

UKRAINE: DIFFICULT STEPS TO EUROPE

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Abstract. The article is devoted to the analysis of the main problems faced by the Ukrainian economy over the years of independence. Despite the presence of many advantages, Ukraine did not become the world leader in terms of economic development. Moreover, there is a threat that the country can leave a group of countries with an average level of development. Thus, it is crucial to answer the following questions. Why did Ukraine lose even what it had by the early 1990s? What are the current prospects for the further development of the country and how are the problems of higher education related to this? Deindustrialization, import substitution, and public debt are particularly highlighted as current problems of economic development of Ukraine. The proposals on overcoming the analyzed problems are substantiated. The analysis showed the presence of very complex problems in the Ukrainian economy, which are not only the result of the modern stage of development, but also go back to the 90s. Their solution requires an integrated approach, including the improvement of a development strategy for the next 10-20 years. The proposed solutions are based on a strategy of accelerating the repetition of the path that other countries have already chosen. Furthermore, the solution should be sought in decision-making aimed at the predominant development of those sectors of the economy in which Ukraine can really be a world leader.

Keywords: economic crisis, deindustrialization, values, import substitution, public debt.

JEL: G01, H12, F34, L16

1. Introduction

Ukraine in terms of its potential is one of the largest states in Europe. It covers an area of more than 600 thousand square kilometers, which is 5.7% of the territory of Europe. According to this indicator, Ukraine is the largest European state. In terms of population (about 43 million people), it is less than only four European countries: Germany, Great Britain, Italy and France (State Statistic Service of Ukraine, 2019d).

Ukraine has very rich mineral deposits. On its territory there are 5% of world reserves of iron ores and 20% of world reserves of manganese ores, which is a good prerequisite for the development of ferrous metallurgy. Ukrainian black soil is considered one of the best in the world. It, in combination with a temperate climate, makes possibility to effectively conduct agriculture (Ukrainian Scientific Research Institute of Ecological Problems, 2017).

The geographical position of Ukraine is very favorable. The country is crossed by numerous ways of communication of international importance. Almost all types of international routes pass through its territory: motorways, pipelines, railways. It gives reason to consider Ukraine as a transit state. However, despite the presence of such a potential, Ukraine did not become the world leader in terms of economic development. Moreover, there is a threat that it can leave a group of countries with an average level of development. Thus, it is crucial to answer the following questions. Why did Ukraine lose even what it had by the early 1990s? What are the current prospects for the further development of the country and how are the problems of higher education related to this? In the next sections, we try to answer these questions.

2. Ukraine's economy over the years of independence

Since the late 80s — early 90s, the Ukrainian economy has entered a protracted and very deep crisis. The decline in production, the accumulation of inflationary potential began even when Ukraine was part of the USSR. In fact, all the 80s the economy of the USSR was in a state of stagnation.

The beginning of the decline in national production, based on official economic data, should be considered in 1990, when the national product of the USSR decreased by 3.6% compared to the previous year. In 1991, Ukraine acquired the status of an independent state, having received a “legacy” economy with a large number of acute problems. It was since 1991 that we can analyze the economic dynamics of Ukraine according to the official statistical indicators that reflect its results as an independent state (Slavic Research Center Library, 2000).

In 1991, the real gross domestic product of Ukraine (Table 1) decreased by 8.7% compared with the previous year, in 1992 — by 9.9%, in 1993 — by 14.2%, in 1994 — by 22.9%, in 1995 — by 12.2%, in 1996 — by 10%, in 1997 — by 3%, in 1998 — by 1.9%, in 1999 — by 0.2%. It was 1999 that became the final in a long period of decline in national production. This period lasted 10 years and real GDP in 1999 amounted to 40.8% of 1990 GDP, i.e. figure decreased 2.5 times (State Statistic Service of Ukraine, 2018).

Table 1: Dynamics of Ukrainian GDP in the 1990s, %

Years	Indices of physical volume		
	GDP	GDP per capita	GDP
	percentage to previous year		percentage to 1990
1991	91.3	91.1	91.3
1992	90.1	89.8	82.3
1993	85.8	85.7	70.6
1994	77.1	77.4	54.4
1995	87.8	88.5	47.8
1996	90.0	90.7	43.0
1997	97.0	97.8	41.7
1998	98.1	98.8	40.9
1999	99.8	100.6	40.8
2000	105.9	106.7	43.2

Source: authors based on State Statistic Service of Ukraine (2018)

The situation in the monetary sphere was even more catastrophic. The decline in the economy was combined with the highest rates of inflation (Table. 2). The problem of violation of conformity between the commodity and money supply existed in the Soviet Union. But it did not manifest itself in price increases, since they were tightly controlled by the state. Such suppressed inflation is most often called “deficit inflation”. However, in 1992, state regulation of prices was abolished. Next year, Ukraine entered a state of hyperinflation: prices rose more than 100 times.

Table 2: Consumer price indices in Ukraine, %

Years	Consumer price indices (percentage to previous year)
1991	390
1992	2100
1993	10256
1994	501
1995	281.7
1996	139.7
1997	110.1
1998	120
1999	119.2
2000	125.8

Source: authors based on State Statistic Service of Ukraine (2019a)

It was possible to slow down inflation only since 1994, when it was decided to abandon the automatic indexation of income on the rate of inflation. This led to a catastrophic impoverishment of the population, but, on the other hand, it prepared the prerequisites for the introduction of the national currency, the hryvnia, in September 1996.

The crisis of the 1990s in the Ukrainian economy had many similarities with those economic phenomena that manifest themselves in any economy in a recession stage. However, it was not a cyclical crisis. It can be found many specific features.

