

**Ukrainian Economy**

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**REFORMING OF UKRAINIAN ECONOMY:
THE URGENCY AND THE PRIORITIES****Abstract**

Approaches to economic reforms in Ukraine since independence are considered. It is shown that they were half and created the conditions for oligarchic economy. Two trends which were of pro-Western or pro-Russian orientation had dominated in the reformist movement. The idea of systematic changes in the economy, which also must cover all political, legal, social and economic institutions, pre-reform of which should be a court reform is developing. Qualities that should be inherent by reformers are forming. Reforms should bring down oligarchic system and provide change in the direction of the country of export orientation from the Russian market to the Europe, Asia and America one. The idea according to which the center of reform initiatives should be a system of Education, which should encourage the inclusion of Ukraine in scientific leadership especially in the military-industrial complex, the achievement of which are able to create a chain reaction effect and spread to other industries is substantiated.

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1. Economic reforms in Ukraine: Retro

De jure every new Ukrainian president or government was reformative. They declared themselves as such, but their legacies suggest otherwise. De facto their endeavors were mostly about changing the Constitution and legislation to better suit their self-interests. The most significant accomplished changes related to the executive branch of government, in particular the extent of the presidential influence.

In the days of the first President of Ukraine Leonid Kravchuk (1991–1994) there was a tendency of administrative regulation of the economy. Ukraine failed to adopt a constitution that would ensure the creation of the legal framework of the state apparatus in the larger perspective. Not daring to reform the economy radically, Kravchuk handed over the power along with the economy, which remained among world's «leaders» in the state budget deficit and inflation to Leonid Kuchma. In 1993 and 1994 the money supply in circulation increased by 18 times (Korotkova).

More than ten years of presidency of Leonid Kuchma (1994–2005) receive various assessments in terms of the need to create a new national economic order that would ensure the establishment and development of Ukrainian state. We are talking about the substitution of the Soviet system for the mechanism of social market economy. The heritage of Kuchma's decade as president in its main features has not changed still, so the Ukrainian crisis is largely a consequence of the initial constitutional process. Political forces that dominated the figurative arena during the time of Yushchenko's presidency (2005–2010) and that of Viktor Yanukovich (2010–2014) did not bother to transform the system towards the development of an innovative economy. Moreover, Yanukovich's team, in which all senior positions in the Administration of the President, the Cabinet of Ministers,

the Verkhovna Rada and the majority of regional administrations were given to the representatives of the Donetsk region, not only failed to eliminate existing, but created new «stoppages» in the economic system of Ukraine.

The most problematic part of the new economic order in Ukraine has been the transformation of the socialist economic system into the oligarchic one. In the Ukrainian version of the transition, the national wealth was divided primarily among a small number of families who unnaturally quickly got rich. It has been estimated that 200 families have appropriated 60% of the national wealth of Ukraine; the oligarchs have gotten their hands on about 75% of the assets, but the government revenue from them accounted for only 30% (Nechyporuk). From an outsider perspective it looked as though the formation of the oligarch stratum was caused by their superior competitiveness in the art of doing business during the transitional period. In reality, they have become the most influential part of the society due to their connection to the corrupt (though democratically elected) government, as well as through the creation and maintenance of «pet» political parties.

Given that the foundation of the Ukrainian economy, created during the presidency of Leonid Kuchma, has not undergone any significant changes to date, it can be argued that the majority of Ukrainian problems sprouted and rooted in during the «Kuchma» decade. Afterwards they just grew and multiplied. Among them the main one is the transformation of the socialist economic system into the oligarchic one. At the same time the privatization turned into a system of «social standing for misappropriation of assets for personal purposes, which is not regulated by the system of existing formal rules» (Pustoviyt). The most large-scale was the so-called «voucher privatization» of 1995–1998. However, during its course more than 19 million shareholders have not become real owners, as despite having participated in the certificate auction and having received an extract from the minutes of its results, they have not even legally drawn out the ownership of the shares in the aftermath. According to V. Kulyk, «the majority of those who have received shares and are formally owners often do not have access to any constituent documents, nor to reliable information about who the real owner of the business is» (Kulyk). In fact, the corruption became the mechanism of selection of private capital, which led to the formation of financial industrial groups. They consolidated around the regional authority centers and were later referred to as «oligarchic groups» and «regional clans».

