievement of the better effectiveness. In other words, this thesis can be interpreted by the formula: slow reform follows slow development and limits the perspectives.

Consequently, it is proved that reforms implemented in order to please the elite oriented at rent, have two continuations. Either in the country the economic policy, supported the entrepreneurial elite, which is satisfied by the implemented earlier piecemeal reforms, is continued; either the government chooses the way of radical comprehensive reforms concerning formation of innovative economy. In the first case, sooner or later the government expect a setback, if in due time it did not reorient its activity. The lack of the healthy competition and lengthy diseases of economy will lift to power those authorities which will win the confidence of the electorate. The same situation was in Romania in 1996, Bulgaria in 1997, Slovakia 1998, and caused the growth of solidarity among the out parties and their cooperation with the social groups towards the implementation of the transition to the liberal democracy and acquisition of EU membership.

For Ukraine it is important for the elite oriented at rent to realize and accept the feasibility and expediency of the reforms implementation in order to combine political efforts to realize them. The same situation took place in the West at the end of XIX – at the beginning of XX century on the basis of the formal bureaucracy reorganization of the state by the introduction of the formal rules and rational-legal relationships. Patrimonial elite oriented at rent realized the advantageousness on a long-term horizon of the acceptance of the equal and transparent mechanisms of the opened competition on the basis of the unique and general rules.

In general, transition from the economy oriented at rent to the economy oriented at innovations, can be carried out on the basis of the gradual use of the bankruptcy methods. First of all, the modern anti-corruptive legislation should be adopted, in order to stop all the rent ways of the economic profit maximization. Enterprises, the owners of which will be unable to be transformed into creative effective successful businessmen under the new conditions will be bankrupts. Their enterprises will be owned by the new managers, who will be the basis of the innovation economy realization. Finally, the gradual process of formation of the innovation model of national economy will take place.

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The article was received on March 15, 2012.