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SCHOOL OF ECONOMICS OF THE MEMBER OF NATIONAL  
ACADEMY OF SCIENCE OF UKRAINE V. G. FEDORENKO**

## **UKRAINE IN THE GLOBAL ECONOMY**

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The monograph covers the theoretical foundations of the world economy development, international economic relations' forms in the economic aspects of global problems. Special attention is paid to the role of international economic organizations in the multilateral economic community and the regulation of international economic relations. The problem of prospects for the development of globalization in the context of the fourth industrial revolution and its socio-economic consequences was investigated.

The monograph is useful for enterprises and financial institutions, teachers, postgraduates, students, as well as for a wide range of readers who study the problems of globalization of the economy.

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## CONTENT

<b>INTRODUCTION</b>	7
<b>CHAPTER 1 ECONOMIC ASPECTS OF GLOBAL PROBLEMS</b>	14
1.1. Socio-economic essence of global processes	14
1.2. Globalization as a new type of social development	16
1.3. Global problems for today and their classification	51
1.4. The prerequisites for the solution of global problems	57
<b>CHAPTER 2 GLOBAL WORLD TRENDS' IMPACT ON THE UKRAINIAN ECONOMY DEVELOPMENT</b> .....	65
2.1. Ukrainian economy transformation influenced by the world economic crises	65
2.2. Global leadership and effective administration in the conditions of Ukraine's search of a new geopolitical identity	96
2.3. Technological transformation of the economy of Ukraine in conditions of modern global processes	107
2.4. Migranomics: the chance for Ukraine to become a successful country in the XXI century	126
2.5. Regional spatial aspects of globalization in the economy of Ukraine	141
<b>CHAPTER 3 APPRAISAL OF OPPORTUNITIES OF UKRAINE'S INTEGRATION INTO THE WORLD COMMUNITY</b>	160
3.1. Level of Ukraine's globalization as a basis for its integration into the world economy	161
3.2. Influence of the national global competitiveness on the investing appeal of Ukraine	167
3.3. Appraisal of the global competitiveness of Ukraine on a basis of the world economic ratings	176
3.4 Global Innovation Index as an indicator of Ukraine's possibilities for innovational development	183
<b>CHAPTER 4 UKRAINE'S COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS AND THE WORLD TRADE ORGANIZATION</b>	191
4.1. Cooperation with the International Monetary Fund	192
4.2. Cooperation with the International Bank for Reconstruction and Development	195
4.3. Cooperation with the International Finance Corporation	202
4.4. Cooperation with the World Trade Organization	210
<b>CHAPTER 5 IMPLICATION OF THE NATIONAL EXPERIENCE ADVANTAGES OF SOCIAL RESOURCES OF THE ECONOMIC DEVELOPMENT USAGE TO THE GLOBAL WORLD</b>	222
5.1. Internally displaced persons (IDPs) in Ukraine as a source for the economic development of the country	222
5.2. The implication of the innovative volunteering experience of Ukraine in the world practice	233

<b>CHAPTER 6. TRENDS AND PROSPECTS OF GLOBAL PROCESSES DEVELOPMENT</b>	257
6.1. The advanced problems study in global models of the Club of Rome	257
6.2. The global challenges of the fourth industrial revolution	267
<b>What is the European Business Association (EBA)?</b>	284

## INTRODUCTION

Our world has finally yielded to globalization. The size of the planet has narrowed to a small layer, you can get to any country in the world literally in a few days. As a phenomenon, globalization has its advantages and disadvantages, its pros and cons.

Open economy and practice, the instant access of any country to the latest advances in science and technology through free trade are unconditional advantages of human progress. But sometimes new challenges faced by the governments of many countries and peoples of entire continents appear to have too many unknowns, partly due to the novelty, and partly because of the overly complex "mechanics" of economic and social processes.

The processes of globalization have significantly accelerated at the beginning of the third millennium; they envisage the complete unification of the economic, political, social and spiritual life of a planetary society and its state-national models. All these signs take place in Ukraine. In a transformational environment, the need to find effective methods and directions for the establishment of market relations, and the formation of a socially oriented economy is growing significantly in Ukrainian society.

The process of globalization is one of the most urgent problems for today, as it characterizes the state and development of the modern economic system. In today's conditions, the increasing dependence of the national economy on the external factors is observed, especially in the context of reducing trade barriers and increasing access to the world capital markets. These factors contribute to a global approach to doing business. It is the globalization process that has created conditions for reorientation of the companies' national potential from domestic and regional to world markets.

Most researchers point out that the directions of globalization processes for national economies are too complex and controversial. Globalization deepens the specialization and co-operation on a global scale, the international division of labor, which results in increased productivity, in reduced costs (due to the scale effect) and in price optimization. International competition stimulates the development of innovative processes, the latest technologies, including the transfer of technology among the countries of the world.

Ukraine is included in world international relations and projects, which will serve to increase its investment attractiveness for foreign organizations and private investors. An effective state macroeconomic policy should facilitate the acceleration of these processes, which is aimed at creating a favorable investment climate for doing business and protecting property rights. The effectiveness of these processes for the national economy also depends directly on the level of liberalization of its economy, reduction of international trade restrictions and financial capital, labor force and knowledge, and the elimination of corruption.

The research of international rating systems testifies about the spread of processes of economic globalization among the countries of the world. These results allow priority directions for eliminating weaknesses of the national economy to be identified and to develop its strong sides, which will allow not only to raise rating estimations but also to strategically accelerate the growth of the national economy.

The main risks of globalization for the national economies of different countries and Ukraine, including, are manifested in the prevalence of the world's advanced countries; not promoting the development of certain sectors of national economies whose products are replaced by imported supplies; an increase in labor migration and, ultimately, a loss of competitive position on the world market.

The interdependence of national economies, besides the positive effects, also has significant risks, as an economic instability, crisis phenomena in some

countries of the world can have negative global influences and increase the level of instability of many national economies.

These and other problems of the Ukrainian national economy development from the perspective of contemporary global problems are the subject of research by the team of the monograph's authors.

The team of authors expresses its gratitude to the General Director of the European Business Assembly (EBA) prof. John A. Netting (UK), to individual members of the EBA Board of Directors – Anton Savvov (Ukraine), Ivan Savvov (Great Britain) for contributing to the preparation of monograph materials and working with regional partners, which is a permanent interactive platform for international economic, academic and intercultural cooperation with Ukraine.



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Dear Prof. V. Fedorenko,

I am writing to you today to outline my deepest respect for your commitment to the development of science and education in Ukraine. The School of Economics that was founded by yourself in 1999 has shown great success and development over the years. The school's dedication to the promotion of academic research and scientific publication assists in the spread of Ukrainian scientific development throughout the world.

We hope that there will be much continued success for both yourself and your institution and wish you all the best for the future.

Best regards,

J. Netting  
Director General  
Europe Business Assembly



**ДОКТОРУ ВАЛЕНТИНУ ФЕДОРЕНКО**

УРСР, УКРАЇНА, 252053

Шановний Професор В. Федоренко,

Я звертаюся до Вас із глибокою повагою, щоб висловити сьогодні мою вдячність за Вашу прихильність до розвитку науки та освіти в Україні та школи економіки, яку заснували у себе в 1999 році, і які протягом останніх років підтверджують їхній великий успіх та подальший розвиток. Діяльність школи засвідчує відданість розвитку академічних досліджень, а науковий збірник допомагає поширенню наукових здобутків України у світі.

Ми сподіваємося на подальший успіх у співпраці між нашими установами та бажаємо Вам усього найкращого у майбутньому.

**З найщирішими побажаннями,**

*Проф. Джон Неттінг*

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Dated: 20 December, 2016

**To: Prof. Valentyn Fedorenko,**

Doctor of Economics, Honored Scientist of Ukraine Member of the Ukrainian  
cademy of Sciences Member of Club of Rectors of Europe

**Dear Prof. Fedorenko,**

On behalf of the Academic Union Council, the Club of Rectors of Europe and  
the Achievement Forum Organizing Committee (Oxford, UK) let me  
acknowledge your significant contribution to the development of economic  
and investment research as well as education in Ukraine and in Europe. The  
European scientific community appreciates your consistent professional  
activities and reputable educational institution.

As the incumbent member of the Club of Rectors of Europe (CRE) we  
would like to invite you to join the gathering of members and partners at the  
international investment forum - the Achievements Forum 2017 in London,  
UK on the 28th of March. This year the Forum will host the Academic Union  
Oxford Open Session to provide a panel discussion on modern challenge and  
solutions in the field of education for prominent European and regional  
Universities educational institutions, and educational management  
professionals from 45 world countries.

You will be able to represent your education institution to the target  
audience of University rectors and senior faculty, to speak up about  
professional and research activities, programs for international cooperation,  
innovative educational projects, engage new professional connections

We are also pleased to inform you that our editorial department is  
preparing a collection of the economic articles - the 'Socrates Almanac'  
Collection of Scientific Works to be released in the end of March.

I look forward getting your feedback and decision at your earliest  
convenience.

Best regards and greetings from Oxford,

Prof. John Netting,

Director General of the Europe Business Assembly, UK

Дата: 20 грудня 2016 року

Кому: проф. Валентину Федоренку,

доктору економічних наук, заслуженому діячеві науки і техніки України,  
члену Української академії наук, члену Клубу ректорів Європи

**Шановний професор Федоренко,**

Від імені Ради Союзу академічного Клубу ректорів Європи і Оргкомітету Форуму (Оксфорд, Великобританія), дозвольте мені відзначити Ваш значний внесок у розвиток економічних та інвестиційних досліджень, а також в освіту України та Європи. Європейське наукове співтовариство високо оцінює Вашу послідовну професійну діяльність і авторитет навчального закладу.

Ми хочемо запросити Вас, як чинного члена Клубу ректорів Європи (СІЛЕ), 28 березня 2017 року приєднатися до зібрання членів і партнерів міжнародного інвестиційного форуму у м. Лондон, Великобританія. У цьому році відкриття сесії Форуму відбудеться в Оксфордській академічній спільноті, щоб забезпечити дискусію по модерних проблемах і рішеннях в галузі освіти серед відомих європейських і регіональних університетів, навчальних закладів, а також фахівців в галузі освіти управління із 45 країн світу.

Ви зможете представити ваш навчальний заклад для цільової аудиторії університетських ректорів і старших викладачів, щоб розповісти про професійну та науково-дослідницьку діяльність, програми міжнародного співробітництва, інноваційні освітні проекти, встановити нові професійні зв'язки.

Ми також раді повідомити Вас, що наш редакційний відділ готує збірник економічних статей, наукових праць – і "Socrates Almanac" буде випущений у кінці березня.

Я з нетерпінням чекаю, в найближчий зручний для Вас час, на Ваші відгуки і рішення,

З найкращими побажаннями і вітаннями із Оксфорда,

**Професор Джон Неттінг**

Генеральний директор Європейської Бізнес Асамблеї, Великобританія.

## **CHAPTER 1 ECONOMIC ASPECTS OF GLOBAL PROBLEMS**

A significant factor that determines the development of the world economy, the globalization of the world economy. It is based on the increase of interdependencies of national economies and their closer integration. Globalization processes permeate the infrastructure systems (transport networks, communication, Internet, etc.). Increasing the value of the global problems whose solution is possible by combining the efforts of most countries of the world. Significant influence on the globalization processes render scientific and technical progress, primarily in the field of information technology and telecommunications. The concept of globalization is reduced to determining the inevitability of global integration, transition from multiple States to a single world power.

### **1.1 Socio-economic essence of global processes**

*Global studies* is a comprehensive scientific discipline that studies the General objective laws of development of humankind and the world model-driven system synthesis, unity and interaction of three main areas: global ecology, social and economic activity in the epoch of the anthropogenically overwhelmed the Earth .

The characteristic features of the socio-economic, political and cultural development of the world economy in the late XX - early XXI centuries was the growth in international trade and investment, significantly broaden the diversification of world financial markets and labor markets, significant strengthening of the role of TNCs in global economic processes, international competition, its distribution in space of the planet and the international division of labor, the emergence of a system of global management. All this is indicated by the term “globalization”, which was included in the scientific revolution in the 80-ies of XX century.

It is believed that it was first used in 1981, by the American sociologist Dzh. McLean, urging "to bring the question to the historical process of the increasing globalization of social relations and give him the interpretation."

If George. McLean only defined the broad contours of the globalization process, Professor at Harvard business school, Theodore Levitt conducted research on globalization, concerned with the study of the global economy. In the article "Globalization of markets" ("The Globalization of Markets"), which was published in 1983 in the journal "Harvard Business Review", he defined globalization as the convergence of the global markets due to the existence of new forms of enterprises, which are called "global firms". Thanks to this article, the word "globalization" became widespread in Europe and the USA and later spread throughout the world.

In the book, consultant at Harvard business school, the Japanese Kenichi omae, "the World without borders" the concept of globalization is one of the Central places. The author argued that trends in the global economy inevitably lead to the fact that transnational financial-industrial groups more strongly displaced from the world market national Corporation. This is the cause of the inevitable movement that will lead to the internationalization and globalization of the entire system of the global economy and its markets. In other words, the world is on the threshold of a new stage in its civilizational development, and the world economy will be considered in the context of mutual influence of the three power centers (EU, USA, Japan), the so-called "triad", given the dominance of the global economic arena of "global firms".

Hyper-globalists like K. Omae, believe that globalization is a new era, characterised by the increasing influence of firms and markets and to further diminish the role of the state, that is, all processes in the contemporary world mediated by global market space. He argued that the economic sovereignty of individual States has become meaningless, and on the forefront of the world economy face a "global company" and, however stressed that for survival in the face of new forms of rigid competitive struggle in the countries of the Triad,

multinational corporations must have a global vision and act on a global scale. Agree with this statement but the point K. omae became the starting point in discussions on the topic of globalization.

In the economic literature is still missing a unified approach to the definition of globalization. So, experts of the International monetary Fund (IMF) define globalization as "the growing economic interdependence of countries around the world due to the increasing volume and variety of international transactions involving goods, services and international capital flow and also through more rapid and widespread diffusion of technology".

Conceptual approach to globalization, developed by the expert group of the UN development Programme (UNDP) and outlined in the world report on human development in 1997, considers globalization not only in economic and trade aspects but also in the direction of social processes, namely as a process of widening and deepening of international trade flows, flows of Finance and information on the single market, integrated global market, the purpose of which is the liberation of the national and global markets, in the hope that free trade flows, flows of Finance and information will increase human well-being.

We believe that globalization implies a global, comprehensive process of transformation, operation and development of the world economy as an open integral system of information and technological, financial-economic, socio-political, socio-cultural interconnections and interdependencies. This impact that globalization of the world economy is manifested in many phenomena and processes that occur simultaneously and give rise to problems that concern all mankind, called global problems of the present.

Globalization and generated by it issues associated with the transition of the world community from industrial to post-industrial stage of development. This leads to a transition to a qualitatively new state of relations in national economies and the world economy, politics, ecology, caused by the increasing mobility of capital, labour, information and different ideas worldwide. The processes of

globalization are manifested in the growing dependence of the countries of the world community as a result of intensive international movements of goods and services, capital flows, the rapid spread of new technologies. Involvement in globalization processes of world economy a significant number of countries in the world requires joint efforts of governments and international organizations to regulate its development worldwide.

Globalization is influenced by number of factors. Notable among them are technological, the effect of which is manifested in the development of scientific and technological progress, which gave rise to a qualitatively new generation of transport and communications, a revolution in the field of information and telecommunication technologies and the emergence of a single information space with its ability to implement various operations in real-time. The impact of socio-economic factors on global-organization of the economy exists in the form of deepening its internationalization on the basis of transnationalization and regionalization, liberalization of movement of goods and capital, the development of new financial technologies, geo-economic transformations associated with the collapse of the administrative-command economic system and the increasing unification of the world economy on market principles.

Among the political factors of globalization should indicate on the convergence of macroeconomic policies of governments and Central banks of the countries in the world community, the focus of national States on the external relations and geopolitical changes generated by the collapse of the world socialist system. The weakening of the role of tradition and social ties, increase mobility spiritual-emotional communication and the internationalization of education, cultural space relate to cultural and ethical factors of influence on the globalization of the world economy.

The most important socio-economic preconditions of globalization are:

- further internationalisation of national economies, the growing transnationalization and the transformation of a number of countries in the country-system, able to control immense economic zones of the world economy;

- the collapse of the administrative-command system, establishment of market relations on a world scale through the use of unified market mechanisms of functioning and development of the world economy;

- liberalization of trade in goods, services, technology, intellectual property, introduction of a unified regulation of banking and financial transactions, standardization and certification of products and the like.

So, globalization is presented as a multidimensional, multilevel, complex and contradictory process, which plays a crucial role in the formation of the planetary economic organism. The contradictory process of globalization and the development of the world economy, their complexity gives rise to the emergence of global problems. They are universal to the global community, marked saganinopteron scale and more complex content; directly related to the vital interests of all segments of the population countries in the world, a majority or significant group of States; are interrelated and have a significant impact on all spheres of public relations of the countries of the world community; reflect the deepening and increasing complexity of voo-governmental relations; require the use of significant technological, financial, human, intellectual, informational resources, urgent and decisive action on the basis of collective and coordinated action by the countries of the world; can be successfully solved : the creation of conditions adequate model of sustainable development of human civilization.

Global problems have a strong economic aspect. They significantly affect the structure and pace of social reproduction, the dynamics of economic processes, cause the search for effective forms and methods of management.

Thus, the globalization of world economic relations has exacerbated existing global problems and raise new ones, which requires determination of their content.

## **1.2. Globalization as a new type of social development**

At the end of the twentieth century, the world has undergone new changes, which to some extent transformed the social, political, economic and governance system of the world, as a result, the structure of the world order have acquired new features, and the processes of globalization, which is associated with the causes of poverty, environmental crisis and the explosion of international terrorism, were decisive for the destiny of modern humanity.