In times of Yushchenko's presidency (2004–2010) of the reformist changes in full could not be implemented, although a program with the motto «Ukrainian Breakthrough» was declared. This period went down in history as noteworthy only for the aspirations to revive the national ideological values and the strengthening of the state identification of the Ukrainian nation; however, this did not reach a logical conclusion due to the economic crisis of 2008 and various conflicts among the representatives of the «orange revolution» in the authority positions. The authorities achieved greater success on the international level.

Ukraine received the status of a country with market economy, achieved the disaffirmation of the Jackson-Vanik amendment, and joined the World Trade Organization. Meanwhile, the lack of reforms within the country has led to a weakening of state and political institutions, which oligarchy took advantage of. It became a system of interconnected clans and formed a state-oligarchic model of political and economic system of the country.

Presidency of Yanukovich, who replaced Viktor Yushchenko in 2010 and fled the country in February of 2014, had started with the unveiling of the program by the name of «Rich society, competitive economy, and effective state» (Economic Reform Program for 2010–2014). However, it did not give a clear answer to the issue of the Ukrainian model of a prosperous society. Now we can already assert without doubts that the program could not give it, because the president and the team that brought him to power almost did not care about such a task to begin with. Along with the coming to power, Viktor Yanukovich changed the Constitution, usurped power, developed authoritarian tendencies and began forming familial and clan structures (primarily inclined toward the family's benefits), which ultimately led to the emergence and strengthening of state-oligarchic capitalism. Only the big business and the higher echelons of bureaucracy had interest in such modernization. This could not, nor did it, give any progressive impulses to the reforms and the situation came to a boiling point, resulting in a second «Maidan» or as it's also known «revolution of dignity».

Oligarchization of Ukrainian economy delayed the development and the implementation of reforms. Separate attempts to continue were indecisive and did not lead to the proclaimed results. This manifested in the fact that the country has not yet reached the level of GDP of 1990, which is a base year for the statistical comparisons since the proclaiming of independence (Table 1). At the same time as the president Poroshenko said in a speech at a press conference «Strategy 2020»: «...only reforms can meet revolutionary expectations of Ukrainian citizens – the driving, active part of our society – with powerful wave of protests being the only available alternative. Only reforms can be the answer to our potential international investors and the only available alternative to that is staying one-on-one with Russia. Reforms are not only a way to sustainable development. Our very existence depends on them. That is why at the beginning I said that right now the question we face is of «to be or not to be» capacity in regards to Ukraine. And I am sure: to be, of course. And to be, we need to break our neo-feudalistic political model, dismantle the mechanism that enabled a small circle of oligarchs and corrupt bureaucrats to make a fortune from privatizing the entire country, gutting it and tossing it to bleed» (Poroshenko).

Table 1

**Indices of physical volume of the gross domestic product of Ukraine
in percentages compared to 1990**

Year	Index	Year	Index
1990	100	2005	62,7
1995	47,8	2006	67,5
2000	43,2	2007	72,6
2001	47,2	2008	74,2
2002	48,7	2009	63,3
2003	54,4	2010	65,8
2004	61,0	2011	69,3

2. Post-revolutionary concepts of reforms

After the revolution of dignity, that is, after the escape of the ex-president Viktor Yanukovich from Ukraine, the need for the reforms in the country has increased. While before the foreign policy of the reformers was premeditated by two alternative directions that linked the future of Ukraine with either the Western or the Eastern values, at present time the orientation vectors representing the countries of the Eurasian Customs Union are not being discussed. Especially since the trade with them in the important aspects of Ukraine's exports is blocked by Russia. Moreover, the practice does not confirm the pessimistic forecasts of Russian politicians and economists about the adverse effects on the Ukrainian economy the further development of European integration supposedly would have caused. Suffice it to say that in May-June of 2014 the export of Ukrainian goods to the EU grew by 25% compared to the same period of the previous year (A press conference of Poroshenko, Yatseniuk). Systematic strategy of Ukrainian reforms, as defined by the President of Ukraine Poroshenko, comes down to «achieving European standards of living and making preparations to ensure that in 2020 Ukraine is ready to apply for membership in the European Union» (Poroshenko).

