

## INDUSTRIAL POLICY REQUIRES UPDATES

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**The well-being of the people is the main goal of the existence of the state.** *"Quidquid delirant / reges, plectuntur Achivi (Lat.). — So that the kings do not do, the [simple] Achaeans suffer"*. In the introduction of his book "The renewal factor: how the best get and keep the competitive edge", R. Waterman draws attention to the following: "In the modern business world, more than in any previous eras, the only constant factor is change. But for some reason, organizations that effectively manage change are not being translated, constantly adapting their hardware services, strategies, systems, products and culture to them in order to survive shocks and turn to their advantage circumstances that undermine their competitiveness. Overcoming the crises tormenting other companies in their industry, each time they become even stronger. These are masters of what I call *updating*" [1, p. 12].

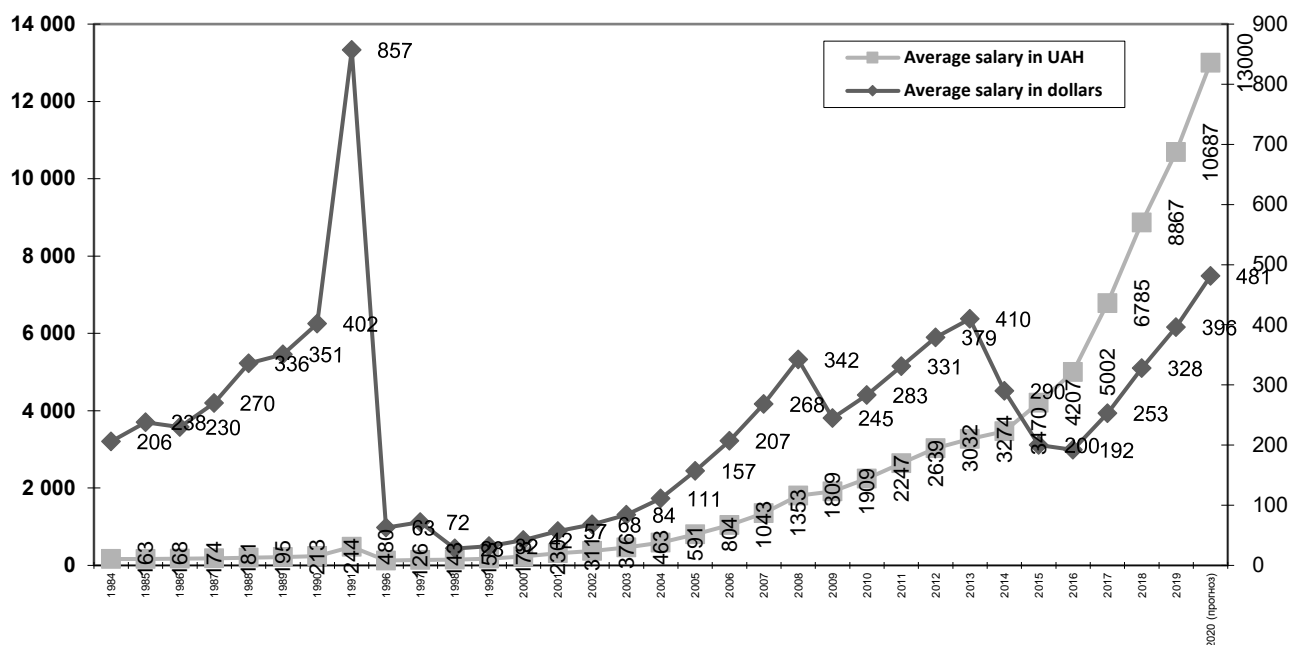
These words concern organizations not only in the form of enterprises. They are fully relevant to the state. One group of states is successful and prosperous for centuries (Great Britain, Germany, France, Belgium, the Netherlands, USA, Switzerland, etc.), the other group is significantly behind in the level of development. In our opinion, the key factors of the long-term success of the state can be represented in the form of a sequence: historical traditions — classical education — developed science — powerful industry — effective economy — quality of life.

Of undoubted interest may be the results of a study on the results of the implementation of strategies for sustainable growth and inclusive development in 13 economies of the world. The report prepared by 19 well-known and experienced leaders from political, governmental, scientific and business circles reveals the causes, effects and internal dynamics of sustainable high growth. The authors emphasize that for sustainable growth "a long-term commitment to the idea on the part of the political leaders of the country, as well as patience, perseverance and pragmatism" are necessary. Among the key factors for maintaining sustainable high growth rates are: strategic integration into the global economy; maintaining macroeconomic stability; high level of savings and investments; resource mobility; commitment to a credible idea and a qualified government [2, p. 21].