Globalization in its modern version has led to a “reformatting” of the structure of the modern world, and as a result to adjustments of national systems of governance, change strategies of economic, political and spiritual development that generates a continuous interdependence of the world, which is the basis of its functioning. Growing interdependence unify and standardised conditions and factors of development of individual countries, is an indicator determining the level of sustainability of national States, and hence their capacity to face the challenges of globalization processes, which are today the main criterion of Association States in relevant global or regional structures. To counter such challenges of globalization can only that power that has an active control system, implements its own geopolitical development strategy that maximally preserves its sovereignty, is oriented in global space, and most importantly has the effective mechanisms of influence and even control them.

Despite the fact that the rhetoric of globality used for many centuries, the first issue of globalization (global, to be exact) as a separate scientific problem sounded in the early 60-ies of the XXth century in economic Sciences. Websterscape dictionary 1961 is the first edition, which was conceptually the concept of “globalism” and “globalization”.

In philosophical and methodological context, the issue of globalization clearly overanalyse since the late 80-ies of the XXth century and in the mid 90-ies it has acquired powerful scientific positions, she acquired the status of fashionable

issues. For example, in 1994 only in the United States, there were 34 books that included the term “globalization” and the corresponding generic concepts, and the first of them was daruwallas 1987 To 1999 in the Internet book store has offered has 415 books on globalization [1, p. 194].

At the present stage of world development there are hundreds of different interpretations of globalization that are completely contradictory and vsamoyluk-them, emphasizing the emergence of hermeneutics problem, which is associated with a lack of common understanding of the essence of globalization and its challenges to national communities, their expectations for her, and also forecasting of consequences to which it led.

Globalization is a contradictory process because, on the one hand, it opens new opportunities for discourse between Nations, and on the other exacerbates existing or creates new problems that now define as “challenges”, they are actually forms of acute problems generated by the previous stages in global development not been adequately addressed in the global socio-economy and political practice. Directly, it refers to problems of a General nature that are associated with the emergence of new factors in world development, and which call into question the possibility of a normal functioning of the mechanisms of reproduction of social life, the stability of the system of international relations, the permanence of the world. Naturally, such issues include the environment, development, structure, order and social justice. This also suggests that the threats that arise today, and provide immediate response in the form of action, military-political, economic and cultural nature, but it is unlikely these actions will be able to resist such a process, without creating at the same time, new threats.

If you ignore the root causes inherent in the process of globalization and consider it as a product of the system itself, the system, it will lead eventually to the collapse of public order. To avoid this, each successive model of world development in the context of globalization should be a testimony to the modernization of social management that will be accompanied by transformation,

and then the withering away of the stale elements with the corresponding establishment of a new structural venutres-dark ties.

Globalization can generate new intercultural dialogue, however effective or ineffective it is a matter of a different order. The events of 11 September 2001 have shown a kind of undermining is characteristic of the initial period of the modern history of the concepts of state sovereignty, the geopolitical independence of the world. In the context of growing cultural hegemony of the transnational cultures, which is mostly dominated by American and to a lesser extent, Western European elements, to talk about the development of a unified system of values, which would ensure mutual understanding, and hence efficient interaction between peoples, it is useless. Basically here we are talking about the dominant position of transnational corporate interests against the interests of small States and superpowers.

Modern Varant of globalization has led to a sharp increase in the number of non-state actors in international life, which have fewer financial resources and policy instruments than other governments, but they are able to operate on the territory of a dozen countries, not respecting any international law. This ultimately leads to a lack of a real subject of world politics capable of confronting the challenges of globalization. Evidence of this was the formation of American world leadership, proposed by the ruling elite of the United States in the early 90-ies. In this respect, the United States hoped to receive the status of a single global superpower, which would be able to propose and implement absolute and a positive model of new world development.

In recent years, in terms of the mobility of the world of Ukrainian society, too, has undergone equally significant changes that ultimately led to the formation of beliefs about globalization as a new form of social consciousness, which in a broad sense today substitute for a holistic ideological and political concept of development, which would have separated all the scientific and public-political circles. According to this, there are all grounds to consider it as a new type of social

development that leads to new forms of social organization that predominantly modernizing the traditional model of the functioning of society and the state.

The problem of influence of globalization on the development of the modern world, naturally must begin with clarification of what is meant by the process of globalization, the world as a whole, the process of combining its separate regions, and who actually is the actual subject of globalization, some individuals, groups of people, economic and political structures of the state. This, in particular, associated with the fact that today there is a certain ambiguity in the understanding of the ideas of globalization, on the one hand, and inadequate understanding of global standards of social practices generated by it. The question then arises, in fact, globalization is a social reality, or it is conditional to the ideological fiction, a modern world. It is a recognized fact that today, the globalization process significantly affect all spheres of public life and single out any one of them, which is highly influenced than others, virtually impossible. Consequently, globalization creates a certain imbalance between developed and underdeveloped regions, that by itself excludes the possibility of establishing an effective dialogue between the parties, but also leads to the development process in pursuit, anticipating the so-called " Westernization and nationalization, which eliminates the possibility of a joint search for the establishment of international dialogue, as it is in some respects sarahlamantia. It should be noted that the urgent need for joint action States that would ensure the convergence of the various versions of globalization and the formation of a unifying ideological platform can not start without the agreed institutional arrangements. To elaborate the mechanisms of the necessary institutional framework, more complex than previous organizational forms.

Modern ideological and political system of globalism widely interpreted social-political organizations and groups that actively participate in the processes of globalization. This, in turn, determined the logic of formation of the two main directions, namely, the first, which characterizes the absolute rejection of globalization as an objective and logical point of human history, the phenomenon

migrated from the West and associated with the development of modernization processes, and the second that characterizes the critical attitude towards certain tendencies of development of globalization processes, the methods used by the subjects of these processes, given their directions. Today there is no state that has declared its absolute rejection of the globalization processes, even in the most developed countries it is possible to observe both directions.

The process of globalization sets new requirements to the system of functioning of national systems of public administration that should become efficient and effective in solving complex intercultural conflicts, especially those that arise in the process of harmonization of mechanisms for joint operation of national States in the global space, and, therefore, the harmonization of relations between States and the establishment of effective forms of interaction, which to some extent can contribute to openness and transparency in the sphere of international relations.

Globalization is not only irreversible, but necessary process. Because it is a specific cultural system, which allows you to transfer, *vzaimootnoshenii* knowledge not only between generations but also between peoples. This, in turn, becomes evidence that globalization leads to a kind of national openness, whose main instrument is the solution of the problems, enabling comprehensive communication and comprehensive dependence of one nation from another. Of course, in such environment everything is changing, including the system of social governance, traditional boundaries disappear, completely new forms of relations between peoples.

The basic condition of globalization is the formation of a single political space, which, in turn, should ensure the development of a common political speech, which served as a basis of mutual understanding between world cultures. Without this, the political dialogue of civilizations remains at the level of the nominal constructions, and in any case will not be able to make a real political practice, the effective development of States in the XXI century.

In the context of globalization are increasingly restricted the ability of national States as subjects of international economic and political relations, respectively, which significantly reduced the role and importance of political elites, which to some degree must interpret the essence of certain phenomena which are generated by the processes of globalization. For this it is necessary to deploy a broad discourse with the aim of determining the influence of globalization factors and possible adjustments to the current neo-liberal model of global development according to strategic interests of development of each individual nation. To some extent this will avoid the understanding of globalization as a natural process that leads to increasing inequality, the devastation of indigenous cultures, “the transformation of entire regions and countries in the resource donors”. For this reason quite often draw Parallels between globalization and industrialization, because today is clearly defined – each state needs a comprehensive modernization of all spheres of public life, by engaging and skillful use in the national interest of the resources that are being influenced by processes of globalization.

Analyzing the nature and specificity of the impact of globalization on the development of the modern world should pay attention to the conception of Samuel Huntington, according to which “globalization develops on the background of the universal process of differentiation of local civilizations”. In line with this, it is a “natural process of the universalization of cultural values, prepared by the whole course of human development”. This, in turn, was the basis for the scientist to understand globalization “a new impetus to the dynamic and modern dialogue of civilizations” [2, p. 34].

Today klassificeret three major phases of globalization (which preceded the current form of globalization):

The first stage - the second half of the twentieth century. 1945-1975.

World war II is actually the first global war, which involved all continents. After its completion it created a global international organization - the UN, took place the transformation of the colonial system, as a result, there was a complex

socio-economic problems of development of independent States, turned the process of scientific and technological revolution, there has been the impact of political and economic factors. Approximately the same was expressed in the early 40-ies of V. Vernadsky, predicting thus the emergence of the noosphere as the sphere of mind, the emergence of a fundamentally new factor which affects the development of human civilization [3]. According to this, it can be argued that the first period of forming global processes accounts for the third quarter of the twentieth century.

The second stage 1970-90-ies

There is a transition of the globalization processes in formally defined by the world community stage, when “suddenly” the humanity is facing complex global problems, seeking their resolution, directly in the field of international security, assistance to developing countries in establishing economic and humanitarian cooperation.

The third stage is the end of the 90 - ies of XX century. - the beginning of XXI century.

a number of trends, namely:

a) is achieving the str in the field of Informatics and communications, the rapid development of international contacts (the Internet) has led to the emergence of global community, which created the conventions of national borders, the preservation of closed, authoritarian societies, restrictions on the transfer of knowledge, information, free movement of people becomes almost impossible, entails a threat to national identity and therefore national security;

b) growth of US influence (political, economic, financial, informational, technological), which is used exclusively in the interests of the United States. The position of the US in addressing global problems has become crucial. However, it should be noted that American values and interests do not always coincide with the values and interests of other States;

C) dissemination of threats to the development and existence of Nations and States, caused by the processes of globalization. In General, in several countries of

the world, a concern of ruling elites about the processes of globalization, resulting in allocated specific social groups, scientific-political and socio-economic currents of the anti-globalization movement, which sought to resist such processes. In fact, there was a significant reevaluation of values laid down by the processes of globalization, which actually resulted in a negative impression;

g) the financial crisis of 1997-1999, which thereby confirmed the negative effects of globalization by direct transfer of negative effects from one world to another, and sometimes from one region to another. It questioned the ability of globalization to have a positive impact on the development of the modern world.

In our opinion, it would be appropriate to allocate the fourth phase of globalization, which can be attributed to the time interval since 11 September 2001 - the day radically changed the strategy of geopolitical development of the world, resulting in well established new global challenges - global terrorism, global migration, global political restructuring of the world.

In the context of the integral structuring and restructuring of the modern world and the corresponding search for new priorities of industrial development an important role belongs to the ideology of globalization as the main criterion determining the specificity and features of functioning of public administration systems of transitional societies and sustainable development. Since the end of XX beginning of XXI centuries really changed the formula of the ideological and ideological concepts that prevailed in the public consciousness for a certain time. Given the current situation, there is every reason to believe that Western civilization and culture is experiencing a new peak of ideological revolution, which has cognitive-creative implications and is aimed at developing a unified methodology of social development, the main criterion of which is the idea of globality.

In the early 70-80s of twentieth century scientists resorted to an integrated approach to the contemporary state of the international community, prospects and retrospectives of its development. It was during this period the subjects integrated

world, the emergence of global civilization processes were at an early stage in their development, and it was then developed ideological concepts of globalization and development. However, according to Florena F. and E. Hoffman, “until the end of the twentieth century. most of these ideological concepts, which once claimed to be a universal explanation of the socio-political realities of the contemporary world, forecasts the most likely targets for the development of the global society and the ways of achieving them have been refuted or even forgotten through the conceptual and substantive inconsistency dramatically inconsistency, which mobile is changing [4, p. 371]. This, in turn, gives grounds to say that the ideology of globalization has replaced the “deep ideological crisis of the last century,” which with complete conviction, some scientists have called “the end of conceptualism and class ideologies”, which was generated by a number of socio-political and ideological reasons. Their combination and magnitude indicates that under the conditions of globalization there is an ideological transformation of the development model of the modern world, which is based on system changes base to start on which was based the dominant ideas and ideologies of XIX-XX centuries.

Each type of social development is characterised by its own norms and values that define the specifics of managing them. In the context of globalization, these values and norms are especially important because they become the main factor in the deployment of geopolitical situation and standardization of behavior of subjects of geopolitical space. An important role should belong to the geopolitical normative principles that determine the forms of social movement and ensure institutionalization of the values of social development in the context of globalization. These values should be axolon-mandatory because non-compliance leads to the inability of the state to fit into the world standards of social development, and therefore globalization as a socio-political process would be disastrous for the individual community.

In the context of globalization radically complicated structure of global development, transformirovalsya values and norms of human activity, is changing

the system of interaction between them (global relations), approved the new model of relations between societies, establish new priorities in tackling global systemic problems, and as a result formed a form of social organization, as a global society. Structural elements (the major institutional stakeholders) for the operation of such companies are multinational institutions, international governmental and non-governmental organizations which create their own unallo system of relations. This form of social organization characterizes the advent of the postmodern situation, mobile and open to implementing social innovation projects necessary to ensure the effectiveness of economic, political and social development of modern societies.

Global society characterizes the set of countries and peoples are interconnected through the implementation of common needs and interests. According to the traditional understanding of the society that meets the basic criteria of stability, integrity, self-development and self-organization, the existence of specific values and norms also determines the pattern of behavior of subjects of the global space. This all suggests that today's global society is a form of social organization, which most adequately meets the modern trends of world development, because within it occurs a peculiar form of “Satta” geographical and state borders, so that they break down faster and become more transparent, accelerated dynamics of social development. In that context, considering the global society. Back, understanding them the creation of a network Samoan relations and different social spaces as the birth of the multidimensional fabric of mutual plexuses and responsibilities, which are formed through the respective transnational relations. According to the scientist, these connections and relationships provide “new quality”, but the question remains, why does it generate such incompatibility. This contradiction of the Genesis of social development in the modern world. Beck refers to the formula “newsmap Sanogo relationship,” the dialectical nature of which can only be explained through understanding the modern structure of society, built on the principles of universality [5].

An important issue in the context of understanding global society, as a form of social development in the context of globalization is the direct definition of the role of man in it, after all the changes today are related to the formation of a new social organization should be assessed from the point of view of man's relationship to the global society, as far as she was comfortable in it and how it meets its domestic needs and interests. At the same time, which is extremely important, global society provides, and sometimes impose certain social roles and interests of its subjects according to gender stereotypes and perceptions that it has developed, has formed a new “global horizons of life” and are building a new man and a new style of his behavior, rather it must conform to the specificity of functioning of virtual structures where most of the General rules of conduct becomes part of their identity. This, in turn, emphasizes the collective needs of members of the society in compliance with such rules, because they are a necessary condition for global interaction. This is what is the main principle of the implementation of corporate power in a global society, because there is a question of the development of common norms and moral standards of behavior of subjects of the national society, which, joining in a global society, deliberately lose your institutional autonomy.

Over the last quarter of the twentieth century. in the world development has occurred such processes, which significantly influenced the practice of international information exchange and created the necessary prerequisites for the formation of a global information society. One of the determining factors in the formation and functioning of the society, of course, is globalization. Its penetration into all spheres of public life led to relevant advances in modern civilization (Internet, information technology, genetic engineering), new methods of socio-political regulation of the relationship between man and the environment that witnessed the emergence of entirely new forms of social organization that will be a priority in the twenty-first century.

Global information society at the present stage of its development demonstrates the economic power and unprecedented social potential. According to

experts, it is assumed that mainly the computer revolution will end in the United States and Japan in the beginning of this century, and in Europe by 2030. This will complete the first phase of the information society. In the future an important consequence of the information revolution will be the growth of disunity in the developed countries. In the next decade they completed the formation of an alienated class of persons who will not find application in the field of information management. That is why, during the first half of the XXI century. the Central countries are mainly concentrated on domestic issues, and the extent of their positive impact on the world will certainly decline.

One of the new forms of social organization in modern conditions of globalization is the development of a global mass society, which, in contrast to other historical types of its functioning, is exposed to standardization, Westernization and subject to the objective processes of the “mass” of the principles and technologies of management of social development. Quite interesting in the context of this problem is the concept of mass society K. Mannheim [6], in which it comes from the identification of industrial and mass society. However, to bind the features of formation and functioning of mass society on the understanding of the industrial type of social development's completely wrong, most likely it corresponds to the modern globalzation conditions of development, although this is overwhelmingly a subjective vision of the researcher. Therefore, it is first useful to put the question on the functional component of the global mass society, that is how it is able to actually regulate and supervise the system of social relations in modern conditions.

Considering the specifics of the emergence and functioning of the global mass society must be based on understanding the nature and functions of mass human as the main subject of the formation of a new global space. That is, there is certainly the question the masses are objectively organized nature, they represent certain artificial constructs, absolutely atypical for the new global space. According to this, it is advisable to find out how structured or amorphous is the nature of the

Association and operation. An important problem in this context arises with the identification of belonging to global grassroots (standardized and strictly regulated by the new global environment) space. In turn, this is associated with the fact that in the context of globalization fundamentally changed the forms of human activity, with the onset of the period of mass or rather the so-called “savage fashion on the mass”, people are forced to reconcile their needs, desires, aspirations, feelings and forms of action with others. If you want to survive in the global namespace - you must become a person from the mass, open to all public-political conditions and mental traditions. This, in particular, has focused more E. Durkheim, who argued that “people caught in the crowd (namely, that in a certain form occurs in the context of globalization), agree their feelings and perceptions, so to speak, on the basis of their mental cells” [7, p. 378]. It is actually that in modern conditions of globalization are uncontrolled mechanisms of bringing people that cannot be in no way any form of regulation. And these mechanisms represent a form of collective consciousness that leads to awareness of the needs of integration through the implementation of global solidarity. Under the latter we understand the inner desire of all actors of the global space to achieve equal terms of interaction in the process of solving common problems. Thus, in the framework of the global mass society play an important role the implementation of the principle of solidarity.