Firstly, it should be noted features associated with its causes. Among the latter should be highlighted primarily the following:

- reforming the centrally planned economy, the desire to move to a modern mixed economic system. The difference between these systems, as is known, is quite significant. Therefore, the transition process itself could not be painless; it would not adversely affect the main macroeconomic indicators. At the same time, the quality of the reforms, the level of the state's economic policy during the transition period, were low, which multiplied the negative results of the transformation of the economic system;
- a certain system of division of labor has developed on the territory of the former USSR. Ukraine, for example, had an agricultural, mining, metallurgical specialization. The degree of economic interdependence of economies was quite high. After the USSR ceased to exist, it was not possible to quickly and effectively build economic relations on a new political and legal basis. The failure to properly at the interstate level of many economic problems — monetary, payment, customs, currency and others — adversely affected the performance of the economies of these countries.

Secondly, the decline in production was not accompanied by a decrease in prices, but on the contrary, by their increase. The combination of these two economic phenomena is called stagflation. This was due to a number of circumstances: a) the state, “patching” the budget, actively used monetary emission; b) the transition to world prices in relation with the republics of the former USSR led to price proportions that were unprofitable for Ukraine: the prices of imported oil and natural gas increased rapidly; c) holding a poorly prepared action on “price liberalization”, as a result of which the state refused to directly regulate prices for most goods, which, however, due to the first two circumstances, as well as the high degree of monopolization of the economy and the absolute predominance of state ownership psychology of managers of state enterprises, led to an explosive rise in prices.

Thirdly, there is the lack of mass bankruptcies of enterprises and the development of mostly hidden forms of unemployment. The absence of bankruptcies was largely due to the fact that at the beginning of the 1990s about 90% of enterprises were state-owned, and the state could not decide for a long

time regarding the principles of financial support for their enterprises, the conditions of their reproduction.

The crisis of the 1990s caused enormous damage to the economy of Ukraine, to the economic well-being of tens of millions of people. Suffice it to say that in 2000 the GDP per capita (at the current rate) was only US\$ 635.7. This indicator turned out to be one of the lowest in Europe (Table 3) and among the post-Soviet countries. Only in Moldova, per capita GDP was lower than in Ukraine. If we compare this figure with the same in the neighboring countries, we can see that in Belorussia it was 2 times higher, in the Russian Federation — 3.3 times higher, and in Poland — 7.1 times higher (World Bank, 2019c).

Table 3: GDP per capita in Ukraine, current US \$

Country	2000	2005	2008
Ukraine	635.7	1828.7	3891
Belarus	1276.6	3125.8	6377.4
Russia Federation	2100.4	5323.5	11635.3
Armenia	622.7	1643.8	4010
Azerbaijan	655.1	1578.4	5574.6
Georgia	734	1530	3174.9
Moldova	407.7	831.2	1696
Poland	4492.7	8021	14001.4

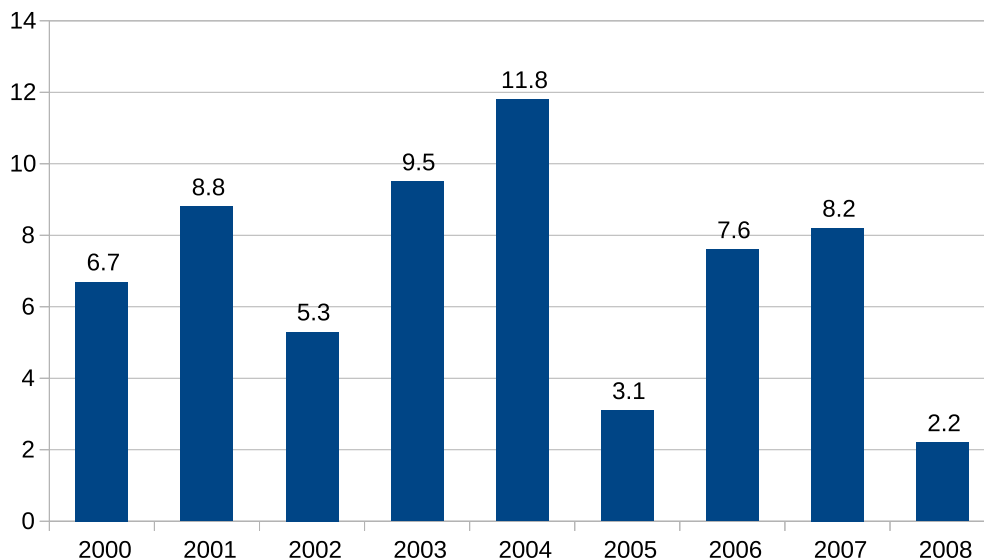
Source: authors based on World Bank (2019c)

The creation of the foundations of a market economy, the carried out privatization, and the stabilization of the monetary system made it possible to achieve fairly high rates of economic growth in the early 2000s (Figure 1). This is especially true for 2000–2004, when the average annual GDP growth rate was 8.4%. In terms of GDP growth in 2004, Ukraine ranked first among the post-socialist countries. As a result, it has somewhat reduced its gap with other countries both in total production and in GDP per capita. In 2005, GDP per capita in Ukraine was 1.7 times lower than in Belorussia, 2.9 times lower than in the Russian Federation and 4.4 times lower than in Poland (State Statistic Service of Ukraine, 2018).