The well-known and understandable measure of assessing the quality of life, of course, is the average monthly wage in the country. Its level is traditionally compared with other countries, which makes it possible to judge the state and dynamics of the development of productive forces and production relations. We call this comparison "horizontal". Comparison "vertically" makes it possible to assess the stability of changes in the economic system. The data presented in Fig. 1 indicate a clear instability of the functioning of the Ukrainian economy, which is associated with the influence of a number of factors: the breakdown of traditional trade and economic relations, the loss of sales markets, global financial and economic crises, the redistribution of spheres of influence in the domestic and foreign markets, and inconsistency conducting economic reforms, etc.

People suffer from incompetent actions of the authorities, an ill-conceived system of measures to protect the domestic market, and domestic producers, moreover, not the oligarchs, but the majority of the country's population. If we evaluate the change in the average monthly salary in Ukraine, since 1996 (the introduction of the hryvnia — UAH), it gives the impression of the relative stability of this process. However, it is known that there is a direct dependence of price fluctuations in the commodity market not on the national currency, but on the behavior of the dollar in the foreign exchange market. If on 09/01/2019 the average salary has reached 10687UAH (\$ 396), then it takes time and effort to reach the level of \$ 410 (2013) or \$ 857 (1991). It is appropriate to note if 1990 the salary of a Ukrainian was 4 times less than that of an American, in 1999 — 79 times (!), in 2019 — 25 times. It is also known that the average wage level in Ukraine is the lowest in Europe. According to the World Bank, in the list of countries in terms of GDP growth rates (PPP) between 1990 and 2018, Ukraine ranks last with an indicator of 11%. Ukraine's neighbors in the list are Georgia (71%) and Haiti (115%). Unfortunately, Ukraine in many ratings reflecting the quality of life and economic potential of the country, takes far from the best places.

**Inclusive development of the industrial sector of the economy.** *"Peculium re, non verbis augetur (Lat.). — Ownership is increasing thanks to deeds, not words"*. In the Industrial Development Report 2018, UNIDO Director-General Lee Yoon emphasizes the importance of an inclusive and sustainable industrialization process in addressing such complex but urgently needed tasks as creating jobs, reducing poverty, generating income, expanding international trade, and ensuring general prosperity [4, p. V].



**Fig. 1. The average salary in Ukraine, 1984-2020 in hryvnias (UAH) and US dollars (\$)**

*\*) Source: compiled by the author according to [3, p. 12] and the State Statistics Service of Ukraine*

These tasks are directly related to the problems of development of the industry of Ukraine. We consider this issue not from an analysis of the state of affairs only over the past few years, but over the period of independence of the country.

