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Liliya Olifirenko Doctor of Public Administration, professor
Chernigiv National Technological University, Chernigov, Ukraine

THE ANTI-CRISIS MEASURES OF THE STATE INDUSTRIAL POLICY OF UKRAINE

Л.Д. Оліфіренко д.держ.упр., професор
Чернігівський національний технологічний університет, м. Чернігів, Україна

АНТИКРИЗОВІ ЗАХОДИ ДЕРЖАВНОЇ ПРОМИСЛОВОЇ ПОЛІТИКИ УКРАЇНИ

Л.Д. Олифиренко, д-р наук по гос. упр., профессор
Черниговский национальный технологический университет, г. Чернигов, Украина

АНТИКРИЗОВЫЕ МЕРЫ ГОСУДАРСТВЕННОЙ ПРОМЫШЛЕННОЙ ПОЛИТИКИ УКРАИНЫ

The article describes the components of state policy on anti-crisis measures of industrial development of the national economics. It substantiates the recommendations for strengthening the effectiveness of public policy (on the example of chemical industry) to implement the concept of industrial development of Ukraine, aimed at problems of increasing the country's competitiveness.

Keywords: state industrial policy, industrial development, branch development.

JEL Classification : L 50; L 60; O 29.

Розглянуті складові державної політики щодо антикризових заходів промислового розвитку національної економіки. Обґрунтовані рекомендації щодо посилення ефективності державної політики (на прикладі хімічних виробництв) з метою реалізації стратегії промислового розвитку України, які направлені на вирішення завдань підвищення конкурентоспроможності країни.

Ключові слова: державна промислова політики, промисловий розвиток, галузевий розвиток.

Рассмотрены составляющие государственной политики антикризисных мер промышленного развития национальной экономики. Обоснованы рекомендации по усилению эффективности государственной политики (на примере химической отрасли) с целью реализации стратегии промышленного развития Украины, которые направлены на решение задач повышения конкурентоспособности страны.

Ключевые слова: государственная промышленная политики, промышленное развитие, отраслевое развитие.

Statement of problem. The globalization of the world economy and liberalization of markets actualize the problems of the development of economic sectors of Ukraine, their competitiveness and ensuring a high level of the public welfare. The task of creating a modern, integrated into the global production, industrial complex that is progressively developing, is directly related to its most important component: national industry. It is timely to compare the competitiveness of domestic industrial complex industry with other countries, to identify areas of government policy that promote the creation of competitive advantages [1-6].

The role of the state industrial policy is to create conditions and to acquire the control of the development of manufacturing with regards to its adaptation to structural changes in the economy and the world. The characteristics of chemical industry that distinguish it as one of the perspective and progressive branches are high capacity of both external and internal markets; high share of inter-industry balance; fast circulation of capital; a major impact on a wide range of related industries through intermediate consumption, which has both direct and indirect effects from expansion of chemical manufacture; the presence of high export potential [3-5].

Analysis of recent researches and publications. Numerous local and foreign scientists dedicated their researches to the theory and practice of evaluation of competitiveness, content, forms and methods of management in a competitive environment [1, 2, 4,-6, 10].

Allocation of the unsolved earlier parts of the overall problem. M. Butko, A. Gal'chy`ns`ky`j, V. Geyecz`, N. Dacij, Ya. Zhaly`lo, V. Zaxarchenko, S. Ishhuk, Yu. Kinzers`ky`j, A. Laty`nin, D. Mishhenko, V. Novy`cz`ky`j and other scientists researched the problems of formation of the state industrial policies and mechanisms for its implementation. The need to review the anti-crisis government policy measures is justified by the inherent characteristics of the crisis situation development and disparities between state economic entities and new challenges of the market (the loss of competitiveness of others).

The objectives of the article is to justify the anti-crisis measures of the state industrial policy to preserve and create competitive advantages of national industry of Ukraine, which is currently in crisis. The research of this goal requires to solve the problems of clarification of the current world trends in the industry; adequate generalization of provisions of state policy on crisis influence on the formation of competitive advantages by improving structural, investment and innovation components of the mechanism of state regulation of the industry development.