After the change of political power in the country in 2005, the pace of economic dynamics slowed down. The reasons for this were both in the change in domestic policy and in the complication of the situation on world markets. The financial and economic crisis that started in the world in 2008 rejected the economy of Ukraine for many years. If in 2008 the GDP growth rate declined to 2.2%, then next year there was a drop in production by 15.1%. This was the highest rate of decline in GDP in Europe (World Bank, 2019b). It is necessary to pay attention to the following features of this crisis:

1. It was the first cyclical crisis in the Ukrainian economy. If the crisis of the 1990s was caused by the transformation processes associated with the transition from the administrative-command system to the market, then the crisis of 2008-2009 was a phase of a mid-term overproduction crisis.
2. The depth of the economic crisis was caused not only by the great dependence of the Ukrainian economy on foreign markets, but also by the pro-crisis policy of the state in 2005–2008.

Figure 1: GDP growth rates in Ukraine, %

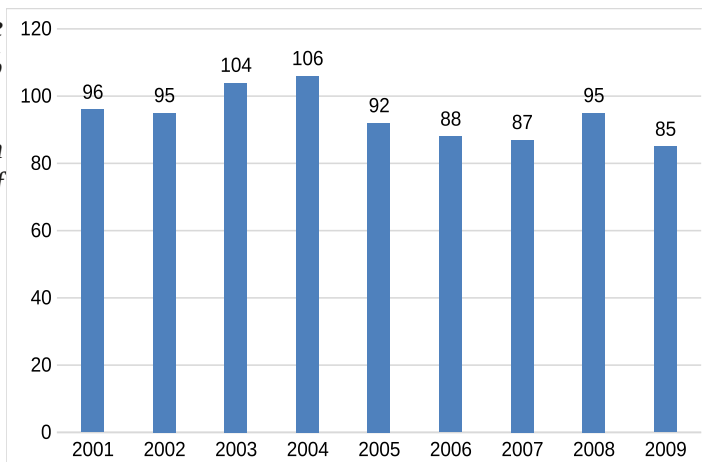


Source: authors based on State Statistic Service of Ukraine (2018)

By 2000, the Ukrainian economy was formed as an open one. The foreign trade turnover (as the sum of exports and imports) was approximately equal to the gross domestic product and even exceeded it. This indicator reached its historical maximum in 2004 (110% of GDP) (Figure 2).

Figure 2: Foreign trade turnover in Ukraine, % of GDP

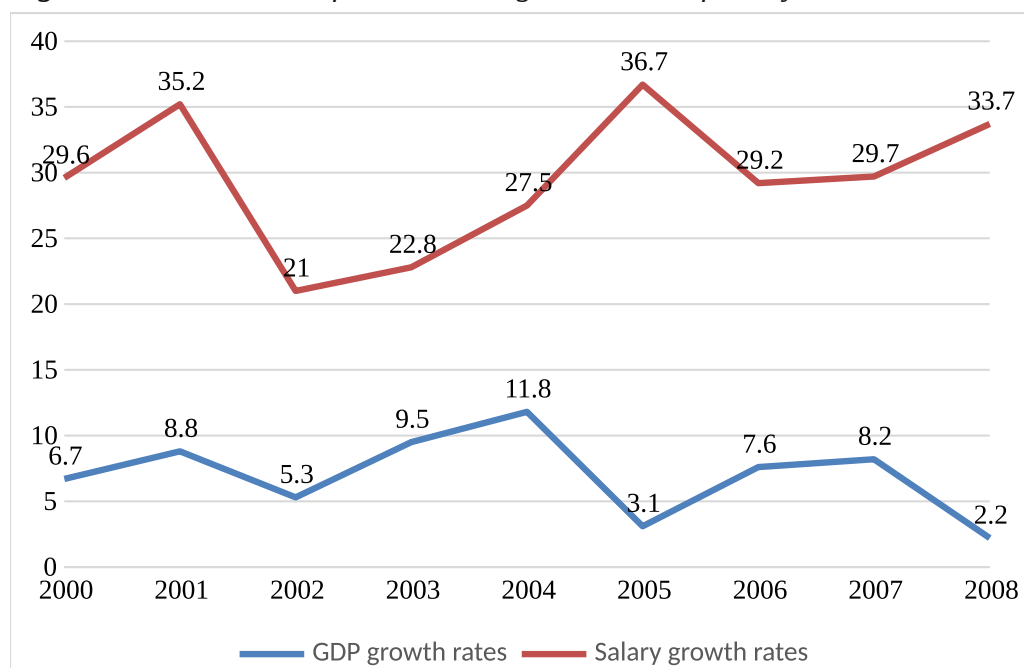
Source: authors based on State Statistic Service of Ukraine (2019c)



However, since 2005, the situation on world markets (especially of commodities as the main item of Ukrainian exports) did not favor Ukraine, which led to a decrease in the share of exports and imports in the country's GDP. The ratio between exports and imports has also deteriorated. And the reasons for this are more internal than external.

Almost all the years in Ukraine, wage growth outpaced GDP growth (Figure 3). And this was one of the causes of inflation. But if in 2001-2004 the nature of changes in GDP and wages coincided (acceleration of GDP growth was accompanied by acceleration of wage growth and vice versa), then since 2005 there has been a complete imbalance in the dynamics of these indicators. This year, the GDP growth rate fell to 3.1% (against 11.8% in 2004), while wages increased by 36.7% against 27.5% in the previous year (State Statistic Service of Ukraine, 2018). Since domestic production did not adequately respond to increased demand, in order to avoid excessive price increases, the government tried to solve the problem by importing.