Global mass society, thereby also declares the new social norms that are sometimes repressive. And this, in turn, indicates “the probability of malfunctioning of the social structure”, that is, a global mass society allows for the implementation of the repressive functions of the rules, and it thereby explains why the mass as the principle of development and form of social life takes precedence over individuality, because it does not mean that the group (collective) norms of life organization be more effective. Global mass society requires appropriate forms of socialization, that is, to develop appropriate forms of implementation of human rights in the context of globalization. Before mass society as a form of social

organization there is a risk of scale and standardization of development, and therefore its structure largely upon the nature argetina.

An important fact in the functioning of the global mass society is the existence of the underlying system of values, which is the fundamental basis of its operation, naturally such a system of values is ideology. However, in the context of a global mass society, ideology is replaced by the so-called global social myth. The essence of the latter is that the modern world needs to evolve by mass, that is, by applying the same standards of development, and this, in turn, leads to distortions in the direction of liberal utopia. The role of the global social myth in the context of the functioning of the global mass society proves that it turns into a means of formation of mass consciousness. The last ensures the integrity of the global figure of the world where every society is developing a development strategy in the context of globalization, first and foremost, meets the criteria of its own development, and accordingly is a means of building their own world order.

Global mass society, therefore, constitutes one of the forms of social organization, which leads to the equation of the principles of social development, respectively, and also to implement uniform standards of conduct. One of the risks of this phenomenon can be substantial and the crisis of social consciousness, according to which the public will not be ready to accept common standards of life. First of all it is about the role and value base of human activities in a global mass society, she becomes the object empowered functional consumer ideas and strategies suggested by the “other”. Under “other” here refers to a separate state, which has increasingly greater influence certain social groups, strata, which have a high social status and elite.

Extremely interesting in this regard is the position of the American scientist S. Giner, according to which, “in the twenty-first the modern world is faced with two opposing points of view, the first is to ensure that an era of damusavebuli (A. Toffler “Futureshock”), the second shows the trend of globalization of the masses in the modern world (Moscovici “the Age of the crowd”) [8, p. 117]. In turn,

Moscovici believes that “the modern world lives in a mass society where the individual soul are enslaved by the collective” [9, p. 254]. That is why, in his opinion, collective organizing principle of life “can overcome any obstacles, to move mountains or destroy the creations of centuries” due to the fact that “mass is not simply a product of the collapse of the old order, and is the emblem of the civilization of the twentieth century.” [9, p. 257].

So, the global mass society, which fully meets the realities of the modern world, leads to the formation of the “United expert space”. We are talking about creating a unified concept of the world, which involved all actors of the global space and thanks to their expert assessment, they are able to create a new transcendent integrity. The essence of the latter is due to the fact that in the conditions of globalization there is a “design“ of the new States. According to Russian scientist Sergei Markov, this is because “democracy is in fact the concept is transformed into a democratic religion which leads to the collapse of a mass society, thus becoming a kind of political regime” [10].

Of course, in modern conditions of social development occurs in an evolutionary change of forms of social organization, which leads to the emergence of a world order built on the principles of standardization in forms mikemoore interaction. That is why modern globalization processes, on the one hand, gave rise to the phenomenon of mass man, and the last is basically an active subject of development of globalisation processes in the sense that globalization leads primarily to redistribution of the intellectual in the modern world.

As a result of this social transformation brought about by processes of globalization, a new type of social structure and a new form of social organization of people, which are called network society. The theory of network structures today penetrates into all spheres of human activity and in all global development processes (global, regional, economic, cultural, social), and therefore increasingly encourages States to participate actively in international organizations, sometimes

by restrictions of their sovereignty and the mobilization of private development opportunities.

The concept of world order, which is based on a network methodology has several embodiments, namely, on the one hand, it is able to provide some swetsnet, and on the other, it has the potential to cause global anarchy. Therefore, it is quite feasible for most countries in the world today is the question to join or not to join the global network of world development, to accept or not to accept the rules of interaction. The network organization of society is almost always there, but more opportunities for the formation of network relationships emerged in the context of globalization, which has led to the growth of the domestic interconnectivity of the global system, has become an effective catalyst of innovative development of the modern world, adequately responding to its internal and external challenges, and this, in turn, led to the simplification of the process of networking between the actors of the global space.

Globalization in its modern form has led to the emergence of a network world where the subjects networks to recognize themselves as the global integrity of the space, which is open to all forms of interaction not restricted to certain relationships. To survive in the modern world, people and countries must take networking communication, even to face network principles of modern development, they still need to be online. Network is an organisational structure, which characterizes the interaction of a set of objects linked by certain forms of relationships that are based on the interaction between people. The basis of this interaction is the realization of their common interests, regardless of the geopolitical factor. It, thereby, provides the appropriate socio-political and cultural changes in the modern world.

For the first time the notion of the network society was introduced into scientific circulation N. The Castells, a Professor at the University of California (Berkeley, USA) in the book “the rise of the network society”. So, in his opinion, “the network society is a specific form of social structure, which is characterized by

the advent of the information age”, because here “the power of information flows prevails over the flows of power” [11, p. 422]. The main position of the scientist is to ensure that the network society describes the change of methods of production, introduction of production relations of a new type, that leads to a change in social relations. Accordingly, in the framework of the network society, a new form of relationship between state and society, which is based on network principles. To form network relationships and network structure of society.

The network society in conditions of globalization constitutes a fundamentally new form swetsnet, capable of self-organization, restructuring and samoperedelny, and how a certain system it is in a constant state of expansion, because in different degrees and in different ways printa in all companies. On this basis, under the network society, it is advisable to understand structured objective reality, which can be classified according to two levels: horizontal and vertical.

To the horizontal level of the network will include connections between people and separate organizational structures formed within individual nation-States. In fact we are talking about the so-called media-specific structures such as collective enterprises, which refers to a particular person with their tastes, beliefs, ideas, views which to implement their interests of establishing individual forms of communication. However, contemporary globalizing conditions of space are extremely ambiguous, because “on the one hand, the level of a person's mobility allows him to quite easily and quickly navigate in the social space, regardless of the purpose, which it pursues to select the links and means of action, on the other hand, the networks in which she is involved, they themselves dictate a certain way of communication and certain patterns of behavior that it should follow” [12, p. 238].

Refer to the vertical ties, which are based on the interaction of States to realize their common interests and can be classified as a global social context. We are talking about the interstate (transnational) networks (community) that by introducing mechanisms for network organizations create the conditions for the incorporation of different organizational structures in the new global system.

The global network society as a new form of social organization ensures the implementation of the optimal form of a combination of individual and collective, state and national, professional and distinctive way of building new institutional interaction of the subjects of the global space. According to this, the network society in its organizational structure aimed at “future”. So, according to A. Kireeva, “network innovation should be regarded as the frontier - a breakthrough in the future, which is provided by interpretation of reality” [13, p. 43].

Based on the logic of understanding a global networked society as a specific form of social organization, it is advisable to consider the structure of the network society, highlighting its main structural elements, which are determined by the areas of their functioning, forms of activities and the appropriate type of social development. Structural elements of the network society are the individual structures that form their own networks, with the result that, depending on the configuration of the network organization and the status of such structures perform different functions and vested with appropriate powers. This, in turn, suggests that the network society creates new social dynamics, individual development strategy of constituent entities of the global space, which are modified as a result of the process of institutionalization and acquire new forms of activity.

Modern globalization processes resulted in the emergence of new models of historical dynamics that brought about the emergence of a trend of structures and Megatrends that have identified the latest phase of social development, and also resulted in new challenges to models of social organization, which concerns global society of risk. This suggests that globalization as a new type of social development has led to qualitative and quantitative changes in the functioning of forms of social organization associated primarily with the rise and decline of traditional forms of dynamics of social development. Therefore, the global risk society was the embodiment of a new form speakers showed such an integrative schema that describes a new hierarchy of social organization and is a synthesis of responses to the challenges of modern development. It gives reason to consider the global risk

society this form of social organization, which meets the modern challenges of globalization, sets the formats that implement the latest strategies and trends in globalization dynamics.

Globalization as an objective process leads to a global danger. First and foremost, we are talking about “global evolution” of the modern world, which leads to transformation of life horizons of modern man, associated with the “trajectory of new global challenges”. As give rise to global risks, which form the basis for the development of new forms of social organization - a global risk society. Risk is the main and determining factor in the emergence of this social organization. “Risk is a concept that is intended to make the unforeseeable consequences of civilizational decisions foreseeable and controllable” [11, p. 213]. An important problem that arises in this respect, connected with the character of civilizational decisions that create global problems constitute threats to modern human development. In fact, here we are talking about leveling the functional component of the organization social practices, the absence of mechanisms of legitimation of the forms of control over the institutions that lead to the emergence of global threats. After all, the global risk society formed to counter various forms of hazards facing modern man.

Modern conditions of social development is clearly defined global imperatives that violate the traditional mentality of man, his social and political balance, which prevents him from adequately implement its ethics of responsibility for the selection of a single strategy. Based on this, modern humanity must find an adequate response to the challenges of the modern world, and most importantly - “effectively use global processes to protect their pragmatic interests” [14, c. 117]. Here more talking about creating a new project of the world based on assistenzarzt “anticipation and the thrill of risk”, which constantly puts pressure on the man and actors of the global space (because the negative effects of globalization have sachalinobiini character), and this, in turn, encourages her to seek a way out of this situation. An adequate understanding of this situation requires the development of effective forms of protection of global security in terms of the objective effects of

the globalization process. One of the risks of the impact of contemporary globalization is its irreversibility and unpredictability, since it leads primarily to structural transformation, and therefore its impact is always quite threatening.

The main factors of global risk society there are a number of social, political and economic crises that took place in the world in recent years, terrorist acts in the beginning of XXI century. and events aimed at the formation of a new global safe space, with its system of parity values, negotiation, dialogue and compromise. According to Langata, it is also associated with the risk of losing political and legal, ideological and cultural landmarks “in the new world, new risks” [15, p. 76]. As a result, formed the situation of total threats for all without exception have a globally-destructive. Famous German scientist V. Backing which is first introduced into scientific use the term “global risk society” considers it through the prism of such phenomena as terrorism, war, economic globalization, neoliberalism, the state and sovereignty. According to this, they developed a rather interesting classification of risks with the need led to the emergence of a global risk society. These risks scientist include: 1) environmental crises, 2) the global financial crises, 3) the terrorist threat that derive from transnational terrorist networks [16].

In this respect, extremely interesting is the influence of ideas Americanization, which actually leads to the emergence of such a social organization as a global risk society. First of all, we are talking about the formation of the system of transcendental relations between people in the global space. Such a system of relations formed with one goal - to understand the probable risks, which brings a contemporary world, and accordingly to find joint solutions to overcome them. According to Mr. Beck, the emergence of a global risk society is inevitable because “with the speed of technological progress, the modern world is increasing global gap between the language of the alleged risks in which we think and act, and the world of the unknown threats that we create for ourselves” [16, p. 15]. The main risks that form the basis of new social organizations belonging to the “gene technology, human genetics, nano-technology, computers”, which are for the

modern man is unpredictable, uncontrollable consequences, which primarily hinder her life on earth [16, p. 16].

In this respect, scientists are such forms of threats that form the basis of the development of the global risk society the XXI century: ecological, financial crises, terrorist threats. Well-known American scholar H. Galtung to probable risks also include the so-called structured violence, under which he understands “indirect violence associated with the lack of real freedom of the citizens, poverty, misery, repression and lack of democratic norms and standards of social development” [17, p. 217]. One of the main risks for the development of such as now the world in terms of globalization is terrorism. He is one of the risks of the development of modern civilization as a whole, necessarily requires the establishment of appropriate organizational structures which would affect the multipolar balance of power in the world that are fighting terrorism. We are talking about the so-called war against terrorism, which provides an opportunity to develop each national government private behavioral model activities that fit the standards of the globalization of the struggle.

An important condition for the formation of global risk society is also a set of conflicts between national and public splenectomy who acquire higher forms of activity in the conditions of globalization. This shows the deployment trends, which lead to the formation and development of cooperative transnational States,” that, in turn, must “contribute to the resolution of national and ethnic contradictions”, and in line with this, the formation of a new measure of national identity. Fundamentally important is the fact that the resolution of certain contradictions, which constitute the basis for the emergence of a global risk society, require joint historical landmarks, because of this “it is possible to create framework conditions and coordinate in order to bring national decisions and sovereignty claims in accordance with the terms of transnational cooperation” [8, p. 43].

Globalization as the rapid process of formation of global financial and information space leads to a change of the place, role and functions of the national

state, increases the level of requirements to the efficiency of social management, which must conform to the modern type of social development.

Modern processes of globalization lead to a radical change of the positions of nation-States, in accordance with this, an increasing part of their functions, they are passed horizontally (global inter-state and international integration) and vertical (territorial, regional and municipal authorities). In this regard, the question arises whether it will lead to the disappearance in the future of these national institutions, which will acquire the status of a supranational global government bodies, gradually transforming into elements of the world Federation. The result of the implementation of such socio-global trends will be a structured community of peoples interrelated economic and political ties.

National state in the modern world has a decisive influence on the evolution of the system of international relations. At the same time to the national state of an extremely complex issue is the preservation of its sovereignty as an attribute and guarantee of the independence in the context of global interdependence between various countries of the world. The sovereignty of the nation state in the context of globalization is becoming more and more blurred concept, since it leads to interference in its Affairs external actors influence (other countries), mainly in the internal Affairs of nation-States included the international organization of the countries-leaders of geo-political and economic development. In turn, this hinders the interests of national States and leads to a weakening of its economic, political and military potential. Moreover, the impact of the various external actors becomes active if the state has a relatively weak potential.

On this basis, it is extremely difficult to determine the criteria for sovereignty of the nation state in the context of globalization, because, as shown in the report of the world Bank on the development of the state, worldwide more than 207 sovereign States, the level of sovereignty which is fundamentally different between them [18]. The main cause of the differences in the levels of sovereignty between States of unequal conditions of economic development. Based on international

practice, the main factors of strengthening of the sovereignty of a powerful, competitive economy and effective domestic policy, which is based on socio-political unity of the nation. It is the unity of the nation can be a determining criterion of sovereignty of the nation-state. An important role in the transformation of the place and role of the nation state belongs to the influence of transnational corporations (TNCs), which constitute the core of the global economic system. In the context of globalization and the development of TNCs, which is its companion, the preservation of the sovereignty and functions of the national state in the same volume almost impossible. As a result, this amorphous national state becomes a major obstacle in overcoming socio-economic and political problems of the modern world in terms of globalization.

Therefore, in the context of globalization the functions of the national state, which has traditionally had a powerful leverage, trying to go through the TNCs, most of which its economic potential is more powerful than dozens of nation-States. However, an important question that arises in this context is to find out how high the potential of TNCs in terms of functionality, and really whether they can provide competition to the national state. This, in particular, due to the fact that TNCs “have their army, nor the police, nor its political superstructure... their main political trump card - the fragmentation of national States, sacaste compete for the provision of most-favored-nation, ready to sacrifice for the sake of part of their sovereignty” [19, c. 23].

The global problems generated primarily contradictions of social development, in particular the extent of the impact of human activities on their environment and uneven socio-economic and scientific-technological development of countries and regions. Accordingly, they are integrated and comprehensive, that is closely interlinked with regional and national government. Therefore, an effective strategy for addressing the global challenges society brings a new frontier of inter-civilizational development, namely, the level of awareness of the need to unite efforts of all peoples and States. Consequently, the state in the conditions of

globalization not only has to meet the conditions of the social process, but also to take not peculiar to her previously, and she became the political center, which focused on the growing encroachment of the companies. It is in such circumstances formed the objectives, the means of institutional power, carried out its functions.

As a result of various changes, induced by globalization, the degree of social, political, economic, scientific-technical, legal, and informational interdependence of national States has reached a critical point, when it became inevitable three fundamentally new phenomena.

First, the international community “a loose aggregate of more or less interconnected countries is transformed into a coherent political system where national societies” are integral components of a single world political body (the United not only the international division of labour, but also huge on all scales, sometimes the world of political structures, global political system and planetary information network” [12, p. 178]. That is, most national political systems with more or less Autonomous self-governing structures have become the only political plan for a global body. It is worth to point out one paradox which emerges, namely, “the farther countries are moving towards individualization, the more developed the high-tech industry, the denser become the international production and cooperative ties, especially ambiente national state grow into a global political body” [12].

Secondly, in the conditions of globalization, national and world political relations begin to exchange roles. In the past the leading role played by “first”. Thus, the most developed in a particular nation-state period was determined by the nature, forms and mechanisms of international relations, in a certain way forcing other countries and the international community in General, the methods of economic (economic) communication. That is, before internal economic relations were primary and international secondary, as there have always been States kind of role models in other European States. In the conditions of globalization of world economic relations increasingly become leading, defining, at a time when domestic relationships, even in well developed countries should be prostowanie to the

realities of global politics. This suggests that in recent decades the global political processes increasingly begin to dominate, displacing the nation-state. World state is gradually becoming stronger and significant for the nation-state.

Thirdly, globalization objectively leads to erosion and depreciation of the regulatory functions of nation States, which can no longer as before to protect the national economy from undesirable foreign influences. It is certainly not able to regulate those economic, social and cultural processes that went beyond national boundaries, got independence and become unmanageable. International political processes grow out of the “interstate”, more or less effectively addressed in a unilateral, bi - or multilaterally by national States in posgrado, that is global, or almost not amenable to state regulation.

Thus, national States are increasingly losing the possibility of effective use of traditional mechanisms of social regulation. In an increasingly growing interdependence of nation-States, governments must use them with caution on other States, whose interests may be violated. At the same time it is unfair to assume that the nation state as a regulatory framework of domestic and international relations in the past, in our opinion, it will function indefinitely, but not as all-powerful and sovereign Creator of your own destiny of the state, and as a link in the ever more complex multi-tiered mechanism designed to regulate social, ideological, political, economic and spiritual relationship. According to E. Kochetova, the role of the national state in the conditions of globalization, how transformirovalsya that as a result, the most developed of them turn into transnationality “country-systems”, that take into account supranational trends in economic, informational, financial, social, military and other spheres” [20, p. 73]. Moreover, “countries such systems are playing the role of a global entrepreneur by delegating the function of implementation of national strategic interests and aspirations of powerful financial-credit-banking institutions, transnational corporations, consortia, unions” [20, c. 75].