The idea of reforming the economy of Ukraine proposed by the President can be summed up as following: reforms must be systemic and simultaneously affect all political, economic and social institutions. Accordingly currently over 60 reforms and special programs are being prepared, to be launched almost simultaneously. There are eight main aspects pertaining to them: anti-corruption reform that should provide the lustration of authority and bureaucracy representatives; judicial reform and the reform of law enforcement agencies; decentraliza-

tion and public administration reform; tax reform; deregulation and further development of entrepreneurship; reform of national security and defense. They are supplemented by special programs of immediate importance: reduction of energy dependence of the country and further popularization of Ukraine in the world. However, despite systematic and simultaneous mode of the reforms, the judicial reform is considered the most important and somewhat «pre-reformative». After all, the essence of all the changes in society is that instead of the bad, unfair and unequal rules of the game, good, honest and fair ones are to be created. For this purpose an impartial organization of dispassionate supervision of their execution is needed.

The announcement of the reforms' plan, despite its restrictions, gives grounds for optimism as well as for the pessimistic assessment. In fact, Ukraine is in a situation of systemic crisis, which can be overcome only through implementation of systematic changes. This can happen only if a systemic reform is done, in which there is no place for half measures. On the other hand, the question arises on whether the authorities have enough resources in the circumstances of ongoing (even if it's somewhat hybrid) war to radically change the whole basis of the country – political, economic and social. Moreover, the difficulty increases even more when you consider that most of the areas of long-term development must be turned by 180 degrees. Here are some of them: multi-vector policy; policy of neutrality and the exchange of nuclear status under conditions of Budapest Memorandum on Security Assurances; long-term negligence of the development of the armed forces and the orientation of the military-industrial complex just on the world market; management of the state and municipal budgets outside the control of Ukrainian communities; political structuring based on the financing by oligarchs; granting state preferences to oligarchs; lack of information sovereignty; lack of social welfare policy; the brainwashing by Russian media of the population of certain areas of Ukraine; negligence of forming a political nation policy (Datsyuk).

For the systematic, immediate and simultaneous reforms a number of conditions are needed. The experience of post-socialist countries allows formulating some of them. They are connected, first of all, to the human factor. One can agree with Bendukidze that «for reform implementation three people are enough: one must be ready to put everyone who steals behind bars, the second must be ready to destroy all regulation and barriers for business operating successfully, without thinking about the consequences for his career, and the third – to act as a political shield for the other two. If you know who these three people are, you're good; if not – you're doomed. It is also very important that these people understand that they are leading only temporarily, and they will be hated» (Zanuda).

Close to this point of view are the tips by the former Minister of Finance and Deputy Prime Minister of Slovakia Ivan Miklos. He notes that «for the rapid growth you need vision, will and courage, as well as leaders who possess these

qualities. Because only these type of leaders, could implement reforms despite the fact that they are complex, and despite the resistance to these reforms. But right now you have yet another window of opportunity when the reforms can be done a little less painfully and with a greater support from the population. In addition, for us the prospect of joining the EU was a certain anchor. That is my recipe – reforms and integration, and the technical side of such things is well known. And more – never trust populists on this path. Remember that the recent events in Ukraine have shown all European states, that you have the will and the desire to become a part of Europe. Of course, there are certain conditions for that, but their implementation is necessary for your own sake first and foremost»(Zanuda).

Leaders with the qualities mentioned by Ivan Miklos are in short supply always and everywhere. Usually, there are many people of high moral character who lack professionalism, and vice versa. It is even more difficult to find politicians who are willing to commit political suicide and conduct reforms aimed at achieving economic miracles without regard to the continuation of their term at the stern. Yet such leaders exist in the Ukrainian society, they only need to be call upon with a set of premeditated conditions.

3. The reforms as a part of the «win-it-all recipe»

The elections to the Verkhovna Rada of Ukraine on October 26, 2014 resulted in the emergence of many new politicians willing to selflessly lead the movement of reformers (Savchenko). They often lack the in-depth knowledge of economics and foreign experience of radical reforms, especially in the newly industrialized countries, the understanding of Ukrainian peculiarities inherited from the past and formed by current conditions. It is possible that new leaders also lack motivation and time to fully self-educate.