The main material. An important influence on the development of any industry and creating national competitive advantages of industrial production has a comprehensive approach. Management tools in the state industrial policy appear as a set of principles that reflect the content and features of management. Among these the major are: ensuring the demand for domestic and foreign markets; stimulation of the creation of competitive products; attracting investment through mechanisms of tax and credit policy; the development of scientific infrastructures; state control over the activities of natural monopolies; public quality expertise of manufactured products [1, 2, 10].

All of these lines of public policy reflect truly integrated approach when sorted and used in conjunction with each other. Industrial policy for each sector of the economy has its specific objectives; but the system of main objectives of the strategic direction can determine:

- definition of rationality, progressiveness and competitiveness of all developed and implemented socio-economic projects as well as the corresponding organizational and technical solutions, the choice of which accelerates the transition to an innovative model of certain companies and clusters;
- detection and analysis of the costs and benefits of internal and external factors and their impact on performance and market conditions. The use of industrial potential to increase the production efficiency to meet the society needs given the optimal use of factors of production and productive forces.

The current state of the chemical industry of Ukraine is a consequence of earlier periods of industrial policy. Principles of territorial distribution of chemical manufactories were connected with the implementation of policies of that time state; and were not associated with the potential profitability, rationality of supply, optimizing of raw material bases, fuel, energy, water, transportation, environmental factors that are taken into account when constructing business from the standpoint of financial and economic feasibility [4, p 96-119]. Many companies that were built haven't maintained neither financial, nor social, nor environmental feasibility, and still receive subsidies from the state.

These factors are important for understanding the current situation because the chemical industry is now forced to operate at a loss, reductions and suspension of production capacity, with negative social consequences, while the placement and the technological links did not allow the companies to grow their profitably in most cases (there are no full technological cycles of production in Ukraine) [4]. If the formation of industrial base of chemical plants would have been taking into account market factors and dynamics of market conditions, many companies would find solutions to pressing problems, including raw materials, energy, technological and nomenclature problems. In modern conditions companies have to make their own economic policies, look for problem solutions with a lack of working capital, having problems with foreign economic activities, loss of markets, and consequently – with their competitiveness.

Given the fact that the industrial complex of Ukraine is the system with closely interrelated technological, sales, internal, external, material and financial flows of deeply integrated

productions, there are less opportunities to revive some industries and find new contacts and markets. Such a state of industrial development is economically dangerous for Ukraine's sovereignty.

Currently, Ukraine is not even close to hold leadership positions in numerous positions of industrial development [7]. Since 2001 the proportion of chemical industry in GDP has decreased almost twice; the growth rate of product output barely changed, remaining within 103% in 2006; 123,7% in 2011, while in 2012-2014 this figure was lower than the dynamics of product output of the industry as a whole (in 2010 – reduced by 3% and by 19.8% in 2014). This trend indicates the conservation of inconsistency in economic activity during this period: the proportion of basic chemical products with low added value exceeds 65% in the structure of commodity production industry, caused not only by price rise of raw materials and energy, but also by reduction (or closure) of manufactures of high technology products and enterprises with a high degree of its processing. Even the issue of plastic and rubber products loses its pace down to 97,6% in 2013 (the largest index of output was in 2004 – 128,8%), outpacing the overall growth dynamics of the industry as a whole [7]. The deficit of marketable group of chemical manufactures is covered by imports, which increased over the past decade by 5,5 times.

Every year, despite a slight increase in production due to the price factor, chemicals industry of Ukraine loses prominent position among the manufacturers of the CIS countries and in the world. The deficit of circulating assets in the economy, which is kept for decades, including due to lack of a top public policy on prices and pricing, prevents the expansion of manufacture, its upgrades and the innovation and investment activities. Relatively high inflation, followed by which the cost of credit funds exceed the profitability of most businesses, makes loans almost unavailable. The low cost of labor compared with the prices of most goods and services is constant; that is inhibitory factor for productivity growth and the expansion of consumption at the domestic market. The majority of newly created value in the structure of gross value added pays for materials and labor, thereby limiting the possibility of expanded reproduction of production.