In the context of globalization, the transformation of the role of the state, particularly evident in the developed world, particularly, informational, financial and other processes associated with it, reduce the ability of national governments to control the situation and manage it on their States. Most of the functions previously performed by governments in the context of globalization are moving to transnational corporations, the institutions of civil society. National and international non-governmental organization - human rights, religious, economic and other significantly affect public opinion, policy, development of laws, because they themselves perform the function of social protection and even take part in the activities of the committees and commissions of the United Nations. The state in such circumstances, effectively losing a monopoly on the implementation of state power and government, respectively, lose their ability and authority outside of their States. "Policy management" (or social and humanitarian policy) of individual States cease to be sovereign, being under the strong influence of the situation on the world market. They have fewer opportunities to control the situation in the sphere of international economy, Finance, resulting in uncontrolled information flows, power, so to speak, spreads. However, it should be noted that under certain objective factors the state still has the monopoly on such issues as the maintenance of order, defence, social services, market regulation, maintaining transportation infrastructure, control over natural resources, migration, internal ethnic problems, etc.

In the context of globalization in the middle States, who are at a high level of development, began to increase social stratification, as more independent were representatives of the spheres of transnational business and intellectual production. At the same time accelerated changes in the economy made less stable and predictable position of the traditional middle class, representatives of the "old" industries. Among them began to grow in the mood of uncertainty, of protest, which resulted, in particular, in antiglobalization movement.

In the context of globalization are fundamentally changing the work of government institutions, according to which the fundamental paradigm adopted was, “the people of the state, and the state for the people”. On the basis of this is fundamentally changing place, role and functions (ideological, political, social, economic) of national States, is constantly increasing openness, which is accompanied by a search for new forms of effective cooperation on a global scale in all spheres of public life, which implies the emergence of new power structures, most of the functions of national States are transferred to the transnational corporations where the state is losing its monopoly on the implementation of powers, indicating a possible loss of its absolute position as in the international arena, and on the domestic level.

Globalization as a new type of social development today raises more questions than it answers. For each person on the planet, no matter which national state he represents, what kind of global structures interacting, axial concern is the regularities of the impact of globalization on the development of the modern world, because it leads to the formation of a new geostrategic reality, the approval of new values of coordinates, the qualitative change of the principles and structure of the world, the modernization of social, political, economic and public management systems. Polarization-theoretical constructions of globalization, it casts doubt on the possibility of forming a coherent theoretical vision of the content of globalization, patterns of influence and development prospects of the world in General, which gives grounds to identify globalization with a social myth, which comes to replace the great utopias of the twentieth century.

At the present stage of social development there are new trends that indicate the emergence of a “reverse”, that is, alternative forms of globalization that can take over and reformat the architectonics of the modern world. For modern humanity, it is extremely important question which way it will go if the previous world order will be destroyed and will he be able to find identical alternative to globalization. It is especially important for each national community to be aware of

it is advisable to stick to the traditional version of social development, or to choose the path of adaptation to the new reality. The answer to this question naturally lies in the historical experience and the specificities of the national policy of the state, and most importantly in its ability to offer an alternative form of development that fits its mentality, much less to impose it, if it allows the capacity of the state, this state will be able depositonline itself as a powerful and competitive country in the world.

Today it is obvious that modernization of the world could not be managed by a single vector of development, and this requires the institutionalization of various national and regional value systems, who are fighting for their right to have a global impact. Based on possible to predict the likelihood of such opposite forms of globalization as regionalization, Americanization, sinification and brasilsat that in the near future may determine the geopolitical strategy of the world.

Globalization as a fairly new and not sufficiently studied the phenomenon brings to the world more challenges and dangers than advantages. In terms of deepening and greater distribution of the interdependence and interrelatedness in the world community make significant changes in the vertical structure of power relations is qualitatively changing the content of international political relations is undergoing a transformation and the system of social control. All of this is a result of the emergence and impact of global challenges of social development which impact on national and state government systems in the world.

One of the challenges of globalization to national security is global terrorism, a factor in the geopolitical restructuring of the world, which confirms the reluctance of negotiation, dialogue and compromise in the normalization of bilateral relations. Global terrorism, which is sprayed in the modern world, confronted him with the need for global migration, which led to the confusion of languages and religions, which certainly pose new challenges to social development. As a result of global migration is the atomization of human potential in search of realization of the respective interests. Global migration today is particularly sustainable trends that

reglementary public policy of most countries in the world, according than each national government appears in front of the objective need to develop their own development strategies, based on the trends of the impact of global migration.

Global migration, in turn, leads to global political expansion, which is carried out both by the countries-leaders and countries-outsiders geopolitical development. Such a global political expansion in the near future may lead to total collapse of the system of the world order, because one of the challenges of political expansion is that it is those States and for those States that are leaders in the geo-economic (are the issuers of world currencies) and geopolitical development. The policy of the state that exercises global political expansion characterized by encroachment on the interests of the state by political gain. Thus, for each state it is essential to keep the political balance, which would not allow her to sacrifice its national interests for the service of geopolitical interests of other States.

Today the modern world is developing and functioning at the condition of inclusion in the process of global integration, which is the main criterion, principle and institutional mechanism for its development. Global integration as a means of uniting States promotes effective interaction between them at all institutional levels of society and is based on the implementation of their joint interests. Under the influence of global integration is changing the global structure of the world order, new integrative structures that provide for intensification of development of mankind as a whole. Based on this global integration provides the structural transformation of the modern system of international relations, and most importantly - contributes to the equal distribution of socio-political, economic and cultural potential between States in the conditions of General globalization development.

Modern world is today almost fully convinced that she will always have to be in the same globalization space, which ultimately determined its strategy of active search mechanisms that can effectively resolve the world's development. This new model of world development, aimed at “the extension is against the integration of”

companies of their interests in the world, is the new requirement for the development of Western civilization, which advocates the principles of the Association are not only national States, but also actors of social development in General. It should be noted that the mechanisms of functioning of a particular state in such a globalization depends on its specific historical conditions, type functions, and the structure and composition of the state apparatus and relations between state and society. One of the means of implementation global integration in modern conditions of development of the world is global expansion - spatial expansion of cooperation between the States.

Modernization as one of the options of social development, which leads to the improvement and the accumulation of positive quantitative and qualitative changes in the development of a certain phenomenon (economic, social, demographic, cultural, etc.) that covers the majority of countries can lead the modern transnational world to its full recognition, as a result, it will generate a lot of problems that could provoke a dangerous conflict that will affect the specifics of the policy of national States. Because of the impact of various integration forms the social development of the modern world is undergoing qualitative changes that lead to the transformation of its political system, which causes the global political restructuring that is associated with its transition from a unipolar and a bipolar to a multipolar structure of the world.

A necessary condition for “mitigation” of global political restructuring is the development of effective ways of sustainable development. This is particularly important because globalization naturally leads to a situation of some ngapuhi in the interaction between States, giving rise to a kind of collapse in the geopolitical development that is certainly reflected in the development trends of the modern world and, in particular, on the conditions of its sustainability. This, in turn, opens new possibility of realization of the stabilization criteria for the development of national systems of public administration that is transitional societies, which are most subject to negative influence of modern processes of globalization.

Globalization as a universal form of historical dynamics leads to qualitative and quantitative changes in the functioning of the transitional societies. In line with this, it represents a new conceptual scheme for the development of the modern world with its relevant organizational and hierarchy of values. Transitional society to the greatest degree subject to the challenges of globalization, most of them are not even ready to face them. This inequality of development between States in a special form that is expressive in the context of globalization, in the end, this leads to a geopolitical division of the world into leaders and outsiders of globalization. To overcome this inequality, should be unified rules “geopolitical games” and development of the economic sector for all actors of the global space. This will help to overcome underdevelopment and to develop more competitive position and make action impossible “double” standards development (national and global) so as to ensure appropriate conditions of realization of their own interests, while not impeding the interests of another state. To achieve this, the transitional society in the state, if implemented, the principles of global democracy that will determine the corresponding parity in the implementation of global and national interests in public administration of transitional societies.

One of the forms of development of a society in transition in conditions of globalization is spiraling geopolitical development of mankind as a whole. This form of development scheme which is the most transitional societies, driven by the needs of the formation of the structured economy, the introduction of new forms of innovation, forging global connections, socio-economic, political and spiritual conditions of geo-strategic stability of the world. Spiral development (spiral development) in the context of globalization, on the one hand, means the repetition of certain historical types in the development of the global world, and with another - it is this repetition and provides a structurally-balanced dynamics of the world in General. The necessary optimization of the development of transitional societies is catching-up development, which gives the possibility to overcome retardation of the advanced countries of the world. The growing trend of catch-up development in

the first place is typical for transitional societies, as they are to the greatest extent are in a situation of economic and political inertia, and therefore, to get out of this, they had to resort to strategy development netdown.

The impact of globalization on the functioning of the modern world is characterized by a high level of interdependence and interaction among States. The basis of this interdependency and interaction is the convergence of the value systems that guide the state in choosing its development strategy, shape their attitude to other States. This, in turn, gives the possibility to determine the basic conceptual framework of the Code of relationships, of societies in terms of the effects of globalization. In doing so, States should establish the General value standards to not only use each other for the sake of realization of their own interests and work for ensuring a certain stabilization of the balance in the development of global peace through the creation of such an integration policy, aimed at implementing the interests of its geo-strategic partners. The need for a Code relationship associated with the need to create specific value-normative system, which will allow you to determine what state interests are guided relative to each other in the context of globalization. The fundamental difference in value of such interests naturally leads to strained relations between them, and the intensification of contradictions between the States which have researchi, and in some places approximately identical level of development.

An important consideration for the development of a Code usabout-nosin countries in the context of globalization is the search for new moral norms and standards that constitute the basis of the current global civilization. These norms and standards specify the coordinate system for the conduct and relations of States in the context of globalization. An important issue in the context of the analysis of the conceptual foundations of the code of cooperation is the issue of implementation of global morality as a form of geopolitical control over the observance of certain standards of conduct from the point of view of realization of their absolute values. The code of interaction of States in the context of

globalization can be an effective tool in international relations, if he will place restrictions on their actions and if these actions are contrary to the core values that are held by the state in the context of globalization. Such a code should clearly define what actions should avoid a state to engage in forms of interaction with others that really should the government do and what should ideally be its geopolitical strategy of development and cooperation had a positive and not destructive.

In the context of globalization the world is entering a new reality that requires him to live according to the principles of the “global online” that is, to develop in unison with other States to create a global public policy according to the technology, already approved by the States leaders geopolitical development. As a result of this the total influence of globalization is changing the development world transformation-the modernization changes undergo traditional forms of social organization, which comes to replace the global society, global information society, global mass society, network society (society of network structures) and the society of global risk. In the context of globalization is drastically changing the place, role and functions of the national state, on change which comes global government in the face of transnational corporations. On this basis, is increasingly being discussed model of “global”, “strong” or even “corporate” state. However, the vain aspirations of the majority of scholars is the ideology of globalism, which prove the possibility of substitution of the nation state in the traditional sense of transnational corporations, which are supposed to be spokesmen for the interests of nation-States.

Globalsecure issues, despite its relevance, the degree of elaboration and a high level of readiness of modern science a detailed study over a long period of time will not be able to move from the conceptual to the theoretical and practical justification, and therefore the search of answer to her questions will last until such time as the world entered a new phase in its historical development.

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### **1.3. Global problems for today and their classification**

Among the global problems often appear raw, food, environmental, demographic, energy, the problems of peace and disarmament, poverty and underdevelopment, which are not new to mankind.

With the development of human civilization can arise and already there are new global challenges. Global steel attributed the problem of development and use of ocean resources and Space. their analysis allows to note that they are closely interrelated. Thus, energy and raw material problems relate to the ecological, ecological - demographic, demographic - with food, etc. An important feature of as is not new, and the new problems of development of human civilization is global,

because they affect the vital interests of all States and peoples of the world, are a powerful factor of interdependence and integrity of the world, giving it a new integration lines.

The globalization of the world economy changes priorities in global issues. In 70-80-ies of XX century. the main was considered the problem of preventing a global nuclear war, now a priority, some experts believe the environmental problem, other demographic, and others — the problem of poverty and underdevelopment. However, all these problems can be considered as a priority, because they directly affect the survival of mankind, although born of various factors, and therefore are the objects of study of Sciences such as international Economics, sociology, law, biology, geography, ecology, Oceanography etc.

The aggravation of global problems of human civilization caused by the unsystematic, uncontrolled utilization of natural resources, low technological culture of material production, maximization and not optimization of economic growth, the dominance of a technocratic approach to social, large-scale human civilizations-tion environment, unlimited by the invasion of mankind in the biosphere. Significant reasons for this increase is also the rapid urbanization of the world population, the growth of giant cities and agglomerations, accompanied by a reduction of agricultural land, forests, rapid motorization, the deepening of the contradiction between world economic development and social progress.

A significant number of global problems, their multi-level and multi-dimensional nature need classification.

According to the origin, nature and solution the global problems are classified into several types.

The first group includes problems that arise in the field of interaction between nature and society. These include the reliable provision of humanity with raw materials, energy, food and the like, the rational environmental use and conservation of the environment, rational use of ocean resources, peaceful use of outer space. They are caused by regularities in the development of the world

productive forces, which creates opportunities for the growth of the Mas-Taba of economic activity requires increasing amounts of global production, freshwater use, deforestation, increase-reduce the load on the natural potential of agriculture. It contributes to the satisfaction of human needs in livelihoods, growth of the old industrial needs and the emergence of new.

A characteristic feature of these problems and their development into global is that the consumption of renewable and non-renewable resources has reached huge proportions, fast pace, and really there is a threat of their exhaustion. From 1970 to 1995. XX consumed nearly 35% of all natural resources of the planet, and since the 90s the rate of depletion increased to 3% per year. Regarding the use of energy resources, it is projected that Energogarant will grow rapidly over the next 75 years before reaching the thermal energy barrier, and then will remain at the same level. Under this condition, all the fuel will be exhausted in 130 years [6]. There was a situation when enough acute the contradiction between the needs of society in energy and other nonrenewable natural resources and the capacity of nature to meet these needs of mankind.

The second group of problems is a global problem in the field of public relations, which are related to disarmament, conversion of military production and preservation of peace, prevention of global thermonuclear war, to prevent local, regional and international crises and sustainable peace; overcoming the economic backwardness of some regions and countries of the world.

Among the global problems that now face humanity, gather-ing the world - a pressing problem that requires urgent solutions. Even though the end of the cold war led to the cessation of confrontation between the two antagonistic socio-political systems and removed the urgency and the inevitability of direct threat of destruction of mankind in global war, war has not disappeared from the Arsenal of methods of solving conflicts between countries, Nations, religions. In the last years of the XX century. and in the beginning of the XXI century. increased the number and scope of military conflicts of a local character in relation to the territorial,

ethnic, and religious differences that threaten to turn into regional or global conflicts with a relevant involvement of new members. According to estimates, at the end of 1990-ies of XX century. there were about 50 of conflict where military operations were conducted :• and blood was shed. This, in particular, the conflicts in Iraq, Africa, South East Asia, Afghanistan, the former Yugoslavia, some countries of the CIS.

New threat the existence of mankind was the extension of the “club” of nuclear powers. In 1998 India and Pakistan tested nuclear weapons. To States that implement programs to develop nuclear weapons belonging to South Africa, Israel, Iran, North Korea and potentially nuclear powers are Japan, Taiwan, Brazil, Argentina.

The third group are the global problems in the field of human development and ensure its future existence. They cover the problems of the adaptation of man to the conditions of the natural and social environment, which changes dynamically under the influence of scientific and technological revolution, to overcome such serious diseases as cancer, AIDS, cardiovascular diseases, various epidemics; cultural and moral problem of the loss of individual confidence in social institutions, instability of the family and weak-tion of generations; the fight against international crime, drug trafficking, human trafficking, terrorism; problems of democratization ; the protection of human rights.

Global problems of human civilization development differ sagaminopteron character associated with providing the necessities of life for the peoples of all countries irrespective of their social system, level of socioeconomic development, geographical location and can be solved by cooperation and collaboration of all States, their unresolved risks for the future of our civilization. For example, the technological revolution has led to an unprecedented development of the means of human destruction, national wealth, military and arms race.

During the twentieth century. world military spending rose by more than ZO times. If the period between the two world wars military expenditures of humanity

was between 20 and 22 billion. The United States annually, but now this amount is re-exceeds \$ 1 trillion. \$ .

Military-industrial activity, according to estimates of UN experts, is-Hristovu the work of nearly 50 million people, and in military research and Rennie new weapons employed from 400 to 500 thousand persons. these costs account for 2/5 of all spending on science [7]. The economic aspect of the arms race lies in its negative impact on the value of the national wealth, standard of living of the population. Negative socio-economic consequences of the maintenance of modern armed forces, ensuring their needs are manifested in the strengthening of disproportions in the structure of the global economy, exacerbate other global challenges. So, the arms race is accompanied by the annual expenditure in the amount of \$ 800 million., which could be used to solve environmental and food problems, overcoming of backwardness of developing countries [6].

The emergence of environmental problems is associated with high rates of technological progress, which increases the impact of humanity on the okra-another world. Acceleration of development of productive forces of human civilization has given a person a new means of influencing nature. At the same time, NTR not only spawned new relationships between man and nature, but also led to new conflicts in the implementation of these relations.