The political leaders of the Revolution of Dignity understand that among the main obstacles to reforming the economy is the oligarchic system. Despite the abundance of both launched and planned reforms, the overthrow of the oligarchic system is only scheduled. Nevertheless, the essentials are already determined, such as how to prevail over it when it does not lead to development or how to force it to merge into a new model when destroying it completely is impractical (Kotz). The «taming» of the oligarchic system, disintegrating it and slowing it down requires consistent use of anti-corruption laws and the abolishment of the practice of subsidizing unprofitable operations. At the same time the mechanisms that ensure social protection of employees of large companies going bankrupt must be found and developed. It should also be noted that the oligarchs, as the owners of mainstream media outlets will be able to keep information populist

propaganda against the reformers, which will delay the process of modernization of the economic system. To anticipate these trends a modern, independent national information system needs to be created.

Radical and comprehensive reforms in Ukraine are not only a way of accelerating socio-economic development; they are the best way to win the war with Russia by peaceful means. After all, the hybrid war is based on not military, and information tools. The Army uses the hybrid war to fix by force the achievements made in the economic, information and cyber wars. Not by chance, according to Putin's plan, by creating a situation of chaos account deficit should be raised to \$100 billion in Ukraine in 2015, which is equivalent to a default. Such calculations and messages cast doubt on the adequacy of the IMF estimates that 18 to 20 billion US dollars should be enough to exit from the crisis in Ukraine and are sent to the Western public in order to undermine support for the aspirations of Ukraine to European integration. In reality, conducting hybrid war and encouraging conflict in Donbas has led to an increased need for financial aid. As Minister of Foreign Affairs of Ukraine D. Klimkin said in an interview with a German newspaper *Wirtschaftswoche*, it significantly exceeds the amount of 30 billion US dollars (Klimkin).

When developing and implementing the reforms in Ukraine a special role should be given to the influence of external factors on the economy, and especially the Russian influence. Russia has long since started taking measures aimed at weakening the Ukrainian economy as part of its foreign policy. This anti-Ukrainian code of conduct expands as the magnitude of Ukrainian modernization increases. There is very little doubt as to the fact that Putin will be doing everything in his power, including measures not allowed by international law to ensure the bankruptcy of Ukraine. Given this, the pessimistic scenario should be built with the assumption that the foreign trade turnover with the Russian Federation will be close to zero, especially in terms of exports.

The arsenal of methods to undermine the Ukrainian economy of its northern neighbor is already well developed and is still improving. It includes the destruction of infrastructure and enterprises of Donbass; the energy sources blackmail and trade wars (regarding dairy products, meat, sugar, pipes and so on). For its part, Ukraine is forced to impose sanctions, especially pertaining to the export of military-industrial complex and dual-use products. Therefore, a new economic policy of the country will have to refocus on the Euro-Atlantic, Asian and African markets. Such an orientation should be used even assuming the export of certain goods and services from Ukraine to Russia remains. The latter should be regarded as temporary and new target markets for those products should still be considered. Under these circumstances, the main statement on Ukraine's agenda is to accelerate the transition to European technical regulations and then enter the markets of developed countries.

«The stoppage» in the Ukrainian reform movement is the «fixation» on superficial issues. Thus, the initiative of public organizations, experts and journalists «Resuscitation reform package» in the economic sphere is limited by laws on local government and the state purchases. Among other requirements to the Verkhovna Rada appear the adoption of laws on the judiciary, law enforcement, administration, anti-corruption and electoral reforms. Also discussed is the need for recognition of the Rome Statute and the jurisdiction of the international criminal law, the introduction of the European system of food safety, protection of personal data, etc.

It is impossible to disagree that all of these laws are essential for state-building in Ukraine as a newly independent country. And yet all the ambitions of reformers can be wasted if one does not define major reforms, which all other modernization activities should «work for». At the same time, methodologically it is advisable to proceed taking into account the fact that the main direction of development of a modern economy is its transformation into an innovative one or (practically the same) into the knowledge economy. From this perspective, a national strategy should be developed, because long-term growth is impossible without fundamentally new ideas and technologies, and without them – the formation of a highly competitive state.

Consequently, in the concept of reforms of the electoral bloc of Poroshenko the thesis that judicial reform is the main requires discussion and clarification (Poroshenko). In Ukrainian conditions, it really is crucial in all areas and at all levels to nation-building. Until affordable, transparent and fair justice is provided, it is impossible for the economic system to reliably operate as well. Symbolic in this regard is a welcoming statement of the president at the presentation of the new Attorney General in the Verkhovna Rada on June 19, 2014: «The Role of the Attorney General's Office in the fight against corruption is defining. We took the obligation to immediately begin the fight against corruption. As a greeting and symbolic wishes I want to use my favorite quote of the Singapore miracle author Lee Kuan Yew: «How to fight corruption? Start with convicting your three friends. You know exactly for what, they know for what, and people will believe you»« (The Verkhovna Rada appointed as Prosecutor General Yarema).