Figure 3: Growth rates of GDP, % and growth rates of salary in Ukraine, %

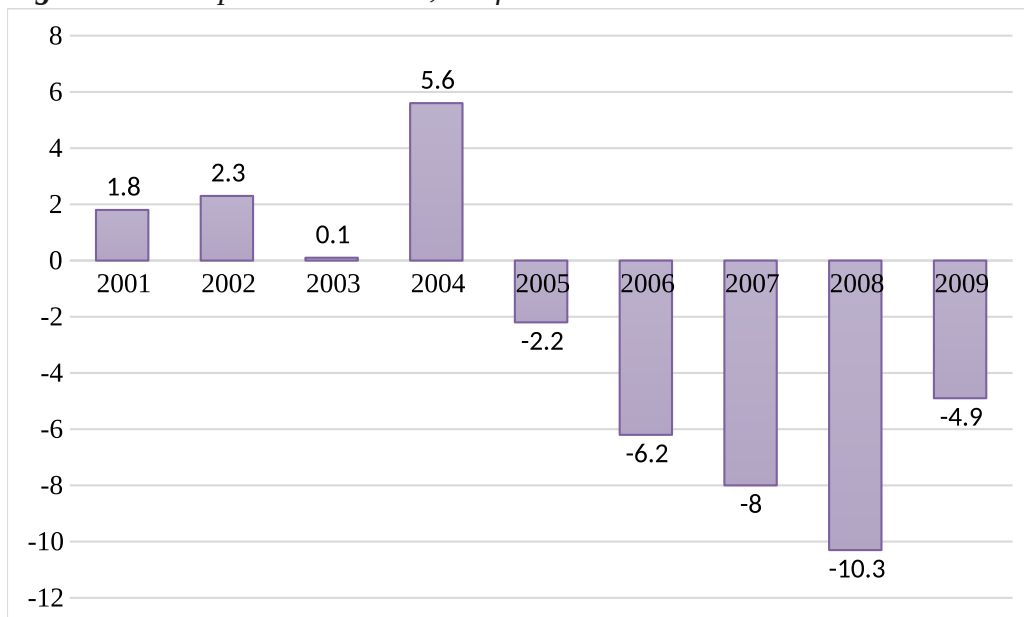


Source: authors based on State Statistic Service of Ukraine (State Statistic Service of Ukraine, 2014, 2018)

The stable positive trade balance (in 2004 it was \$ 7.4 billion) since 2006 has been replaced by the same stable negative balance (Figure 4). By 2008, it reached \$ 7.7 billion (World Bank, 2019a). Stimulating imports, the state, even in the face of a shortage of foreign exchange earnings, sought to strengthen the

national currency. The main instrument of this was currency interventions of the National bank of Ukraine. At first, this led to a reduction in official reserves, and then demanded an increase in foreign borrowing.

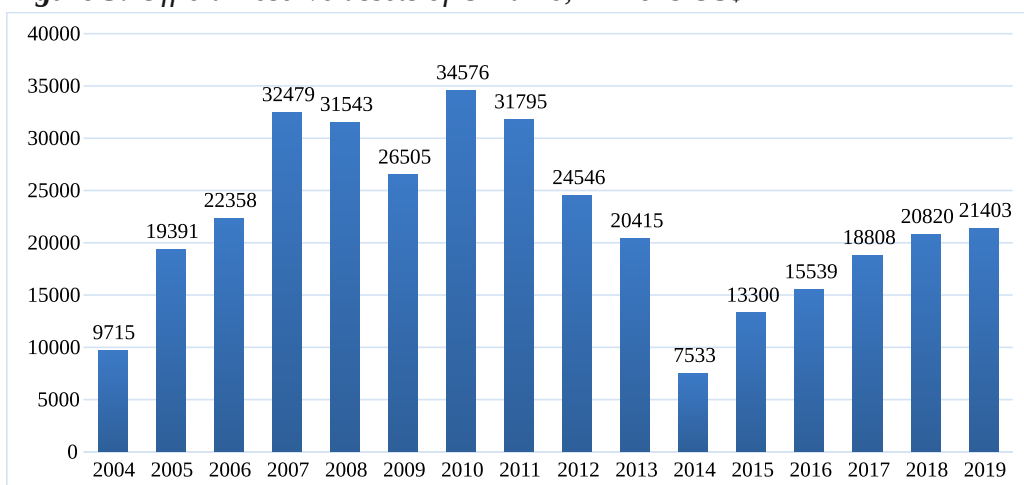
Figure 4: Net exports in Ukraine, % of GDP



Source: authors based on World Bank (2019a)

As Figure 5 shows, the decrease in official reserves was in two waves: 2008–2009 and 2011–2014. The second wave was especially destructive, when the official reserves were reduced to \$7.5 billion, or 4.5 times compared with the maximum figure (2010) (Ministry of Finance of Ukraine, 2019a).

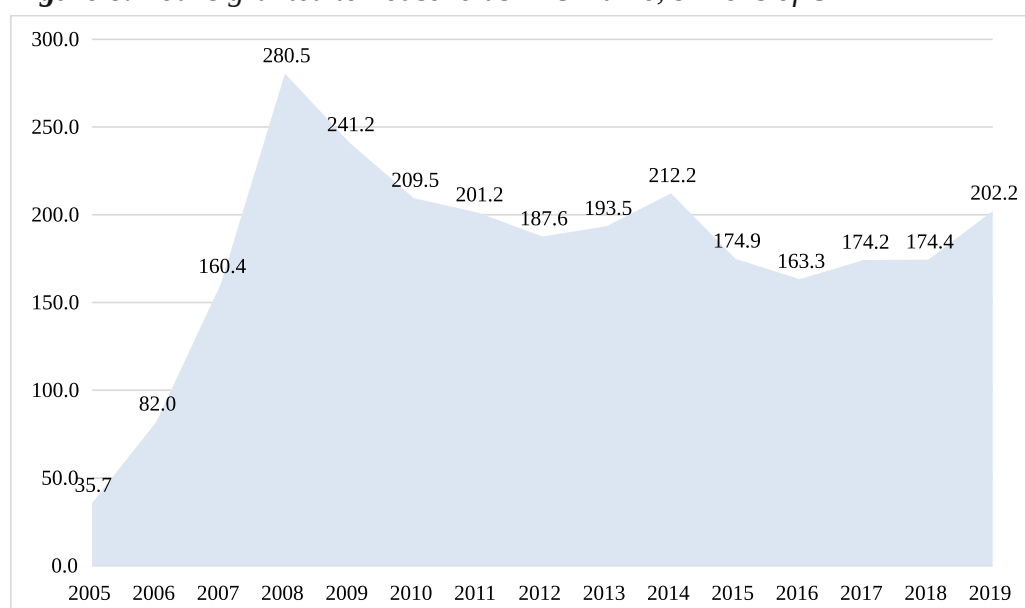
Figure 5: Official reserve assets of Ukraine, millions US\$