So, for 1 min. on the planet and destroy 20 hectares of forest, and every year the forests are shrinking by 0.5%, which equals the disappearance of forests throughout Norway. There is a disappearance of natural rivers, turning into desert the fertile lands, the creation of artificial reservoirs, excessive of is-tion of harmful chemical fertilizers, pollution of the atmosphere. Consequently, the content of carbon dioxide in the air increases annually by 0.5%, and from 1960 to 1995, its emissions have increased three times. Almost 80% of all human diseases associated with the consumption of contaminated water. As a result of environmental crisis, Ukraine annually loses 15-20% of GDP, or 15 billion rubles (in 1990 prices).

Losses from the accident at Chernobyl until 2000 was approximately 130 billion rubles (in 1990 prices) excluding the losses associated with human disease [6].

These phenomena adversely affect the flora and fauna of the Earth. It is projected that in the next 20 years could disappear 1/5 of all existing species of plants and animals. Significant threat to the existence of the gene pool of fauna and flora exist in our state due to the high level of undeveloped land. Area natural Foundation, where prohibited or restricted business activities in Ukraine amounts to only 2 percent of the territory, whereas in the United States - 7.8%, Canada 4.5%, Japan - 5.6%, Norway 12%. Now in Ukraine the threat of destruction is 531 species of wild plants and fungi 380 wild animals [7].

In the most complex global problems is the issue of socio-economic backwardness of developing countries. The latest in socio-economic terms, generated by the unjust nature of the relationship between them and the developed countries in ned-lekoa past, when their resources were ruthlessly exploited, and Naoko-lonelily policy in the current environment, in particular the “policy of cheap raw materials”. The latter depletes the economy of developing countries. If 20 years ago for the purchase of one tractor, the developing countries had to sell about 11 tons of sugar, at the end of 90- 150 t [6].

So, global problems are quite diverse in their content, their development is contradictory and multidimensional. At the same time, they have a number of common specific features that makes them stand out against other problems of the world economy. The specificity of global problems is the presence of a number of inherent features in common.

1) each of these problems and all together play an important role in the future of humanity. Therefore, the delay in the decision will lead to the degradation of living conditions and production activities on the planet, which poses a mortal danger to the existence of human civilization;

2) processes and phenomena of global problems manifested in the deepening and increasing complexity of world economic relations, the internationalization of other social processes on the Ground;

3) the solution to these problems is only possible under condition of Association of efforts of all States and peoples.

To find basic ways and means of solving global problems - this means to provide conditions for the survival of all peoples and further economic and social development of human civilization.

#### **1.4. The prerequisites for the solution of global problems**

The necessity of finding solutions to the global problems generated by those real threats that the world community has faced. Their dangerous nature for the continued existence of humanity and the search for solutions leads to two conclusions.

First, if the current development trends of the global problems will continue, then during this century humanity will approach the limits of their economic growth. The consequence of the latter will be a significant reduction in both the population and the material goods and services. On the other hand, the world economy and international economic relations acquired such a nature that it is possible to change the current trend of economic growth, stabilize economic and environmental condition of humanity and to maintain it in the future. The global balance of humanity can deliberately be designed to minimize Negative consequences of his existence on Earth. In this regard, it should outline the main ways of solving global problems.

Solutions to such global problems of the first group, environmental, fuel, energy and raw materials associated with the rapid development and use of major types of renewable energy (solar, wind, ocean and hydropower of rivers); structural

changes in the use of existing non-renewable energy: increase of share of coal in the energy balance of the national economy and reduce gas and oil, because the supplies on the planet is much less, and their value to the chemical industry a lot more.

Among other solutions to these problems are appropriate development of all countries of the world set of specific measures to comply with environmental standards. We are talking about standards of purity of air, water, rational energy consumption, improving the efficiency of energy systems; it is also necessary the study of the reserves of all resources in the countries of the world using the latest achievements of scientific and technological revolution; expansion in the countries that develop, own syrevo-processing industry; halting deforestation, especially tropical ones, promoting sustainable forest management; the formation of ecological world Outlook that would create an opportunity for consideration of all economic, political, legal, social, ideological, national, regional, personnel issues both within individual countries and at the international level from the standpoint of solving ecological problems of humanity, all the environmental problems, priority over others. A positive impact on solving environmental problems would be a comprehensive legislation on the protection of the environment, including on waste, the carrying out of research works in this area, dissemination of best practices for the conservation of the natural environment, as well as the signing of treaties and agreements aimed at solving these problems. Some steps in this direction have already been made. In the period from 1992 to 2002, member countries of the UN signed a number of treaties and agreements that can and should create the basis for long-term global solutions. Three treaties resulted from the so-called "Environmental conference in Rio" - on issues of climate change, biodiversity and desertification.

Positive effect on the solution energy and raw material problems of saving of energy and material resources.

The global nature of the problem of saving material and energy resources requires the implementation of various activities both at the national and international levels. Most important among them is the exchange of information, scientific and technical cooperation, fostering the exchange of new energy - materials array equipment and technologies. This would have a positive influence on the use of energy and raw materials. In the same direction would affect the solution of raw materials and energy problems of elimination of those reasons that cause them. Notable among them are the following:

- providing national economies with fuel and raw materials is carried out mainly through their export;

- there is a constant violation of the foreign trade commodity relations, what constitutes the basic contradiction of commodity problems;

the instability of supply and demand, the availability of periods of excess and shortage of raw materials, an abrupt fluctuation in world prices;

- differences between countries in respect of exports and imports of raw materials.

Raw materials and energy problems are particularly acute for Ukraine.

First of all it concerns the supply of oil, gas, coal, wood, non-ferrous metals. On the other hand, the Ukrainian production is too energy - and material-intensive. So, for \$ 1. GDP in Ukraine consumed electricity four times, and the metal two times more than the average in Western European countries.

The tendency to growth of volumes of resources are diverted to vis-Covey needs, which leads to the aggravation of the economic and social problems in many countries, their negative impact on the development of civil production and of the lives of the people requires finding ways to reduce wish costs, especially in countries where nearly 80 percent of the population of the planet. Among them the demilitarization of the economies of the world, that is, the disarming and dismantling of military industries. Because militarized industries make up the military-industrial complex of the national economy, the demilitarization of the

defense industry is the conversion of its enterprises. It involves a change in the proportions of distribution of financial, human and material resources between the civilian and military spheres, the transition to the process of disarmament of military production and other military activities on the production of goods and provision of services to meet the needs of the population.

In economically developed countries and in the CIS countries actively in the process of conversion of the defense industry, which had been hoped for in connection with well explanation of a significant amount of production capacity, material resources and labour. Actually the conversion was a matter, which requires a significant investment in the economic aspect (conversion of complex and specific equipment) and social (mass reduction RA-Botnikov of defense industries and the armed forces). Estimates of experts indicate that the initial cost of conversion exceed the costs of the arms race. Under these conditions, the peoples of all countries should work together and organized to pursue nuclear disarmament, greatly reduce military spending, to overcome inter-ethnic and intra-national military conference-icti.

Complex is a complex of problems that arises in the development of man and society, which significantly affect the biological and social aspects of reproduction of not only labor, but also the human population at all.

Among them - the eradication of poverty, hunger, disease, unemployment and illiteracy, which cover large areas of the modern world. Now the world is more hungry people than ever in human history. Poverty, impoverishment, unemployment, socio-economic backwardness are characteristic first of all for developing countries where lives almost 2/3 population of a planet, which gives reason that global challenge attributed to the problems of overcoming underdevelopment in these countries.

Significant poverty and socio-economic backwardness of developing countries cast doubt on the ability to talk about normal development and progress

of the world community when the majority of the inhabitants of the planet appeared below the existence.

The main solutions to global problems in developing countries are the following:

- implementation of a system of measures aimed at ensuring rapid socio-economic development of these countries in scientific, technical and socio-economic spheres;

- the formation of a new world order that would guarantee real assistance to developing countries in solving their problems;

significant transformations in the world economy the pricing mechanism on natural resources by avoiding their definition of giant TNCs that control the natural resources of countries that develop;

- increase of production of finished products of these countries, which would even under the current situation on the global market to significantly increase export revenues;

- provision of economically developed countries to developing countries, significant financial, human, technical and intellectual resources for the exploration and development of natural resources, their processing, transportation and marketing for transformed prices to increase foreign exchange earnings, establishing their economic sovereignty over these resources. These funds will be directed to intensive development of agriculture, to overcome its unsustainable monoculture. To this end, in 2000 the member countries of the UN adopted the “development for the new Millennium”, 2002 - “The Monterrey consensus”, which sets out specific efforts threefold increase in aid to the poorest regions of the world to ensure the international goal of raising foreign aid to 0.7% of the aggregate GNP of the rich countries;

- the implementation of progressive agrarian reforms in agriculture in these countries and the elimination of neo-colonial forms of management in this industry.

The main way to overcome global problems of the world economy is international cooperation between the countries of the world co-society on the basis of new approaches and practical measures that address the integrity of the world in which to develop a modern civilization.

The contradictions between the countries of the world cooperation generates regional and interregional conflicts with the use of weapons, confronts mankind with the problem, which has a crucial importance: to overcome the political and military-political contradictions and conflicts for the successful solution of global problems with the aim of preserving peace in the world. One means to solve the latter is the formation and assimilation of the foundations of the new political thinking in the relations between the countries of the world.

**New political thinking** *marks the awareness of the importance and immediate solutions to global problems, including the development of an effective system of international procedures and mechanisms in order to ensure the preservation and development of human civilization as a whole.*

Global problems of humanity impossible to solve simultaneously the efforts of individual countries. Therefore, the need for a unified international mechanism of their decision and regulation, resource mobilization all countries of the world, determining the international legal and economic norms of this regulation. Regarding the latter, a significant number of politicians and experts agree that the existing policy of regulation of processes of globalization and rocks groom them does not meet the requirements of the new political thinking.

Manifestations of this mismatch are:

- the growing gap between developed countries and developing countries;
- reduction of specific weight (in comparison with the level of income) assistance to economically developed countries to developing countries;
- the tendency of increasing of the requirements regarding the emigration of the population in economically developed countries and the increase of illegal immigration;

- the spread of protectionism in relation to goods produced in economically developed countries, and the establishment of various barriers to goods from other countries;

- increasing gap between developing countries the opportunity to borrow and use the latest technology in production;

- significant negative impact of financial crises on developing countries;

- mass demonstrations of anti-globalists;

- growth of xenophobia, nationalism, racism and trends in opposition to religious fundamentalism and liberal democratic ideals and institutions.

Its role in the regulation of these processes and in addressing global challenges needs to play UN, IMF, WTO, regional and sectoral organizations that have extensive experience coordinating international efforts, use of resources, regulation of international economic relations.

To solve global problems humanity has sufficient technical, scientific and material achievements, gained the appropriate forms. Among the latter should be called the international Commission on environment and development, which develops programs.-increasing the quality of the natural environment and the overall ecological status. This Commission and several other international organizations define the criteria of environmental safety, develop short-term and long-term programmes of environmental protection.

An important role in the protection of the environment belongs to the regional-national cooperation. So, in the EU documents repeatedly pacres-luwalira the need for the development of a regional strategy in this field and rational use of natural resources in the European region, which today is the most critical in environmental terms.

In addressing the demographic problems of the significant role played by the fifth UN world conference on population, held in Cairo in 1994. It adopted a Programme of action for the formulation of policy in population worldwide for the period up to 2015, It contains provisions on population, growth and structure of

international migration, education, and identify ways of cooperation in solving demographic problems.

Resources and solutions to global challenges in the current environment are:

- official aid from the developed countries to developing countries;

- foreign private investment;

- the use of economic levers of management of environmental quality, in particular subsidies for the production of environmentally friendly products, for the performance of public environmental projects, environmental payments for all kinds of environmental pollution, payments for conservation and improved environmental outcomes, or discriminate preferential credit, taxation and pricing, environmental insurance, etc.;

- Association of efforts of all countries to solve global problems;

the increase in expenditures of the States of the world community on overcoming primarily the environmental crisis;

- the establishment by the countries who caused the most damage to the planet, a kind of Foundation for ecological security to eliminate the most alarming environment hazards;

- strengthening the responsibility of the world community for the preservation of nature;

by stimulating the production of these sample units techniques that would not harm the environment, provided the savings of all energy resources.

The complexity of the solution of global problems of modernity does not mean that the world community is not aware of the harmful dangers of ignoring the need for a comprehensive interstate approach to their solution.

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## **CHAPTER 2 GLOBAL WORLD TRENDS' IMPACT ON THE UKRAINIAN ECONOMY DEVELOPMENT**

### **2.1. Ukrainian economy transformation influenced by the world economic crises**

Ukraine's shift to socially-oriented economy caused gradual change of the concept and peculiarities of market relationship between business entities. As a result, new market system has been formed. This system predominates in the unstable dynamic world. Throughout the period of Ukraine's independence the economy situation could be described as poor. This condition was caused by transformational reforms and the formation of market relationship.

Hypothetically, Ukraine's current crisis state can be considered phenomenal. First and foremost, its origins are closely related to our history. Thus, long unsettled conditions of the Ukrainian nation and the lack of stable government led to the absence of patriotism, origination of national inferiority complex and a habit to live in crisis ( the time of constant social, economic, and political changes). This Ukrainian national crises phenomena has no exact historical analogues. However, being an essential facilitator of development, it is not an exception but rather a variation.

Constant crises means that certain mistakes during reformation were in place and the national economic system needs further reformation. Thus, we analyzed the stages of crises events influence of the national economy. Scientists name four transformation processes leading to postindustrial society. These processes are connected with four crises.

1) a industrial society crisis which is closely related to inflation and stagflation. As a result service sector was increased.

2) a communist system crisis which included 25 Post-Soviet countries.

3) a macroeconomic crisis cause by the shift of Post-Soviet countries from a planned economy to market economy.

4) social revolution.

W. E. Reutow names your main stages of national economy transformation influenced by crises.

The 1st stage is a stage of a sudden transformation. It lasted from 1991 to 1993. Planned economy partly stayed in place. There were attempts to modernize it by implementing new elements and relationship into the national economy without without radical destruction of the previous structure.

Despite of the legal structure formation, transformations did not facilitate to overcoming the crisis. As a result, the numbers in business dropped rapidly. In our opinion this period was not sufficiently backed up by legal, institutional, infrastructural and information facilities. Thus planned economy crisis got worse.

The 2nd stage is the stage of further transformations. It lasted from 1994 to 1999. Throughout this period panned-devision relationship was completely destroyed, territorial and branch economy system was formed, changes in legal and political systems were brought about. However, shocking consequences of a rapid revolutionary shift to market relationship and irrelevant government policy maintained crisis tendencies in economy and reinforced social tension.

The 3rd stage is the stage of global transformations. It lasted from 2000 to 2010. This was a period of national economy adaptation to the world market, the shift to the firth paradigm, sticking to the new global vector - stable development. In our opinion, the economy being not ready to implement world innovations rapidly caused formations of new conditions for crisis events in the national economy. Developed countries which are gradually moving to the stage of crisis are trying to postpone the crisis were imposes stable development policy on other countries. Thereof, stable development is unacceptable for Ukrainian economy as a the economy of the country where transformations are going on requires intensive development.

The 4th stage is the stage of global "green" economy. It lasted from 2011 and until now. While techno-economic crisis is developing, eco-oriented economy

became necessary. This stage of economy transformation is wide-spread in Western European countries. It implied an increase in natural resources use based on international cooperation ideas and mutual compensation of ecological damage. "Green" economy is aimed at pollution and ecological resources exhaustion reduction using special accumulated financial resources.

During the years of Ukraine's independence, economy was in crisis for a long time. Therefore, I can partly agree with W. E. Reutovym, naming such stages of most typical crisis factors in Ukraine adding also typical features and consequences of overcoming these crisis factors.

The first stage - the stage of revolutionary economic system changes (1991-1995).

The 2nd stage - the stage of economy system reformation (1996-2000).

The 3rd stage - the stage of heterogeneous economy increase (2001-2008).

The 4th stage - economy fluctuation (2009 and until now).

The first stage - revolutionary economy transformation stage (1991-1995), happened at the same time as Ukraine's shift to independence and simultaneous shift from planned economy to market economy. In this period the civilization crisis of planned economy ( socialist system ) became obvious. It proven to be not effective for the USSR anymore.

Industrial economy structure was formed in Ukraine within 4 years of planned economy. In this structure mining branches of industry and military industry complex predominated. They contained high level of scientific goods, developed electronics and precise vehicles construction.

In the late 80-th the management structure lost its progressive technology progress inclinations. Most of industries required technological renovation. The planned economy crisis was caused by inefficient industrial economy and the lack of external opportunities for economy development. An insignificant portion of the social factor of the economy cause national consumption goods deficiency as well as food products deficiency.

Table 2.1

**Transformation of crises in Ukrainian economy**

The stages of Ukrainian economy formation	Types of crises and forms of manifestation in the economy of Ukraine	World economic crises	The kind of influence these world crises had	The consequence of these crisis event for Ukraine
Revolutionary economic system changes (1991-1995).	The civilization crisis of the socialist system; structural; political; technological; social economic.	The USSR crisis (1990-1991), Mexican and Brazilian crises (1993-1996).	Negative/neutral	Economy decrease, the fall of production, goods deficiency, inflation, disintegration of the monetary system, falling household incomes, unemployment.
Economy system reformation (1996-2000).	Economic; political; demographic technological; social; international.	Asian and Russian crises (1997-1999).	Negative	Gryvna devaluation, inflation, market situation changes.
Heterogeneous economy increase (2001-2008).	Economic; political; social technological; international.	Crises in the USA (2008).	Negative	Unstable bank system, financial resources deficiency, a drop in international finances, the cease in mortgage market, gryvna devaluation, the drop in production and export, the decrease of export production prices.
Economy fluctuation (2009 and until now).	Economic; political; social; technological; international.	World recession.	Negative	Instability of the banking system, lack of financial resources, outflow of foreign capital, stopping the mortgage market, devaluation of the hryvnia, decline in production and exports, lower prices for export products.