To improve the competitiveness of the industry are important to resolve issues relating to a high degree of wear of equipment and shortage of investment resources. Lifetime of substantial part of technical equipment is more than 30 years. The degree of depreciation basic production assets in the chemical industry on the whole is 60%, and the degree of deterioration of equipment is more than 70%; and for certain types of production is more than 80%. The coefficient of replacement of fixed assets is 4 times lower than the minimum required and 2,5 times lower than coefficient of renewal of fixed assets in the industry as a whole. Due to the lack of investment in modernization of production, the level of technical competitiveness can't be increased in the short term.

One of the problems of Ukrainian chemical industry is the lack of raw materials and its irrational use due to the lack of resource saving technologies and its know-how. The development of branches or specific production of chemical industry is determined by the influence of different factors such as: raw materials, fuel and energy, water, labor resource, consumer and sales, environmental factors. Crucial factor is water factor. Polymath chemistry production is particularly water-consuming, including production of chemical fibers, plastics and synthetic resins, synthetic rubber, some electrochemical production, which is also the source of water pollution due to dumping of waste water. The power factor is equally important in the development of chemical production. The energy carriers are electricity, steam, hot water, fuel, chilled water, air and inert gases. Chemical industry belongs to the raw materials-consuming (from 45% to 90% of production costs) and energy-intensive (8-25% of production costs) industry.

The current structure of chemical production complexes in Ukraine continues to transform under the influence of the need for its products, which are growing due to the scientific and technological progress, changes in economic and social conditions. However, international experience of recent years clearly shows that the level of chemical production (especially of synthetic resins and plastics, synthetic fibers, dyes, synthetic rubber, paints and pharmacy) is determinant factor of progressivity of the structure of chemical industry [3-6]. The increase of

social orientation of manufacturing complex is important for improving of sectoral structure of the industry. Chemical industry along with machine building industry define the scientific and technological progress of other sectors of the economy and this dependence is constantly growing [7].

A number of projects on reconstruction of chemical production [4, 7] were implemented during 2005-2008 and are still being implemented. However, most investment projects do not hide the fact that any chemical products including polymers, are the part of general prolonged technological chain of chemical industry of a country; and the material balance of resource allocation of chemical raw materials is the limiting factor that is often excluded. For example, if Ukraine remains without production of chemical fiber, yarn and films for textile and industrial use, and existing facilities will be used for tolling than the production, for example, of tires of all types; light, construction and agriculture industry production as well as other sectors will remain at almost monopoly dependence on imported raw materials that are essential in their industries. While the issue of import will be the one of the most important because the presence of import contracts (as well as exports) will enable the downloading of technical lines of manufactories at the level that exceeds the profitability of the production. Secondly, the strategic development of the chemical complex implies an increase in existing capacity, which encourages the development of other economic sectors that are directly or indirectly depending on the results of the first. However, given the increase in the prices of energy and raw materials (viscose pulp, rubber, substances for varnishes, phosphate, etc.) supplied for chemical production, the overall decline in industrial production, low technological level of production and low competitiveness of most sectors of the complex, the improvement of industrial structure and Ukraine's position in the global market should not be expected.

The fact of very low level of science intensive technologies and industries and the absence of completed technological cycles of production of final consumption attracts the attention; as well as the fact of low level of science intensive technologies and industries and the absence of completed technological cycle of production of final consumption. For example, promising direction due to high demand at internal and foreign markets is the production of high strength polymers; but their production is directly related to refinery complex, where Ukraine also has problems in efficiency of processing and represent the assortment [10]. Moreover, the fact that the number of chemical complex is growing every year draws even more attention. In other words, the solving of the problem of modern chemical complex of the country is beyond the limits of branch and regional management; it requires changing of the state industrial policy on creating of competitive advantages for sectors of the economy.