For anyone who is familiar with the Ukrainian justice system there is no doubt that judicial reform should start and be completed as soon as possible. It is this context that is laid in the draft of reforms, because the president believes that «judicial reform can be considered «pre-reformative», as well as changes in the sphere of state administration» (Poroshenko). To some extent the changes to the judicial system are made with some of the new laws. Among them – The Lustration Act of 25 September 2014, under which the members of the High Council of Justice, members of the Higher Qualification Commission of Judges are to be lustrated. Yet the legislation on systemic reform of the judicial system still needs to be developed and adopted in the near future. Currently an advisory body to

the President has been set up, called the *Council on the judicial reform* (Presidential Decree № 812/2014 on the Council of the Judicial Reform on October 16, 2014). The main task of this body is working out coordinated proposals for the development and implementation of the reform strategy of Ukrainian judicial system and legal proceedings, and other related legal institutions. The Decree set the deadline for submitting the strategy for approval as three months after the formation of the personnel of the Council.

As for the economic sphere, the reform process should correspond to the task of forming an innovative economy. In this area, the main priority should be the modernization of the system of education and science. On this basis, the result of all economic reforms must be the emergence of competitive sectors of the economy and assertion of modern civilization society in Ukraine.

The system of education and science is an area where the reforms cannot be postponed, despite the systemic crisis in which the Ukrainian state dwells. After all the peculiarity of the current Ukrainian situation is that its educational and especially scientific potential is, figuratively speaking, on the brink of extinction. The positioning of Ukraine as one of the former republics of the Soviet Union with a sufficiently high intellectual level and traditions in the field of applied sciences and industry is already becoming an outdated notion, even though they are still preserved. According to available estimates, the scientific potential formed in Ukraine will remain relevant for another 7 to 10 years (Heyets). This means that the suspension of the development of national science threatens to turn the country into a scientific wilderness, in which it is impossible to create competitive products for mass production via the industry and service sectors.

It is noteworthy that the reforms in the system of education and science have already begun with the adoption of Law on Higher Education by the Verkhovna Rada of Ukraine on June 1, 2014. The new laws that will regulate other areas of educational and scientific activities are being prepared. Nevertheless, the legislative developments are focused mainly on the internal organization of these institutions. However, they do not provide a mechanism that ensures the supremacy of scientific and educational sectors in the economy and society as a whole. The authors of reform projects operated under the assumption that the convergence of Ukrainian legislation with the European one in itself should ensure the levelling of scientific and technological potential of Ukraine and the EU leaders. And yet, it should be borne in mind that progressive laws are an important, but not sufficient condition for progress.

For reformative laws to succeed, it is necessary to integrate the system of education and science into the economic mechanism. Science, education and manufacturing should become an integral whole, in which the priority is given to the first two components. In this regard, the reforms must begin with the rejection of the established practice of funding the science and education as a residual sphere. All graduates of secondary schools should be given the right to enter

higher education institutions, and the screenings should be done based on the results of regional or inter-regional examinations on normative disciplines of the first two semesters, the organization of which can be assigned to a new National Accreditation Agency for the quality of education. It is advisable to divide the legislative functions of the entrepreneur and executive director, setting as the condition for the eligibility for the latter position the requirement of special education. It is also necessary to develop at the state level the programs of global scientific and technical leadership with adequate financing and tenders for their implementation.

Recognizing the science and education fields as the starting point of reforming the economy does not mean that Ukraine should join the competition for scientific leadership in all areas of expertise. The monitoring of scientific schools and a certain structural policy in the economic sphere should be organized. Additionally, in the conditions of Russia conducting a hybrid war against Ukraine, the military-industrial complex should be included among the priorities. The first tangible results of the application of the new economic policy are expected from this sector. This application will be expressed through the formation of modern armed forces, which will have competitive military equipment and heavy weapons at their disposal in the confrontation with Russian.

The development of military-industrial complex will not only be limited to the enhancement of combat readiness of the Ukrainian army. It will launch the domino effect. The management of Zaporozhye Machine-Building Plant *Motor Sich* estimates that investments into the defense industry will bring enormous dividends (Does Ukraine need military-industrial complex?). To do this, simultaneously with the introduction of scientific and technical developments in the MIC or immediately thereafter it is vital to adapt them to the needs of production of personal and mass consumption goods.