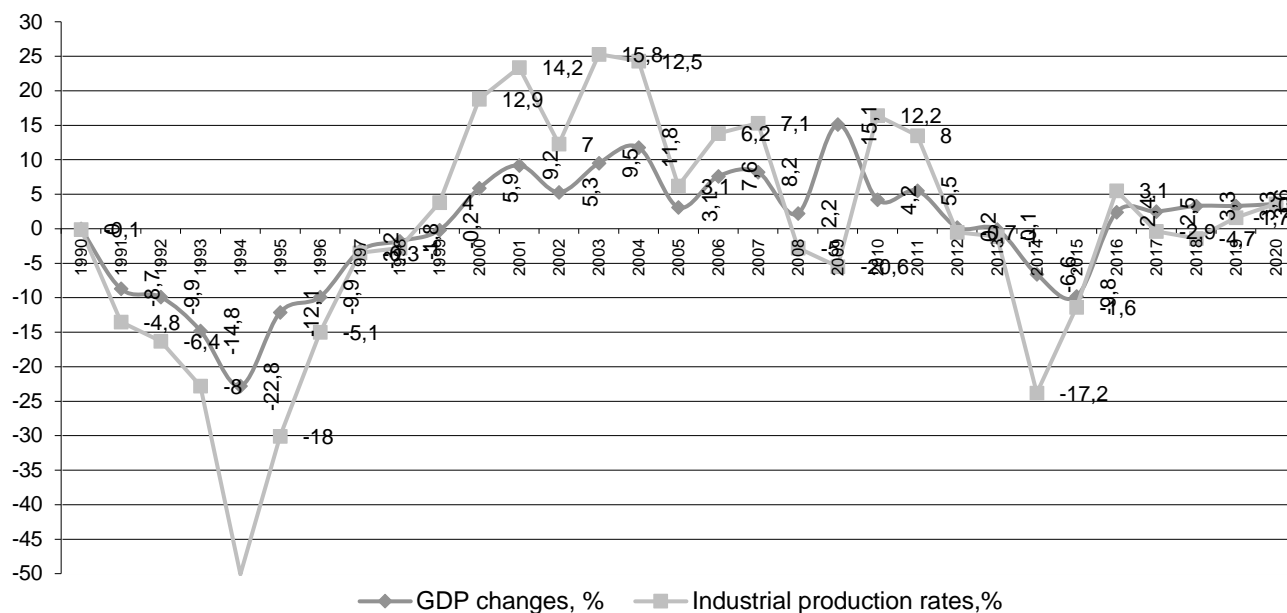
During 1991-2020 the country is witnessing a rapid process of deindustrialization. In 1990 the structure of the Ukrainian economy was as follows: 37% — industry, 29% — trade, transport and services, 25% — agriculture, 9% — construction. At the end of 2018 the structure of gross value added was as follows: 24.8% — industry; 23.9% — wholesale and retail trade, transport, warehousing, postal and courier activities; 11.9% — agriculture, forestry and fisheries; 2.7% — construction; 36.7% — other services. Over three decades, many industries have disappeared, including aircraft and shipbuilding, chemical and oil and gas engineering, etc. Losses in the economy are most felt when studying statistics on the output of the most important types of products, and not in value but in kind. The production of electricity, rolled ferrous metals, automobiles, refrigerators, tractors, cement, fabrics, shoes and other goods decreased from 25 to 90%. “Impressive” is an almost five-fold increase in the production of .. vegetable oil, although this already applies to the agricultural sector. Thus, the country is moving step by step from the category of industrialized economy to the category of agrarian and raw material economy. A confirmation of this is the commodity structure of exports in 2018: agricultural products — 34.5%, low-cost metals and products from them — 23.4%; machines and mechanisms, electrical equipment — 9.9%; mineral products — 9.1%; chemical industry products — 3.8%; wood and wood products — 4.0%; textile materials and textile products — 1.8%.

The instability of the functioning of industry is inextricably linked with the general economic situation in the country, as evidenced by the data presented in Fig. 2. Changes in the level of GDP and industrial production emphasize the vulnerability of the national economy from the impact of a complex of factors on it. The economic potential of the country as of the beginning of 2020 It is only 69% compared to 1990.

The main sectors of the domestic industry are energy (27%), food processing (21%), metallurgy (15%) and mining (11%). Their total contribution to gross value added is 74%. The contribution of engineering is only 6%. In the structure of export from the total volume of output, the products of the following sectors are most in demand among foreign consumers: metallurgy (63.6%), engineering (51.9%), light industry (46, 3%), woodworking (35.8%).

The reduction in recent years in the supply of industrial goods to the foreign market is explained by the presence of a number of unresolved problems: loss of traditional sales markets; production of low value-added products; high dependence on market conditions on world markets, excessive influence of external demand, underdeveloped domestic demand in the domestic market; limited own energy resources; moral and physical

depreciation of fixed assets; high energy intensity of production; lack of an effective enrichment system for low-quality domestic raw materials, etc. [5].



**Fig. 2. Dynamics of GDP and production of industrial products, %, 1990-2020**

\*) Source: compiled by the author according to the State Statistics Service of Ukraine

Common recipes for getting out of a crisis and achieving success are known in many countries (Botswana, Brazil, Vietnam, India, Indonesia, China, Malaysia, Mexico, Korea, Singapore, Japan, etc.). Of course, in each case there are its own peculiarities taking into account availability of production capacities, resources, state of infrastructure, staffing, markets, etc. The decisive factor in the development and successful implementation of industrial policy is the competent support of domestic producers from the state. Dan Xiaoping owns the following statement: "If there are problems in China, then their roots are within the Chinese Communist Party". It is about the role of the ruling party in the state. In Ukraine, a sufficient number of strategies, programs and concepts of industrial development have been developed. The results are known. They are negative. You will not find the word "industry" in the current cabinet of 16 ministries. This concept is present in the name of one of the 27 (!) Departments of the Ministry of Economic Development, Trade and Agriculture of Ukraine: Department of Industrial Policy and Promotion of Regional Development. We hope the comments are superfluous. In such an attitude, it will be difficult for the government to return to Ukraine from a group of developing countries to a group of leaders, where it was until 1991.

**Conclusions.** The key factors for inclusive and sustainable industrial development are the following: commitment to a credible idea, a qualified government led by charismatic personalities; strategic integration into the European and global economies; maintaining political and macroeconomic stability; high level of savings and investments; resource mobility; satisfaction of demand for products of domestic producers, both in the domestic and foreign markets.

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