Source: authors based on Ministry of Finance of Ukraine (2019a)

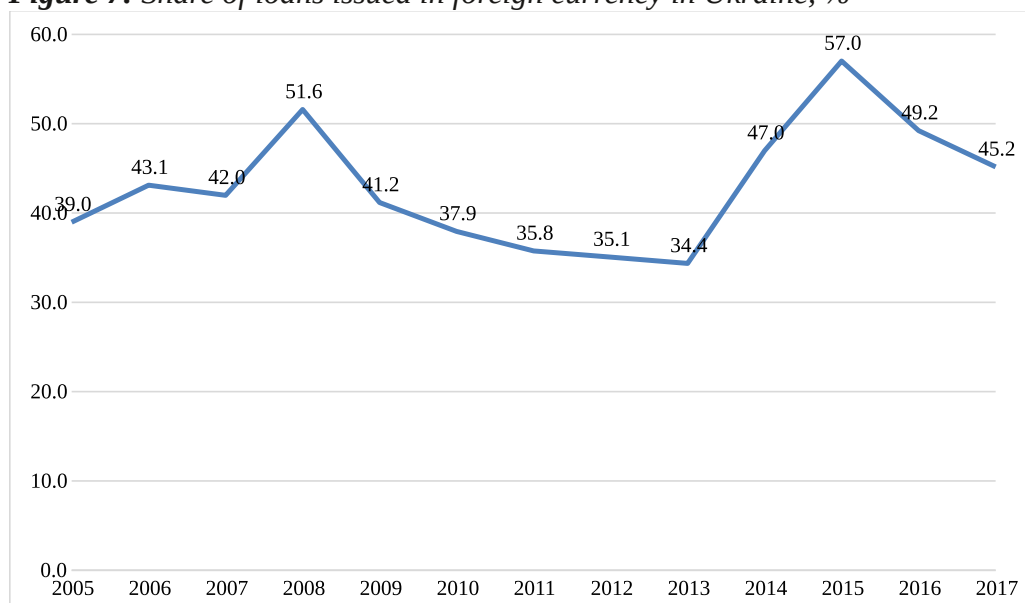
An important role in preparing the prerequisites for the crisis was played by banks. The sharp increase in consumer lending on the eve of the crisis created a huge demand, not supported by real incomes. A “bubble economy” has formed, which gave false impulses for manufacturers. In 2008, loans to households increased by almost 8 times compared with 2005 (Figure 6). Another surge in the activity of household lending (albeit of lesser power) was observed in 2014, which also became a precursor of the economic flock of 2015-2016. In a short time, insurance financing is transformed into speculative, and then into Ponzi-financing (Minsky, 2008), which was one of the reasons for the deep financial and economic crisis.

Figure 6: Loans granted to households in Ukraine, billions of UAH



Source: authors based on CEIC (2018)

The massive issuance of loans, including individuals, in foreign currency was one of the mistakes of that period, which in the following years caused many problems. In 2008, the share of such loans exceeded 50% (Figure 7). With the reduction in foreign exchange earnings in subsequent years, the high demand for foreign currency to repay bank loans contributed to the destabilization of the foreign exchange market. The second wave of issuance of foreign currency loans was in 2014-2015. On the one hand, it was due to the onset of the repayment of a significant part of loans issued in previous years, and on the other hand, a sharp decrease in the hryvnia exchange rate and a corresponding increase in foreign currency loans in hryvnia equivalent.

Figure 7: Share of loans issued in foreign currency in Ukraine, %

Source: authors based on National bank of Ukraine (2017)

If we try to formulate the most current problems of the economic development of Ukraine, they can be expressed in three interrelated provisions: deindustrialization, import dependence, public debt. In the following section, we consider each of them in more detail.

3. Current problems of the economic development of Ukraine

Deindustrialization

The definition “deindustrialization” most often refers to phenomena with a hint of negativity: a reduction in the share of industrial production, a decrease in competitiveness. The causes of deindustrialization are considered as some kind of crisis in society. Examples include the deindustrialization of the German economy in the postwar period or the Chinese economy during the Cultural Revolution. Deindustrialization is considered a temporary phenomenon, a deviation from the normal course of events. It is eliminated by re-industrialization, returning to normal development rails.

At the same time, in recent years, the definition “deindustrialization” has acquired a new, positive meaning. And it is not associated with crises, but with the emergence of a post-industrial society. Indicative in this regard are the articles of Rowthorn (Ramaswamy, Rowthorn, & Rowthorn, 1997, 1998;

Rowthorn & Wells, 1987) who since 1987, have actively promoted the ambiguity of deindustrialization estimates. This is a negative process, if it is associated with economic crises, but positive, if it reflects the movement of society towards post-industrialism.