\*composed by the author

A famous Ukrainian economist S. Mochernyi described the USSR crisis as a deep destruction of economy system and destructive form of solving disagreements in planed economy. It cause severe disorders and destruction of productive forces, tech-economical and organization economical relationship, economical property and mechanism. Let us look into typical features of this crisis in Ukraine.

The USSR crisis 1990-1991 had influence on such fields as political: formation of legislature, executive institutions, judiciary, developing independence, frequent government change, social absence of the nation adaptation to new conditions mechanisms and information back ground for the reforms in the country. As for technology field: the lack of up-to-date material and technology manufacturing, a drop in the efficiency of industry. In terms of economy, favorable business conditions were absent . The efficiency of productivity dropped. Manufacturer's activity was low.

In Ukraine such internal causes for its development took place:

- disagreements between the system potential and management methods caused some crisis events;
- a great part in the Ukrainian national economy was represented by military industry plants ( 70 % of car industry belonged to military industry complex which proved not to be in demand after loosening bonds with the USSR countries).
- poor supplies of energy sources such as oil - 10 %, and gas - 12 %.
- common consumption goods manufacture technologies were far behind compared to Western countries. Industrial equipment wear in 2000 was approximately 60 %, whereas in agriculture it reached up to 90 %. Energy intensity of national goods was 10-20 times higher than western one.

The crisis concerned all the spheres of economy simultaneously with no limits. Transformation reforms were meant to be the limits. However their delayed introduction and implementation only made the situation in the country worse. The society class deivision was taken further and drop in the majority income was obvious. Social and political of the citizens dropped. Manufacturers monopoly

became more wide-spread. The destruction of financial relationship, karbovanets devaluation, drop in production took place. The latter was in extremely poor condition which can be proved with disproportions in economy structure. Savings and the level of investment activities decreased which was unprofitable during inflation. The demand in the internal market was limited as a result of extremely low buying capacity of the population. Barter operation were wide-spread.

Other post industrial countries experience was used in order to overcome this crises. However it was used not taking into account some national peculiarities. All government effort was aimed at restoring the budget for social functions fulfillment instead of stimulating manufacturers' activities.

Following the crisis events such conclusions can be drawn:

1) Underestimation of scientific potential and inefficient management of the national industry and industrial giants caused economical potential destruction.

2) The government growth caused too much damage for the national budget and economical structure deformation.

3) The absence of legislature and institutional background and economic activities regimentation cause economy tinization.

4) The absence of favorable investment atmosphere slowed down technology renovation of industry and agriculture.

5) Economy bonds destruction between Post-Soviet countries demonstrated the need for diversification and the change of orientation of the national industry activities.

6) Ignoring Ukrainian citizens interests caused a deep social crisis.

The government mistakes in the first economy reformation stage cause the crisis evens further development. During this period Ukraine's economy formation in the world economy had influence on Mexican and Brazilian crises 1993-1996. Above mention economy crises did not have influence on Ukrainian economy, despite such internal factors as:

- price liberalization at the expense of quality;

- old-fashioned industrial technology (energy, material, labour capacity).
- high level of monopolies,
- unstable political situation,
- unsuccessful political reforms,
- the absence of any experience in market conditions.

The lack of business, low integration level, the lack of interaction with other countries which experienced crises can be considered to have facilitated the crisis development. However, these factors kept Ukrainian economy safe from negative influence of the whorl crisis. The absence of the above mentioned factors did not prompt the government to take some anti crisis action. Considering the consequences of the crisis for Ukraine one can arrive at the conclusion that the higher the integration level of the country is the higher is the possibility of the world economy crises influencing it.

During the stage of Ukraine's revolutionary changes such kind of crises took place:

1) depending on the features intrinsic to the crisis formation, crises can be divided into macro-, meso- and micro economical, internal, political, social, technological and economical.

Economical crisis at this stage took place in macro-, meso- and micro levels. Micro crises influenced industry where as a result of revolutionary transformation certain problems took place. Thus, the lack of independent work experience reduced the function fulfillment and organization structure management efficiency. Insufficient level of technological facilities and market abilities caused insufficient workload for industrial devices. Interruption of market relationship with Post-Soviet countries caused the loss of buyers abroad and irrelevancy of the choice in the internal market. Economy relationship system imbalance caused some problems with financial supplies. Inefficient expenses structure led to rigid price policy and a lot of financial losses. Mesocrises had an effect on difficult conditions of many branches of the national industry which produced not very successful goods and

were burdened with outdated funds. Thus, light, food, car industries and agriculture were the most influenced by it. Macro crisis contributed to general drop in the country economy, a drop in GDP, a jump in unemployment level, inflation, the country's debt. Main macro economical factors are shown in the table 2, which tells us that the inflation had the most negative influence on the economy. It is also worth mentioning that at this period the demand inflation took place. The main reason is that excess of money did not allow the citizens to satisfy their needs in common goods and the industry did not have an opportunity to restock their resources. As a result money devaluation followed. The introduction of additional payment means such of coupons was supposed to reduce enthusiasm in common goods market, however the desired result was not achieved and in 1993 hyperinflation took place. The increase in GDP in 1992-1994 took place merely in the actual prices, which increased in this period. The real increase in production did not occur. On the contrary, the drop of production can be seen in all industries.

*Table 2.2*

**Macroeconomic indicators of Ukraine's economy**

Factor	Year								
	1991	1992	1993	1994	1995	1996	1997	1998	1999
The GDP growth	1,8	16,8*	29,4*	8,11*	-12,2	-10,0	-3,2	-1,9	5,9
Inflation of consumer prices,% (per annum)	3,9	21,0	102,6	5,0	2,8	1,4	10,1	10,6	22,3
Growth of money supply,% to GDP		10,42*	19,28*	6,7*	2,12*	1,35*	1,33*	24,0	40,6
Budget surplus,% to GDP	-3,8	-7,34	-2,4	-4,74	-6,63	-4,86	-6,7	-2,2	-2,1
Tax revenues,% of GDP	13,9	13,01	15,6	23,05	37,9	37,1	29,3	27,8	12,9
National expenses,% of GDP	17,8	20,4	18,05	27,8	44,6	41,9	36,05	30,03	25,2

\* to the previous year of time

\*\* compiled by the author according to [5, 6]

Political crisis contributed to a frequent change of the government members and the reformation methods. Political ambitions of the reformers and governors took over their common sense. Economic arguments and evidence were ignored which eventually led to further crisis development, life conditions decrease of the

majority of population and discreditation of the very idea to shift to market economy. Social crisis facilitated ignore of society interests and the absence of life conditions adjustment mechanisms. The decrease in citizens income and the drop in employment level led to immigration of the majority of scientists and highly qualified population abroad. A big chunk of efficient population had to become self-employed. Technological crisis was caused by a necessity of radical changes in the production process as a consequence of new technological stage in the world. Economical crisis manifested itself in low productivity, natural resources deficiency, low common goods market incomes, karbovanets devaluation, hyperinflation, the jump in unemployment, citizens income decrease and so on.

This period crises were mainly internal and were mainly observed in young countries that had left the Soviet Union recently. They spread throughout countries in a very logical manner, however they could happen quite spontaneously. The logical manner was cause by the Soviet Union economy system crisis. And the spontaneous manner was caused by the big number of unpredictable changes in the economy and structure.

2) depending on the factors that are typical for the crisis on a certain stage. Crises of this period were structured as they happened almost in all spheres of the country economy. They were also obvious. Their existence was obvious to everyone. They were also wide-scale crises that spread in all enterprises. They were deep. They caused destruction of old forms of management. They disrupted industrial, managerial and other activities. They were prolonged and any mistakes while solving them make the economy conditions even worse. They were impossible to control because of the lack of experience in solving crises issues and poor knowledge of the market laws. Thus government influence on the situation was little. These event were relatively isolated and influenced only Post-Soviet countries,

3) depending on the consequences such types of crises took place in the mentioned period. Destructive crises caused the destruction of planned economy

and management of this kind. Inherent crises took place because all above mentioned crises were not dealt with completely. As a result of the lack of organization while solving these problems they were transformed in other crises which led to next stages of forming a national economy system.

The second stage - economy system reform (1996-2000). As a result of revolutionary changes a number of branches of the Ukrainian economy was on the verge of extinction. Those were: light industry, building materials industry, cellulose industry and wood industry, also chemical, oil and vehicle construction industries. The situation required urgent changes in the country policy. Thus a number of important changes happened in this period. Such important for the whole country reforms were introduced: privatization reform, financial reform, price liberalization, constitution reform, agricultural reform, and institutional reform.

General privatization took place in Ukraine in this period. It had a range of negative consequences such as unsuccessful certificate privatization, the absence of anti-monopoly laws, strategic government mistakes, low level of the citizens awareness. A great change in reformation of property relationship took place. An active process of corporative and private economy sectors growth sped up. On the 1st of January the property form was changed in 61,8 thousand enterprises. In the period from 1994 to 1999 it happened with 50,3 thousand enterprises. In the beginning of 2001 over 70% of the overall production was manufactured at enterprises abroad. Such privatization satisfied corporate investors interests instead of the country and the citizens. In 1995 in order to stabilize financial system and support IMF a financial reform took place and new currency was introduced which is called hryvna. 1 hryvna is 10 000 karbovanets. IMF's harsh monetary policy (1995), helped the currency unit stabilize in Ukraine. However this tendency was not reinforced by structural change of economy, industrial and administrative reforms. Because of IMF's requirements the prices in Ukraine were liberalized. This caused a market disbalance of the prices. A big number of monopolists in the market, a great quantity of social problems ( the citizens' utility service debts, the

drop in the buying capacity of the citizens ). New methods allowed market price formation mechanism creation, a complicated and hard shift to world prices, an introduction of a liberal mode of international trade, the improvement in product density of the market and the defeat of the national economy chronic deficiency. In 1996 the Ukrainian Constitution was introduced. There were essential changes in agricultural sector. Where a land reform took place. The land was privatized and the agricultural production was intensified. Due to the institutional reform main components of the national economy were formed. Those are financial, tax, custom, bank and other systems. They form the main economy infrastructure of the country.

As a result of the reforms in 1999 Ukrainian economy was improving and GDP for the first time in the last 10 years grew by 6%. The main criteria of the economy grew. Thus industry productivity grew by 12,9%, agriculture grew by 7,6% and investments grew by 11,2%.

Some positive changes happened in the country's external market in 1994-1998. Export of good and services grew by more than 120 percent and reached 32% GDP. The difference between import and export being about 4 milliard dollars in 1996, equaled 0 in 1999. In 2000 Ukraine conducted international trade operations with 187 countries in the world ( in 1998 it happened with 164 ones). Positive balance of international trade was 648,1 million dollars in 2000.

These reforms introduction was made difficult by the South-Asian and Russian crises in 1997-1999 which manifested themselves in such spheres as monetary where national currency was devaluated, in budget sphere where the budget deficiency grew, debt sphere where both internal and international debts grew, bank sphere where bank incomes dropped, the requirements of the National Ukrainian Bank were high and assets were reduced.

At that time such conditional favorable for crisis commencement were in place in Ukraine:

- unstable bank system, which was caused by a quick increase of the number of

commercial banks in Ukraine in the 90-ies, not very well qualified employees and management, a gradual increase in standards of providing credits for insiders and speculation operations.

- low level of budget income as a result of the drop in production and great national expenses compared to GPD (38% in 1994-1997) and the country investment ( less than 2% in 1997) which caused a great inflation.

- budget deficiency financing taking into account internal and external debts ( in 1997 at the expense of the bond 71% of the budget deficiency was covered).

- accumulation of the national debt, the increase of both internal (12,9 milliard gryvna or 6,45 milliard dollars at the end of 1997) and external ( 17,8 milliard gryvna and 8,9 milliard dollars).

- low currency reserves level.

The absence of financial sphere liberalization and the lack of its development worked as a obstacle of the crisis distribution throughout the country. Underdeveloped market of corporative valuable documents, low level of international investment were the main factors. Such consequences took place in Ukraine: drop in the national capital, which was invested in the national bonds, devaluation of the national currency unit, further economical crisis ( the drop of GDP by 1,5 %), the jump in the inflation level by 20 %, the drop in the citizens income by 2,5%, harsh measures taken by National Ukrainian Bank which were aimed at keeping the financial market stable and caused some kind of stiffness of the bank system. The number of Ukrainian banks was reduced. At the beginning of 1999 among 214 banks which were officially registered only 176 actually functioned, on top of this 54 of them were problematic. Despite the number of negative consequences, the currency crisis influence on Ukraine was moderate as the market of corporative valuable documents was almost non-existent. The trade with South-Asian countries and international investments were minor.

The government and NUB used such means to deal with the crisis. They applied the policy of "expensive money" by increasing the standard of reservation

from 11% to 15 % ( the obligation imposed on banks to fit into these standards), the refinancing rates were increased from 16% to 44% in September - November of 1997 and to 82% in February 1998. Other means were the increase of the profit from corporative bonds up to 50% in 1997, currency interventions of the NUB, widening the currency corridor, imposing a stock exchange monopoly on buying and selling international currency and introducing a very strict control on buying and selling the Ukrainian interbank currency stock exchange currency ( inter economical contact, cargo-border declaration had to be attached to the application for currency purchase ).

Observing the events of these crises such conclusions can be drawn:

1) The release of short-term profitable bonds does not help to cover the budget deficiency efficiently.

2) A great difference between short-term debt and currency reserves increases the possibility of financial crisis manifesting itself.

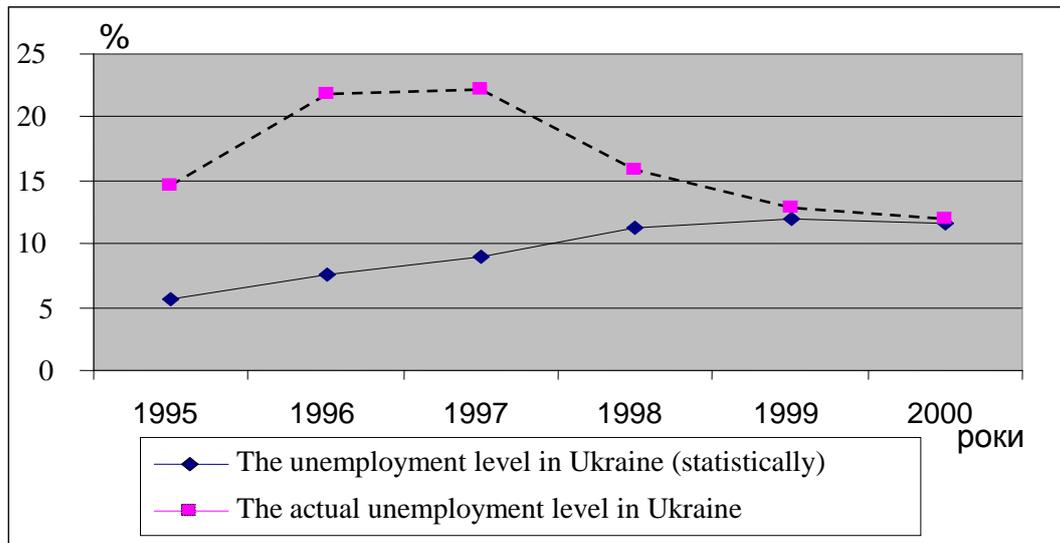
3) Incompleteness of the reforms financial market liberalization increase the economy sensitivity to unstable situation in the world financial markets.

During the reformation stage crisis events of the previous period were typical for Ukraine because they were not previously dealt with due to political and economical mistakes. Their consequences influenced newly formed economy sectors.

1) Depending on the characteristics which were typical for the period of the crisis formation such crises were still in place: macro and meso and microeconomic, political, social, technological, economical, international, which spread in a logical, internal and spontaneous manner.

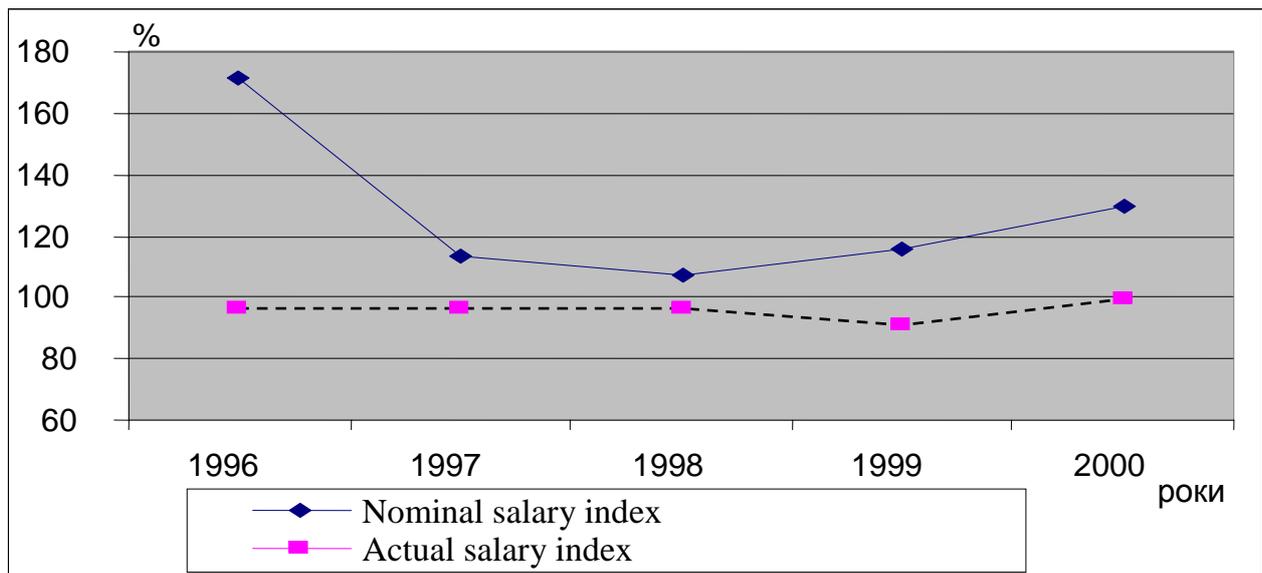
Political crisis at that time manifested itself in the lack of foundation and haste in taking some further economy reforms, using some experience from abroad and recommendations without taking into account some national peculiarities. This situation was made even worse because there some due payments from the budget were not made and the salaries to citizens were delayed. This was a period of the

highest unemployment level, even though the real numbers were 2 or 3 times higher than statistics claims ( fig. 2.1).