Therefore, the signs of crisis in the sectors of the national chemical industry include qualitative and quantitative composition [8, 9]. The qualitative characteristics of crisis are that Ukraine is not included in the first hundred countries in terms of the production of textiles, clothing, footwear, fibers, filaments and films, dyes, textile auxiliaries and products of final consumption. At the same time the consumption market is very capacious, but almost completely dependent on imports of both raw materials and finished goods which in turn discourages domestic producers to develop high quality products. Achievements in scientific and engineering activities as well as in scientific and technical creativity and international cooperation in the chemical industry and its derivatives are being lost; this affects the integration of national specialists into the global scientific community, into the organizations of independent scientific, technical and economic expertise. This makes it impossible to participate, organize and conduct international exhibitions, scientific and technical meetings, conferences, symposia, seminars and other events that are designed to comprehensively help businesses and organizations of complex in development of effective forms and methods of management, implementation of consultative and information activities in Ukraine and abroad.

Quantitative evaluation of today's situation is even more difficult. The production volumes are reduced, import increases (by more than 65%), the structure of cost changes in the direction of

increasing the expenses on energy ~ 30-35%. Imports of finished products of the chemical sector is detrimental not only to the domestic industry, but also to the sovereignty of the state.

Thus, most anti-crisis measures applies to state regulation of the positions of chemical industry of the country in the internal world market, towards the increase of share of export-oriented industries and their development dynamics.

Consequently, state regulation of industries of the country as a whole and chemical industries, in particular, needs to highlight the most important components of influence, namely:

- industry; international experience convincingly shows, especially in the East countries that industry is successfully developing and competing through the definition of private initiative, that is promoted by the state, creating conditions through economic measures for all kinds of companies without resorting to their nationalization.
- reorientation of domestic consumption market at 60-70% level of production (for those industries, for which it is possible), that corresponds to the threshold below which there is a risk of loss of national security. For this purpose it is necessary to improve the quality and expand the product range of domestic products, following the optimal balance of price, certification and its expertise. This, in turn, raises the threshold of poor quality, harmful products or raw materials for the production, by analogy with the standards of the WTO;
- differentiation of quotas on imports from developing countries, thereby protecting domestic producers by customs taxes. This will increase the potential of not only the chemical industry but also related strategic industries (such as engineering, medicine, construction, light industry etc.)
- technical upgrading of chemical industries to enhance their competitiveness through the innovations. The part of the expenditure on research and development (which is an indicator of innovation activity of the sector) in gross value added chemical industry is about 1%, which is 2-3 times less than the same index in many EU countries. The main problem of implementing it in practice of researches is the lack of an effective mechanism of communication between science and industry as well as inconsistency of experimental and industrial; scientific and technological bases of industrial production. This problem can't be solved through the national engineering. In such a situation the establishment of large holdings / joint ventures (consortia, conglomerates) could be effective; working under international agreements, which will allows in a timely manner to properly equip domestic chemical industry with modern aggregates, production lines and equipment. Similar to the domestic automotive industry, joint ventures in the form of scientific and industrial complexes (FIGs, holdings, consortia, conglomerates), it is appropriate to create new industries involving lead foreign companies that would have taken care of the supply, assembly and installation of equipment;
- organization of scientific and industrial structures built on full logistical chain from innovation activities to sales of finished products. Powerful research centers are complemented by industrial, universities and academic science for joint efforts at solving of technological problems of chemical complex, responding for their implementation in manufacturing, that would invest scientific research in a particular area (within, for example, 3-5% of income);
- development of natural raw material sources available to Ukraine, with its further deep processing. This will create the demand for productive sources and technologies that would reduce dependence on raw materials in many areas of the domestic chemical industry. Based on international practice it is recommended to use encouraging and limiting measures to promote careful and environmentally safe recycling;
- upgrading of research institutes and universities with modern experimental and technological base. It is reasonable to organize clusters as the centers of innovative technologies that will be used in scientific and research work by several business units that operate in the region.

Conclusions and suggestions. Thus, the state industrial policy should be aimed at creating an environment which promotes innovations in the production, leads to improving of production structure and competitiveness by building new production capacities as independent full-enterprises and complexes with developed infrastructure in the regions with high production potential, economic feasibility of which will provide consumers with products of domestic production. This path is able to increase the standard of living and quality of life.

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