The reduction of the share (and role) of industry is caused by the restructuring of the economy and by the increase in the share of the service sector. It becomes possible as a result of the success of industrial development, the level of productivity of which allows meeting of the material needs of society at a high level, freeing up all the great resources for the development of the non-production sphere (services). In this sense, deindustrialization can be viewed as a “by-product” of the formation of an information society based on knowledge (“by-product”, since not deindustrialization is the essence of what is happening, but only accompanies it). For use in further reasoning, we can call this type of deindustrialization as constructive.

Deindustrialization in the post-Soviet countries occupies a special place. It began from the 90s of the last century and in some countries lasts nowadays, including Ukraine. The main forms of deindustrialization in Ukraine were in a sharp reduction in the share of industry in the creation of GDP, which is constantly ongoing. If in 2010, 19.1% of GDP was created in industry, then in 2018 – 17.5% (Global Economy, 2019).

Sometimes the increase in the share of the service sector in the Ukrainian economy is assessed as a positive phenomenon, since it corresponds to similar trends in developed countries. This is considered as the first sprouts of the formation of a post-industrial society. However, one can hardly agree with such an opinion. After all, the rapid growth of the service sector in advanced countries is not due to the production sector, but on its basis. The volume of material production can not only meet the basic needs of almost the entire population, but also to ensure a high level of consumption. The level of production in Ukraine can in no way be considered as sufficient for solving at least basic tasks. Therefore, the extremely rapid growth of the non-production sphere (service sector) actually occurs to the detriment of the real sector of the national economy, not only bringing society closer to the post-industrial one, but, on the contrary, discarding it to the pre-industrial stage.

An increase in the share of primary industries due to a decrease in the role of processing industries. With a general decrease in the share of industry in the creation of GDP, the share of the primary industry increased from 5.9% in 2010 to 6.1% in 2018 (UAEITI, 2019). All this indicates a strengthening of the raw-

material nature of the Ukrainian economy. The same conclusion is confirmed when analyzing the structure of exports and imports;

An increase in exports of the share of raw materials and a decrease in the share of processing industries, especially engineering. In 2018, the share of equipment and machinery in exports was 9.9%, while agricultural products 34.5% and non-precious metals — 23.4% (UAEITI, 2019).

The analysis showed that the de-industrialization of the Ukrainian economy has actually been going on for more than 30 years, since it began even when Ukraine was part of the Soviet Union. This is a very long term, which allows us to conclude about its destructive impact not only on the material conditions of production (which, if purposeful work could be restored in a relatively short period), but, most importantly, on the underlying aspects of society's life, its institutions. The values of the population, the target installation behavior have been changed. Deindustrialization has formed a new generation, whose value reference points are poorly compatible with industrial society.

At one time, both primary industrialization and socialist industrialization were accompanied by the formation of adequate values, the main of which are the following:

- respect for the work of an industrial worker. In fact, always industrialization was accompanied by a massive movement of the population from villages to cities. And here, as a rule, it was not without violence. You can recall the experience of England and the experience of the Soviet Union. But most of the immigrants, tragically experiencing the separation from the village and the patriarchal way of life, very quickly got used to the urban conditions associated with more or less guaranteed wages, better living conditions, regulated working conditions, etc. The bulk of the young population associated the prospects of their prosperous life with employment in industry. Everything was subordinated to the formation of this value: higher wages, a preferential attitude in the distribution of intangible goods, ideology, art, etc.

Similarly, in the past 30 years, almost everything has been subject to the destruction of this value. Young people, and the middle generation as well, had a different ideal, another role model. This is the owner of a small but private business, at worst — an employee of a financial institution, at worst – an employee of the trade sector; but, by no means, not working in industry.

Being a result of deindustrialization, the shortage of skilled labor has a reverse destructive effect on industry. Agreeing with the importance of

developing small business, we want to emphasize that it can be successful only if there is a powerful modern industrial production in the country. Otherwise, the country is facing backwardness, a place on the periphery of world progress.

The adherence to the norms of technological and production discipline on the basis of awareness of their role, place in the system of a modern industrial enterprise. Craftsmen and peasants, as a rule, independently made all technological and organizational decisions. Industrialization has minimized such freedom, since the overall success in the division of labor depends on how each participant will perform the production functions assigned to it. It does not mean that the creative component in industrial work disappears altogether. For certain categories of workers, it is the main component. But still, as a mass phenomenon, the following discipline is most characteristic of the industrial stage of development.

Today it is necessary to state that such value is almost destroyed. It was facilitated by a number of circumstances:

- in the conditions of transformation of the administrative-command economy into a market economy, the former system of state control over the observance of technological discipline was destroyed. Having obtained freedom of action, enterprises (both private and state-owned) began to use the deviation from the approved technology not for the purpose of its improvement, but as a means of minimizing costs, including due to the deterioration of the product quality. In the absence of proper control and impunity, violations of technology turned from isolated cases into a system, eliminating the “internal brake” on manufacturers for such violations;
- destructive deindustrialization in the post-Soviet countries coincided with constructive deindustrialization in developed countries. Indeed, under the conditions of the emergence of a post-industrial society, many so-called “remote” workplaces are created, where an employee joins the system of division of labor using modern information technologies. In such situation, he himself largely sets the rhythm of his labor, because not the labor process itself, but its result is included in the unified system. The transfer of this ideology to the post-Soviet deindustrialization only strengthened its destructive nature. The requirement to observe disciplinehe crisis of the 1990s caused enormous damage to the economy of Ukraine, to the economic well-being of tens of millions of people. Suffice it to say that in 2000 the GDP per capita (at the current rate) was only US\$ 635.7. This indicator turned out to be one of the lowest in

Europe (Table 3) and among the post-Soviet countries. Only in Moldova, per capita GDP was lower than in Ukraine. If we compare this figure with the same in the neighboring countries, we can see that in Belorussia it was 2 times higher, in the Russian Federation – 3.3 times higher, and in Poland — 7.1 times higher (World Bank, 2019c). is perceived by many as an encroachment on the freedom of their personality and is no longer accepted as an internal norm of behavior;

- the ideology of extreme liberalism, spread through the mass media, Western culture, etc., also contributed to the destruction of this value. Recognizing the supremacy of individual choice, we only note that this choice is determined primarily by the individual's reference values. If the values are deformed, do not correspond to this stage of development of the country, it is necessary to achieve the desired behavior of individuals not through violence, but through a change in the set of values and the conditions for their manifestation (Zadoia, 2012).