*Fig. 2.1. The dynamics of unemployment in Ukraine*

The citizens income level was decreased. Fig. 2.2 reveals the dynamics of the nominal and actual level of salary.



Composed by the author\*

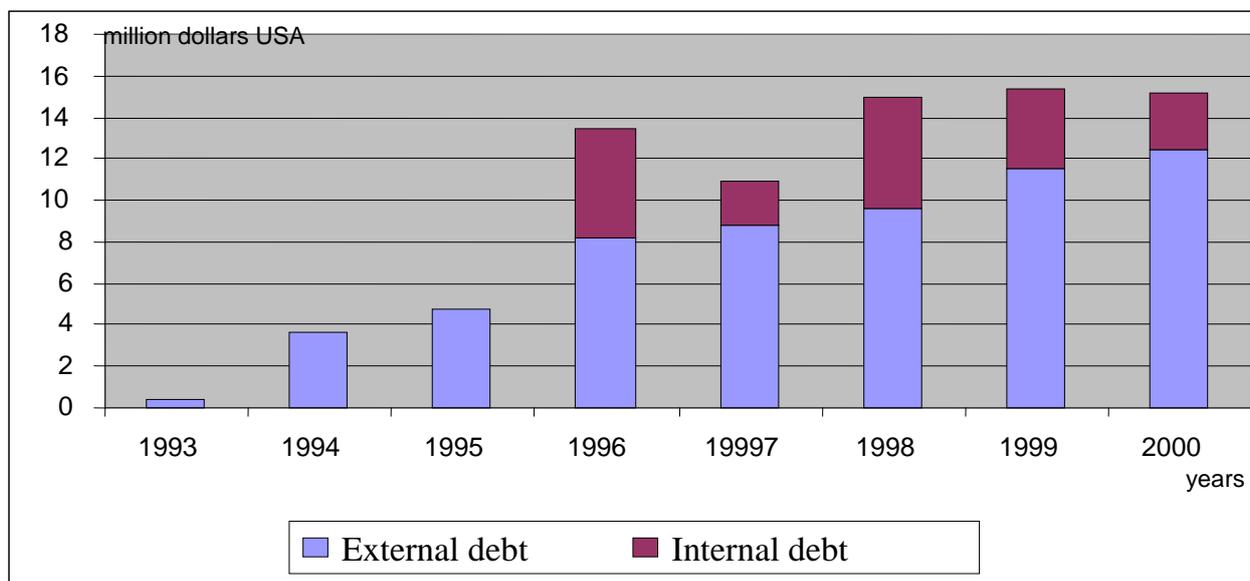
*Fig. 2.2. The dynamics of the nominal and actual level of salary.*

The social crisis influenced the birth and death level in Ukraine thus transforming into a severe demography crisis. Thus, from the mid 90-ies the

increase of population was negative in Ukraine, the number of new-borns was halved and the mortality rate was increased by 20 %.

Technological crisis was projected on all branches of the national economy. The problem of renewing technologies and methods of production according to new technological tendencies arose. These new tendencies were introduced in all the developed countries. The national goods were not competitive on the national and international markets because of the underdeveloped production means.

Economy crisis apart from above mentioned spheres effected also in debt, budget and currency spheres. Fig. 2.3 shows us how the external debt grew up to 56% during this period. Beginning in 1995 the external credit rose as a result of improvement and making new relationship with international financial organizations. In 1996 an internal debt was commenced as a result of placing internal national credit bonds through NUB in a bank system.



**Fig. 2.3. Dynamics and structure of the national debt\***

\*composed by the author using date 5, 6

The increase of the country debt caused tension in the credit market, reduces the number of opportunities to use other countries capitals for the national economy, slows down the country economy development.

The budget crisis manifested itself in loosening arranged bonds between the most important elements of financial system, chronicle income and expenses misbalance, incredibly quick national debt growth, irrational expenses structure, inefficient use of tax for different level budgets formation. In terms of specific peculiarities of economy development which cause the budget deficiency one can name: structural misbalance of economy, saving a great number of unprofitable national enterprises, which receive subsidies, inefficient tax mechanism of businesses, wide-spread underground economy, irrationally big social programs and great national expenses that did not bring expected profit, thefts, loss of the produced goods.

The currency crisis took place and a result of Russian crisis in 1998-1999. A rapid hryvna devaluation occurred. High level of dollar distribution caused the next jump of inflation as a result of the jump in demand for international currency and hryvna devaluation.

Economy crises spread in such newly formed economy sectors as tax and bank systems. The absence of flexible means of controlling the bank system activities caused the occurrence of unreliable activities in banks especially during the crisis in Russia in 1998-1999. Thus, only 174 out of 256 functioned and 54 of them were considered problematic.

Internal crises of the mentioned period were reinforced by the negative influence of Asian-Russian world economy crisis. Their distribution was predictable and spontaneous. The predictability was caused by very strong bonds with Russian economy. However, it can be called spontaneous because of the high level of unpredictable financial changes and the lack of experience in dealing with the world economy crises.

2) depending on the characteristics, which are typical for the crises at this stage. They stayed structured as they occurred in almost all economy spheres. Obvious crises were joined by obscure ones (hiding real statistic data occurred as a response to the international organizations requirements such as the national debt,

budget expenses, the unemployment level and the citizens income). The crises were also extremely serious due to gradual accumulation of the financial and budget disagreements and prolonged because mistakes in dealing with them only made the economy conditions worse. They were also impossible to control because of the lack of experience in dealing with crises and low level of market economy awareness which reduced the government influence on this situation.

3) depending on the consequences at this stage such crises as transformation, local and innate crises took place. The transformation ones happened which correcting economy reforms. And the local ones where limited by the introduced reforms.

The third stage of heterogeneous growth of economy (2001-2008).

Just between XX and XXI centuries they managed to stabilize economy and even achieve its great development. One of the positive tendencies of this period is paying off utility service bills and the increase of activity in investment and credits using social pay, the boost in the export potential of the national economy (export grew to 60% of GDP), the decrease in the external debt, the reinforcement of the budget discipline, the increase of the citizens actual income, the stabilization of the national currency unit, the decrease in unemployment to 6,5 % at the beginning of 2008, the decrease in the absolute poverty level from 70,6% in 2000 to 12,6% in 2008. The level of the citizens welfare was doubled and in the world GDP rate Ukraine moved up to 95th place from the 109th.

The increase in the main economy characteristics occurred. Thus in 2001 compared to the last year the amount of gross product grew by 9,1 %, industrial production - by 14,2 %, agriculture - by 9,9 %. The main characteristics are described in the table 2.3.

In this such sectors of the economy as wholesale and retail trade, telecommunications, professional and financial services, international and national tourism, stock exchange trade, building and agriculture, agricultural vehicle construction and others developed considerably.

The government decided to reinforce social tendencies in the reforms, reorganization of the tax system and reduction of the tax for entrepreneurs, support and protection for the national manufacturers, stimulate of minor and major business, the support of innovative development model of enterprises and agriculture, development of fuel and energy complex modernization programs.

*Table 2.3.*

**Macroeconomic indicators of Ukraine's economy**

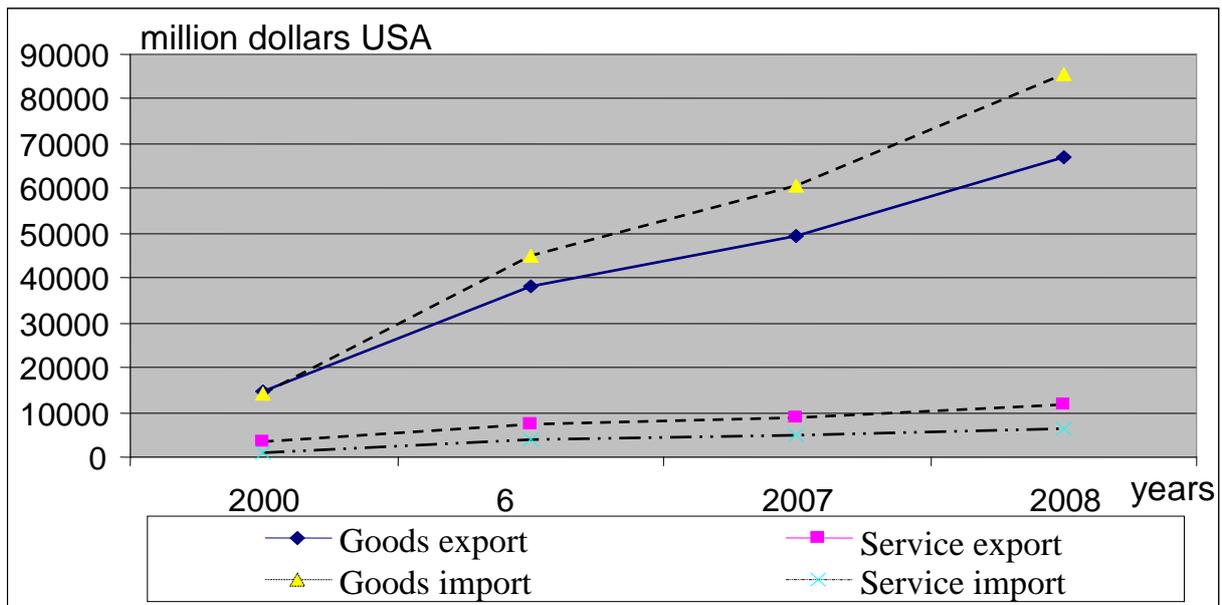
Factor	Year								
	1991	1992	1993	1994	1995	1996	1997	1998	1999
The GDP growth	1,8	16,8*	29,4*	8,11*	-12,2	-10,0	-3,2	-1,9	5,9
Inflation of consumer prices,% (per annum)	3,9	21,0	102,6	5,0	2,8	1,4	10,1	10,6	22,3
Growth of money supply,% to GDP		10,42*	19,28*	6,7*	2,12*	1,35*	1,33*	24,0	40,6
Budget surplus,% to GDP	-3,8	-7,34	-2,4	-4,74	-6,63	-4,86	-6,7	-2,2	-2,1
Tax revenues,% of GDP	13,9	13,01	15,6	23,05	37,9	37,1	29,3	27,8	12,9
National expenses,% of GDP	17,8	20,4	18,05	27,8	44,6	41,9	36,05	30,03	25,2

\* to the previous year of time

\*\* compiled by the author according to [5, 6]

The level of Ukraine's integration in the world economy grew. So did the level of export-import operations, investment, transfer of advanced manufacturing and management technology. Dynamics of external economical operations are represented in the fig. 2.4, the share of export and import in GDP in represented in the fig. 2.5 and the direct investments are shown in fig. 2.6.

According to the fig. 2.4 in 2000 export-import operations level jumped rapidly, the leading positions belong to the goods, the dynamics of services is slight and did not change during the researched period.

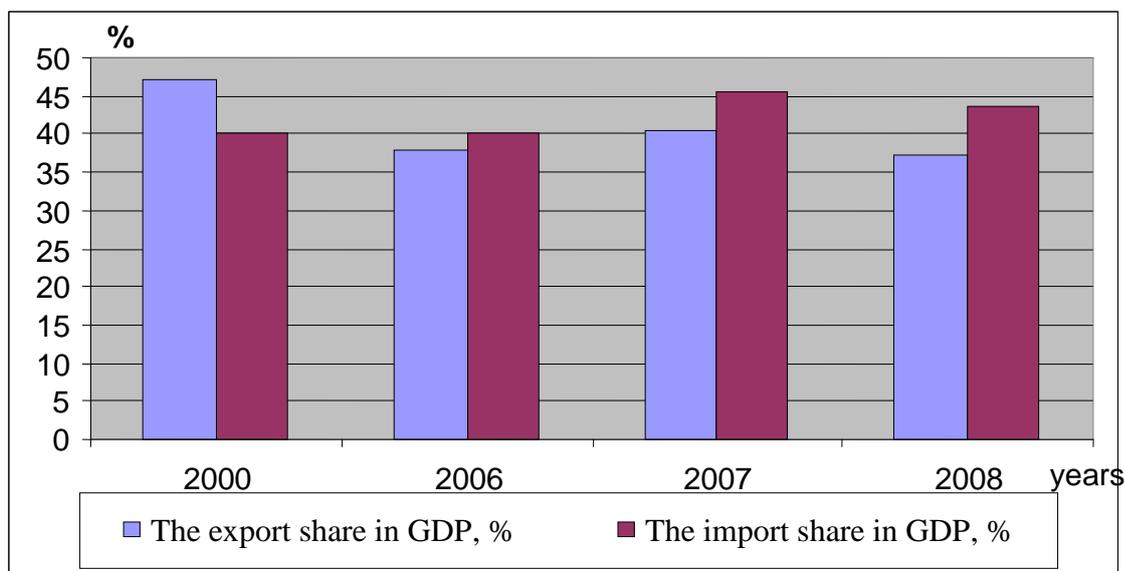


*Fig. 2.4. Dynamics of export-import operations in goods and services\**

\*written by the author according to [5, 6]

At the same time, fig. 2.5 shows us that Ukrainian economy became more dependent on the national markets.

Thus, the export goods price reduction reduced the profit of the national ferrous metallurgy manufacturers, which is 40 % of export. And fluctuation in price for imported goods made the price conjuncture at internal consumer market and energy market unstable. Such situation poses a threat for the national economy, as the high level of its openness is the result of the lack of system in the trade and the severe crisis background. Any undesirable fluctuation of the conjuncture of the world goods markets may lead to Ukrainian manufacturers extra expenses. In order to avoid negative influence on the national economy the structure of export has to be diversified and the import level has to be minimized.



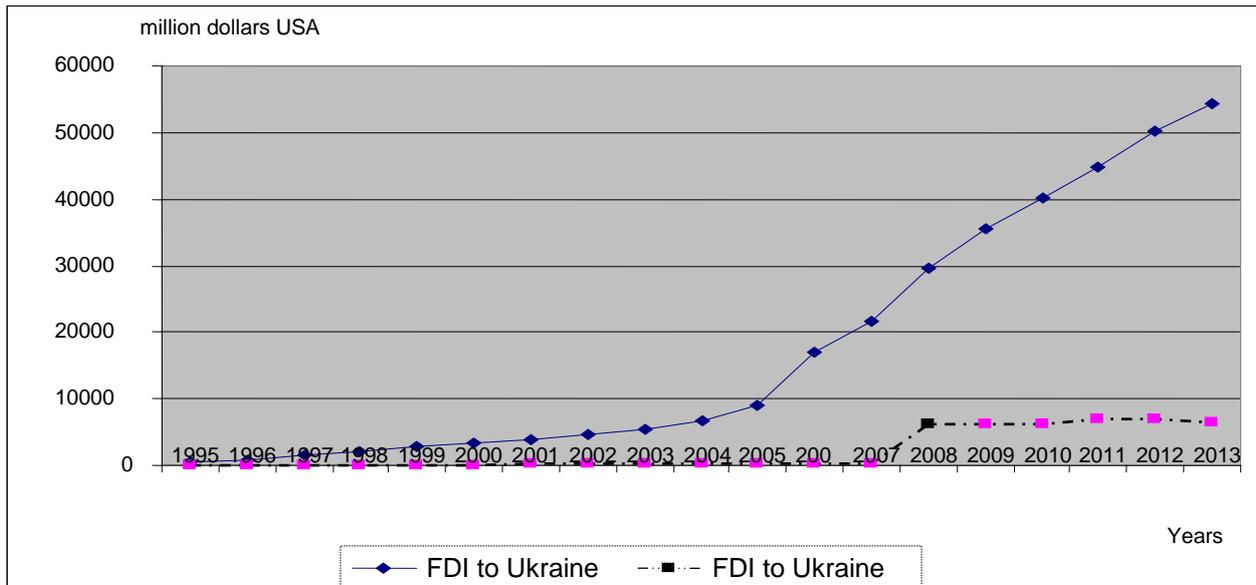
**Fig. 2.5. Share of export-import operations in GDP of the country \***

\*written by the author according to [5, 6]

Such reasons which do not let Ukraine export be optimized can be named: a high level of competition in the world market, some protection measures in the future partner countries, low competitive level of the national goods in the internal and external markets, underdeveloped certification system and the lack of exported goods control, the absence of positions in the world market invasion experience in the national enterprises, low level of partnership with the developing countries.

In the fig. 2.6, the dynamics of the investments is represented. The growth of investment in Ukraine is observed from 2005 and this tendency did not undergo any fluctuations even during the world crisis in 2008. However, during the post crisis period the investments from Ukraine grew. Such a situation, in my opinion, means that unfavorable environment formation took place and that financial resources were transferred from the national economy abroad.

Positive situation for Ukrainian economy development in the second part of 2008 was negatively effected by the world economy crisis which happened in the USA.



**Fig. 2.6. The dynamics and movement of the direct international investment finances in Ukraine\***

\*written by the author according to [5, 6]

In Ukraine it manifested itself in such spheres: financial - monetary crisis happened as a result of devaluation of the national currency units, budget crisis happened as a result of the drop in the national income and the jump in the deficiency. Debt crisis occurred because the external national debt was increased. Bank crisis had to do with bankruptcy of financial institutions, the low ability to pay, a rapid drop in assets. Trade crisis was caused by low demand. The external goods sales in the world market were extremely low. Conjuncture crisis was caused by the price drop and the increased level of competitiveness in the world market. The production crisis reduced the level of productivity and distinguishing the best features of the goods which would normally increase the demand for them.