The development of the MIC in Ukraine opens up new opportunities to increase exports of military equipment and heavy weapons, which will make it possible to compensate for the curtailment of trade with Russia in this area. In 2013, Ukraine according to the Stockholm International Peace Research Institute ranked tenth in the list of the largest exporters of arms and military equipment. Export of military equipment amounted to 589 million USD, which is much less than the Russian counterpart of 8.3 billion dollars. Nonetheless it should be noted that a significant portion of Russian weapons sold on the world market is equipped with Ukrainian components, which can become the basis for manufacturing of final products in Ukraine (Ukraine disclosed data on arms exports). This is indicative of the reserves that Ukraine should use to increase the export potential of the domestic defense industry. And they are considerable. After all, on the list of buyers of Ukrainian weapons with large and well-equipped armies are the US, Russia, China, Germany, UK, Austria, Poland, Canada, Czech Republic, Italy, Nigeria, Chad, Turkey and others.

The range of products, which are sold on the foreign market, shows the export opportunities of military-industrial complex of Ukraine as well. In 2013, it exported the missile launchers and missiles to them; battle tanks T-72; armored personnel carriers BTR-3E1/M2/RK/BR, 34 BRT-4/K; MI-8T helicopters; Su-25 attack planes; howitzers 2S1 *Carnation* and D30; infantry fighting vehicles BMP-1; small landing hovercrafts 958 *Bison*; and small arms (Ukraine disclosed data on arms exports). According to the *Washington Post*, Ukrainian companies supply gearboxes for ship engines, and Ukrainian systems keep Russian satellites on orbit. The design work for the most powerful Russian intercontinental ballistic missile SS-18 *Satan* was carried out in Ukraine (Khotyn). Scientific and technical potential of Ukraine allows to make high-precision missile systems of medium and short range that use the latest non-nuclear military components, in particular thermobaric (vacuum) ammunition. Their capacity is equivalent to mini-nuclear weapons, and the use is not in violation of international agreements.

It should be noted that the military-industrial complex of Ukraine has advantageous traditions of the production of equipment that can successfully compete with its counterparts on the global market. At the time of the collapse of the Soviet Union, it consisted of 750 enterprises with a total workforce of 1.5 million. Military orders were carried out by 140 scientific, technical, scientific and industrial organizations. Currently, the concern *Ukroboronprom* alone (a conglomerate union of enterprises of various branches of Ukrainian defense industry) includes 134 companies (Wikipedia). They provide design, manufacture, sale, repair, modernization and utilization of military equipment and ammunition, as well as take part in military-technical cooperation with foreign countries.

Developing a program of radical economic reforms, one should assume that through all the years of independence Ukraine has been, and still remains, a country whose economy is export-oriented. Business strategy for augmenting income through the channels of political rent by influencing government institutions and merging with them, realized by oligarchs, led to a decline in the competitiveness of some industry sectors. This is especially true for the metallurgical industry, whose share in exports of Ukraine was 41.4% in 2008 and decreased to 27.7% in 2013 (Foreign Trade of Ukraine. Statistical digest.). Under the new conditions it is advisable to form a strategy to increase exports in the industries in which Ukraine has competitive advantages and sufficient opportunities to increase sales volumes on the world market.

The world conjuncture is favorable for enhancing the role of the agricultural sector in the structural policy of Ukraine. By 2030, the demand for food will increase by 30-40% (Kozyuk et al., 2014, p.411). To increase its share on the world agricultural market Ukraine has one of the largest areas under cultivation after Argentina, Mexico, China, the USA, Canada and Russia. In 2012, it ranked fifth in the world in the production of grain and leguminous crops after the US, China, Canada and Russia. Ukraine is ahead of all countries in the world in the

cultivation of potatoes (Agriculture of Ukraine. Statistic digest.). Strengthening the position of Ukrainian exporters of agro products on the market requires the development of appropriate economic instruments to promote and motivate the increase of both volumes of growing crops and production of finished food.

Consequently, the reform of Ukraine's economy as export-oriented involves the allocation of priority sectors. Their development should be promoted using the ideas of innovative economy. In the geopolitical and geo-economic conditions it makes sense to focus on sectors such as education and science, military industry and agriculture for the current economy.

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