Thus, in contrast to the constructive deindustrialization, the post-Soviet one is destructive. It is not prepared with a sufficient level of development of industrial production capable of meeting the key needs of society. Therefore, it cannot be regarded as a positive trend. We need not just re-industrialization (restoration of the destroyed), but really new industrialization, taking into account the peculiarities of modern economic progress.

Import dependence

Lack of attention to balancing foreign trade often leads to over-dependence of the country on foreign goods. This is the situation that has developed today in Ukraine. According to the data given in Table 4, in 2017 foreign trade turnover (the sum of exports and imports of goods and services) exceeded the total GDP of the country. Slightly more than half of what is produced in the country is exported, as more than half of that consumed is produced outside Ukraine. Such ratios are characteristic only for a small number of countries in the world, since they indicate a significant dependence of a country on foreign markets.

The situation is complicated by the fact that for a long time there is a negative balance of foreign trade. Export and import of goods for Ukraine reached its historical maximum in 2012. In the same year, the excess of imports over exports was the largest for the entire study period.

Table 4: Ukraine's foreign trade in goods and services, billions of US\$

Years	Trade in goods			Trade in services			Sum		
	export	import	balance	export	import	balance	export	import	balance
2010	51.43	60.74	-9.31	11.38	5.40	5.98	62.81	66.14	-3.33
2011	68.39	82.61	-14.22	13.34	6.19	7.15	81.73	88.80	-7.07
2012	68.81	84.65	-15.84	13.12	6.64	6.48	81.93	91.29	-9.36
2013	63.31	76.96	-13.65	14.23	7.52	6.71	77.54	84.48	-6.94
2014	53.90	54.42	-0.52	11.52	6.37	5.15	65.42	60.79	4.63
2015	38.13	37.52	0.61	9.74	5.52	4.22	47.87	43.04	4.83
2016	36.36	39.24	-2.88	9.87	5.33	4.54	46.23	44.57	1.66
2017	43.26	49.61	-6.35	10.71	5.48	5.23	53.97	55.09	-1.12
2018	47.33	57.19	-9.86	11.64	6.31	5.33	58.97	63.50	-4.53

Source: authors based on State Statistic Service of Ukraine (2019b)

The last time the trade balance was significantly positive in 2004 (\$ 2.67 billion), since it was achieved amid growing indicators of exports and imports. In 2014 and 2015 exports and imports were almost equal, however, this was due to the decline in imports at a higher rate than exports: in 2015 exports of goods from Ukraine amounted to 60% of the same figure in 2013, while imports – only 49%. Over the past two years, the tendency to an increase in the negative balance of foreign trade in goods has been again noticeable (State Statistic Service of Ukraine, 2019b).

A slightly different picture is observed in trade in services. There has been a positive balance throughout the years, although it is also possible to talk about the presence of negative trends and threats. Firstly, the balance is gradually decreasing, and secondly, revenues from the export of services can be significantly reduced due to the loss (at least partial) of revenues from the transit of Russian gas (State Statistic Service of Ukraine, 2019b).

Thus, on the basis of the analysis performed, it can be argued that the Ukrainian economy is excessively import-dependent, which negatively affects its current state and poses a threat to subsequent dynamics. This is manifested in the following:

- A significant part of domestic demand is satisfied at the expense of imports, which negatively affects the development of domestic production, aggravates the problem of unemployment and reduces the rate of economic growth;

- Excessive need for foreign currency for the purchase of imported goods with their limited income from exports poses a threat to the stability of the national currency and provokes currency borrowing;
- The dynamics of the Ukrainian economy directly depends on the price dynamics of the main export and import goods. Since they are outside the national influence, it can be argued that the development of a country depends almost entirely on external factors. This is especially dangerous in the face of the expected global financial and economic crisis;
- Since net exports are one of the components of the calculation of GDP by income, its negative value directly reduces the gross domestic product, worsening other macroeconomic indicators.

All of the above can be considered as arguments in favor of developing a national strategy for reducing the country's import dependence. In this regard, the Polish economic model, in which the share of imports in consumption is about 20-25%, allowed this country even in the context of the global financial crisis of 2008–2009 to serve as a specific model for Ukraine and did not allow a decrease in production volumes.

In our opinion, the problem of import dependence should be solved in three interrelated ways:

1. Refusal of non-specific import and replacement with national production;
2. Ensuring the rational use of critical import goods through its comprehensive economy and economic restructuring;
3. The development of domestic production at a faster pace, which will lead to a decrease in the share of imports in GDP and a decrease in the dependence of its dynamics on external factors (Zadoia & Kuschova, 2018).

Public debt

A direct consequence of the problems described above was the accumulation of Ukraine's huge public debt, which constitutes a real threat to its economic development. Over the past 10 years, public and publicly guaranteed debt has increased almost 2 times - from \$ 39.7 billion in 2009 to \$ 74.3 billion in 2018 (Table 5). Generally, debt increased from 2009 to 2013 (by \$ 33.4 billion). In subsequent years, it increased by only \$ 1.2 billion (Ministry of Finance of Ukraine, 2019b).

However, not only the total amount of debt, but also its structure is important for assessing real threats to public debt. The situation for Ukraine is

complicated by the fact that almost 2/3 of the debt is external debt denominated in foreign currency. And until 2013, the share of external debt decreased and almost equal to the share of internal debt; in the last years it has steadily increased and has returned to its previous level (Ministry of Finance of Ukraine, 2019b).

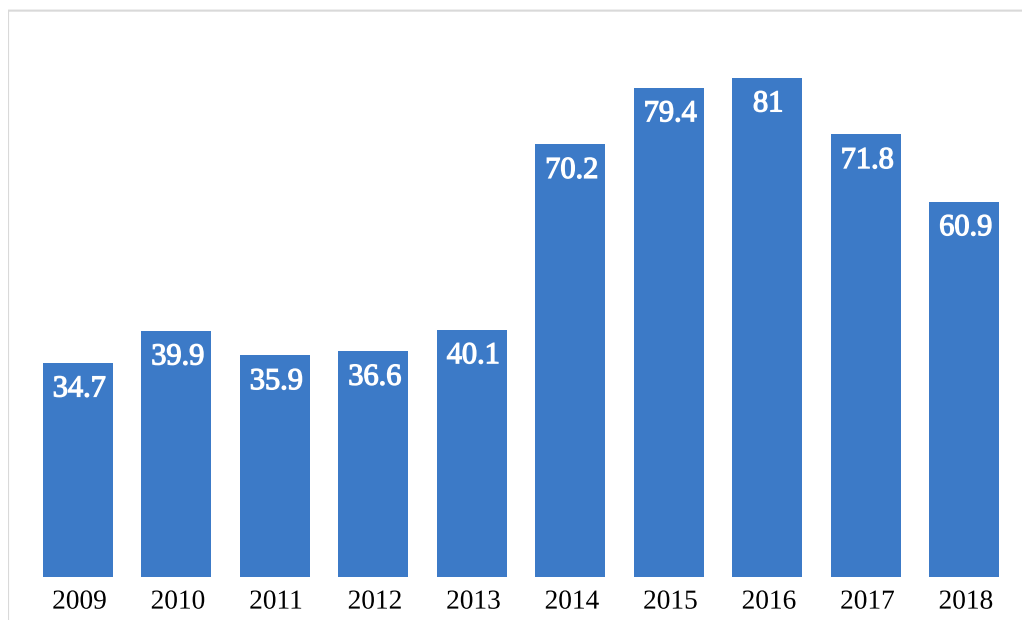
Table 5: State and publicly guaranteed debt of Ukraine, billions of US\$

Years	Total debt (billion dollars)	External debt		Internal debt	
		billion dollars	Percent of total debt	billion dollars	Percent of total debt
2009	39.7	26.5	66.8	13.2	33.2
2010	54.3	34.8	64.1	19.5	35.9
2011	59.2	37.5	63.3	21.7	36.7
2012	64.5	38.7	60.0	25.8	40.0
2013	73.1	37.5	51.3	35.6	48.7
2014	69.8	38.8	55.6	31.0	44.4
2015	65.5	43.4	66.3	22.1	33.7
2016	71.0	45.6	64.2	25.4	35.8
2017	76.3	49.0	64.2	27.3	35.8
2018	74.3	47.2	63.5	27.1	36.5
2019	78.3	50.5	64.5	27.8	35.5

Source: authors based on Ministry of Finance of Ukraine (2019b)

One of the most important indicators, which make it possible to assess the threats of public debt, is its relation to the gross domestic product (Figure 8).

Figure 8: Percentage of state and publicly guaranteed debt in Ukraine's GDP



Source: authors based on Ministry of Finance of Ukraine (2019b)

For Ukraine, a sharp increase in this indicator occurred in 2014. And this is due not to an increase in the absolute size of the debt (it even decreased compared to the previous year), but to the collapse of the national currency and, accordingly, the size of GDP in dollar terms. That year, the debt went over the “red line” - 60% of GDP. This indicator reached its maximum in 2016, when the debt amounted to 81% of GDP. It gave reason to talk about the impending default. Taken in 2017-2018 to accelerate economic development, stabilize the national currency, and repay foreign debt, the indicator under investigation was reduced to 71.8%, but did not solve the problem. Repayment of the public debt of Ukraine in 2019 is planned in the amount of UAH 272.247 billion, including external debt - UAH 121.767 billion. In addition, 145.205 billion UAH will be directed to the servicing of public debt, including 56.44 billion UAH - external debt. According to the state budget for 2019, the public debt of Ukraine should be reduced to 52.2% of GDP (Ministry of Finance of Ukraine, 2019b).

The many-year stagnation of the Ukrainian economy has a very negative effect on the state of social spheres, the most important of which is the education system.

4. Conclusions

Thus, the analysis showed the presence of very complex problems in the Ukrainian economy, which are not only the product of the modern stage of development, but also go back to the 90s. Their solution requires an integrated approach, including the improvement of a development strategy for the next 10-20 years. The proposed solutions are based on a strategy of accelerating the repetition of the path that other countries have already chosen. However, in our opinion, such an approach dooms the country to a rather long stay on the periphery of world development and casts doubt on its realism. The solution should be sought in decision-making aimed at the predominant development of those sectors of the economy in which Ukraine can really be a world leader. Fortunately, the available natural, raw, human and scientific and technical potential allows this to be done. All that is needed is political will, capable of mobilizing the country to an adequate response to modern challenges.

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