We can name such internal reasons for the crisis distribution - political instability during the last few years, a rapid increase in prices in 2008 which was caused by the increased social payments and the higher price of energy sources, ungrounded hryvna revaluation in May of 2008 which caused great losses for the Ukrainian exporters, caused imported goods to get cheaper. Consequentially, Ukrainian manufacturers' income was reduced as they depended on the external

market and the share of export was almost a half of DGP. Another internal reason is that the level of internal credit was huge both private and national. It was used for financing internal consumption and investment. Other factors are fund market dependence on the finances that come from non-residents, the liquidity deficiency in the bank system, a rapid reduction in credits and a jump in credit requirements, the dependence on the import and the raised consumer's demand for imported goods.

For Ukrainian economy such consequences were in place: the reduction of the direct international investments, the reduction of its consumption by Ukrainian citizens, the slower dynamics of the financial operations, lower business activity in the society, the reduction of the manufacturing level in the enterprises dependent on credits, the drop in the industrial production in vehicle construction - minus 52,2%, metallurgy - minus 39%, and others non-metallurgy goods - minus 44,7%, chemical and oil-chemical industry - minus 31,9%, transport - minus 30%, construction - minus 53,6% until 2008, lower competitive abilities of the national industry production, reduction in the mortgage credits and cease of new buildings construction.

To reduce these factors such means were used: financial institutions activities monitoring, introducing a ban to pay finances according to deposit agreements, introducing limitations for beforehand confiscation deposits and selling-buying operations with international currency, refinancing and nationalization of problematic banks, refinancing aimed at crediting, the completion of the block-of-flats construction which were more than 50 % ready, the completion of infrastructure projects in the energy, transport and communication spheres construction as well as the ones connected with the Championship Euro 2012.

Such conclusions can be drawn by the events of the crisis:

- 1) There is a strong need to lessen the bank requirements for private and corporate customers.
- 2) The development of the monitoring system of the high-risk investment in

national banks.

3) Low technology level of production in the national market makes the competitive capacity of the national goods extremely low.

During the above mentioned period a number of crises in the Ukrainian economy were gradually coming to the end. Further gradual economy development would end up in their total cease. However, political and world economy crises of 2004-2008 caused them to begin again and new crises started along with them.

1) Depending on the characteristics which are typical for certain stages of a crisis origination, some problems of the previous stages stayed. They were macro, meso and micro-economical crises, political, social, technological, economical crisis which were internal and logical, however happened in a spontaneous manner as a result of unpredictable actions of the government and change of the external economical tendencies. The international crisis had external origins. It is still not clear how it was originated, it might have happened randomly.

Political crisis at this stage began at during the president election in 2004, which happened in the conditions of the mass violation of election laws, falsification, threatening to the citizens, media prejudice. A political reform was introduced, which implied the change of the main Ukrainian law - the Constitution. During this period three sets of president elections took place including Verhovna Rada election in 2002, 2006, 2007. As a result constant problems with creating government, which would radically change the tendencies of the economy development and take irrational decisions. In the conditions of the financial deficiency one always has to choose between development and consumption. At this stage the political crisis facilitated the government choice in favor of consumption. In order to get political dividends the government increased social aid to citizens. Thus they exhausted the budget and economical potential of Ukraine. Technological crisis manifested itself in the increase of demolition ration which in 2008 was 52% and in 2000 - 44%. The most problematic branches were industry, vehicle construction and black metallurgy. Social crisis had such characteristics:

low employment level which reached up to 59% in 2000, whereas in 2008 it was 63,4%; the drop in efficient population from 2000 to 2008 was 3%. The problem of low level of salaries got worse which caused poverty and low working activity: thus in 2008 economic activity of citizens aged 15-64 was 67,8% and was the lowest in Europe. The problem of unofficial employment arose without no official agreement between the employee and the employer. The crisis spread to healthcare and education. Thus, the quality of education went down, the lack of improving qualifications took place as well as absence of innovations. The reduction of the number of pre-school institutions in the previous period caused their deficiency - 43%. It had to do with the boom in the birth level. Demography crisis got worse because of the drop in the population, increase in the percentage of elderly people, high mortality rate and low birth rate. In 2008 Ukrainian population was 46 million people, whereas it is expected to be 36,3 million in 2020. A drop in population is a typical for Europe trend. However, in Ukraine it was made worse by the high early mortality rate. As a result an average lifespan for women was 77 and for men 67.

Economy crisis caused inflation, the increase in the national debt, low innovation activity level and national banks capitalization, national currency instability at the end of 2008, the drop in production and exported goods, the lack of the property rights protection, high level of corruption. An essential part of these economy problems was financial sector. Financial crisis began in the national finances and bank sector. The financial crisis got worse in 2005 because of the exhaustion of the budget with social payments. Declared innovative and investment development was not realized, it was replaced with new government's promises about the increase in social payment for the citizens. Thus, a crisis in budget debt sphere was originated. Crisis in a bank sector took place in 2008 as a result of the world economy crisis in the USA and low level of the national banks capitalization and dependence on external crediting which cased the situation in Ukraine to get even worse.

2) depending on some characteristics which are typical for the crisis at this

stage. Crises of the period are structured, as they occur in all the sphere of economy, they were joined by some obscure crises caused by the lack of access to the actual statics data (the volume of the national debt, the national expenses, the currency rate) which happened in response to the international organizations requirements while getting a credit. It was also wide-scale and was spread to all economy spheres. Thus, financial sector crisis caused the lack of enterprises activities and a drop in production. Severe crises were joined by minor crises which happened due to gradual currency and budget disagreement accumulation.

3) depending on the consequences - at the common stage transformation crises took place. They manifested themselves in correction of economy reforms and bank system restructuring.

The fourth stage was economy fluctuation (from 2009 and until now).

The world economy crisis in 2008 had a negative influence on almost all economy branches in Ukraine as well as thousands of companies and millions of citizens. It made the result of the inactive policy of the previous years even worse. In the second part of 2008 there was a rapid drop in industrial productivity, construction, inflation was accelerated, the national currency rate was rapidly changed, which caused the citizens to panic who started to withdraw their saving from banks. Same process continued in the first half of 2009, which caused overall drop in DGP by 15 % ( industry by 44.7%, chemical and oil-chemical by 52,2%, metallurgy by 31,9%, transport - by 30%, construction by 53,6% by 2008). The dynamics of these characteristics are shown in the table 2.4.

At the mentioned stage as a result of the world economy crisis consequences in 2008 some negative processes took place in the Ukraine's economy such as: the drop in the production level, the drop in investment activity. Ukrainian economy losses were caused by its inefficient structure and high level of dependence on the conjuncture in the world market, low level of competitive capability of the technologically underdeveloped enterprises.

In this stage most of the world markets are not available for the Ukrainian

goods. In the fig. 2.7 you can see the dynamics of the volume of export and import operations in the researched period.

Table 2.4

**Dynamics of macroeconomic indicators of Ukraine\***

Characteristic	Year					
	2008	2009	2010	2011	2012	2013
DGP growth, %	2,1	-14,8	1,18	1,2	1,08	0,5
Customer prices inflation, % annual	25,5	15,9	9,1	4,6	-0,2	0,2
The growth of money supply, % to DGP	30,2	-5,5	1,23	1,15	1,12	1,17
Budget balance, % to DGP	-1,46	-5,59	-5,97	-1,77	-3,6	-4,4
Tax income, % to DGP	17,8	16,4	29,05	30,61	31,6	30,4
The national expenses, % to DGP	37,2	40,6	34,9	32,01	34,95	34,8
The growth of the average monthly salary, % nominal	133,7	105,5	120,0	117,6	114,9	107,9
Actual	106,3	90,8	110,2	108,7	114,4	108,4
The unemployment level,%	6,4	8,8	8,1	7,9	7,4	8,1

\* composed by the author [5, 6]

. Thus, as a result of the crisis in 2008, there was a rapid drop in both import and export operations. Such strong fluctuation was caused by quality and quantity changes of demand in the world market. It had a negative influence on the economy as the export oriented incomes of enterprises dropped. And they had been tax payers and employers in big industrial regions.

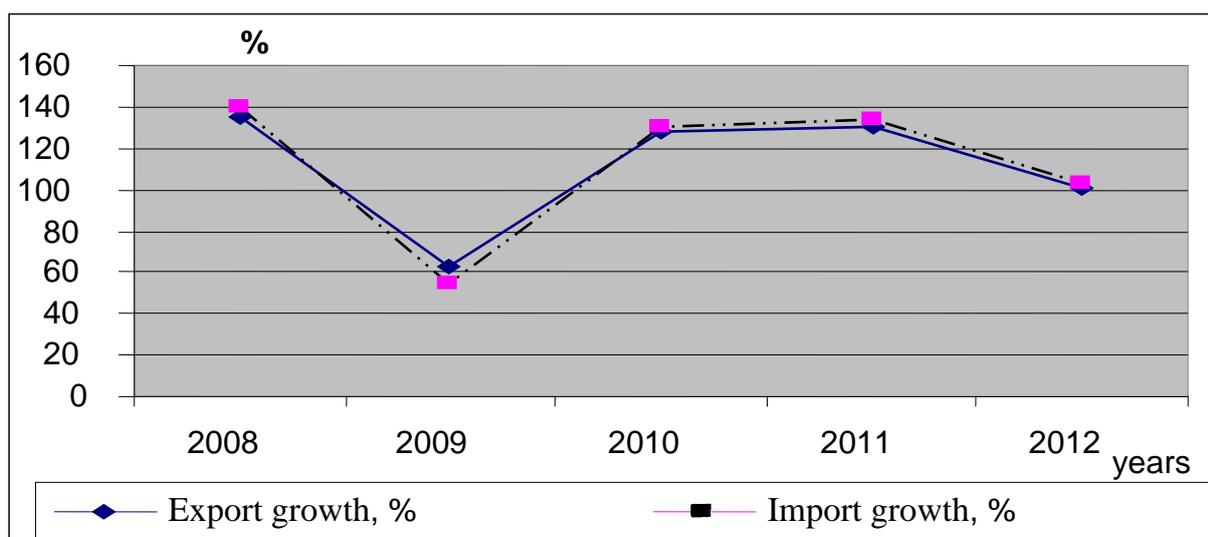


Fig. 2.7. The dynamics of the export-import operations growth in Ukraine\*

\*composed by the author according to [5, 6]

Other types of economy activities, oriented at the internal market, had a positive influence on the DGP dynamics. However the problem was that the national production only provided two quarters of the goods, and the rest was imported from abroad using outside sources and credits.

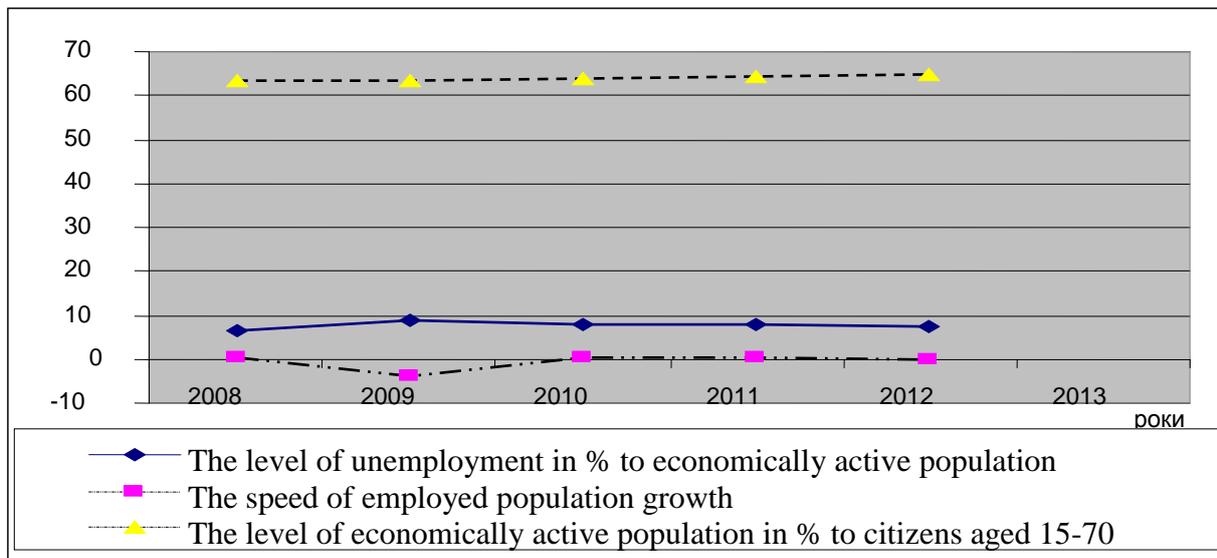
At this stage, due to the lack of structure reforms there was certain stiffness in the national economy, which was followed by such crises:

1) depending on the characteristics that are typical for the initial stage of the crisis, the crises of the previous stages stayed in place such as: macro-, meso-, political, social, economy, which were logical, internal and happened in a spontaneous manner.

Political crisis was predominating at this stage and it dictated the way other crises developed. Accumulated political disagreements and centralized government in hands of one political force caused mass protests among the citizens. The political disagreements lay in the contradictions between the mottos the government used and taking the opposite action. Thus, claiming the intentions of integration with Europe at the last moment the government refused to declare the vector and reinforced their partnership with Russia. The lack of information on the reasons of the rapid change of the external vector caused mass protests and the citizens demands for the current government to be changed. The change of government which happened as a result of the disagreements between the citizens and the government, was a sign of economical and social problems which were later seen in the correspondent crises. The drastic change in the quality of the situation happened as a result of the political crisis. The need to change the qualitative role of the government in the economy was realized. The crisis demonstrated inefficiency of the standard macro economical regulators when avoiding the accumulation of the system disagreements before crisis and to speed up the development after crisis period.

Social crisis was demonstrated by the low level of social protection of the citizens, and the disagreement between the government declaration and their action.

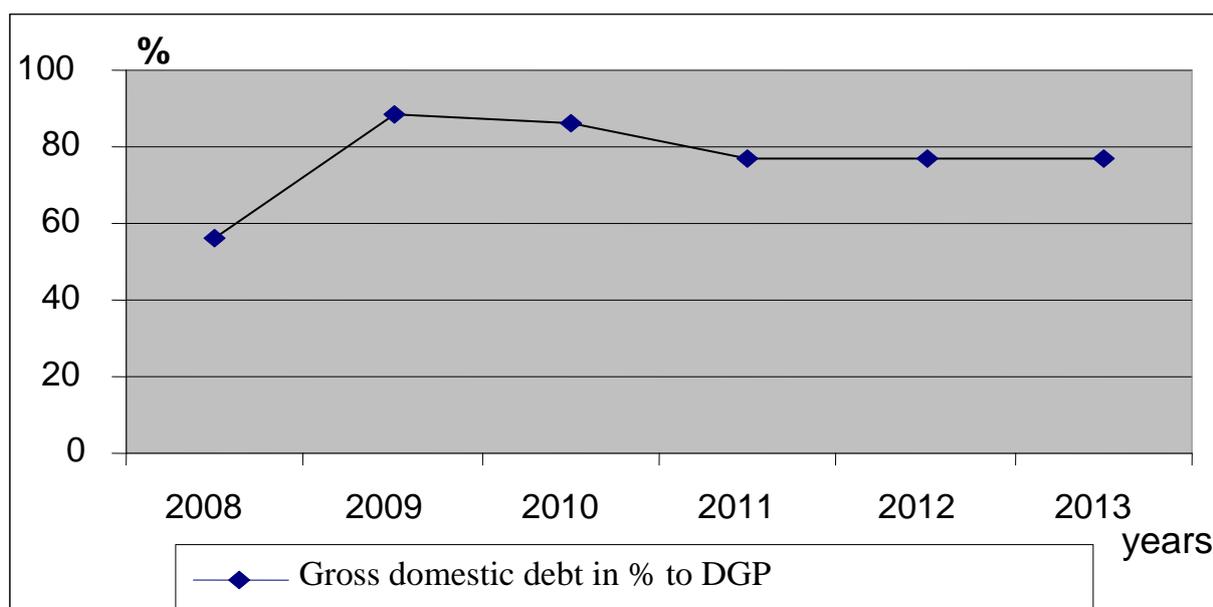
The government reform about facilitation for educational institutions and healthcare services reinforced social problems. The drop in the citizens' income level made the general dissatisfaction with the government even worse. At this stage there was efficient employees shortage. The level of the economy activity and the growth in the citizens employment is reflected in the fig. 2.8 where you can see that the researched period did not experience any growth in the citizens employment and economy activity did not how but stay at the same level as 2008.



*Fig. 2.8. The dynamics of certain social characteristics\**

\*composed by the author according to [5, 6]

Economy crisis was seen in debt, budget and currency spheres. The data from the fig. 2.9 reflects the growth of the debt crisis.



*Fig. 2.9. The dynamics of the external debt in Ukraine\**

\*composed by the author according to [5, 6]

During this period the external debt reached its maximum point in 2009 - 88,6%, from 2011 until 2013 the share of this debt fluctuated from 76%. However in 2014 because of the increasing deficiency of the budget its growth was predicted.

As there were no necessary means for making some structure changes, the economy was being kept safe from crisis which in its turn formed the foundation for self reproducing stiffness, with a constant reinforcing risks for the enterprise sector. In the second part of the year the situation in the budget sphere constantly got worse. This became a good environment for a rapid growth of the social tension at the end of the year.

This was supposed to be the period of paying the great part of the national debt in Ukraine. Thus, debt crisis got worse. This structure is shown in the fig. 2.10.

Budget crisis manifested itself in the deficiency growth, chronicle lack of funds coming into the latter and the growth of the social payments. All this created great budget black hole, which was expected to reach great sizes by 2014. Thus according to international ratings Ukraine belongs to pre default state by the February 2014 by the scale of external debt.

Currency crisis happened at the end of 2013. Gryvna rate drop was expected to continue during 2015. It is worth mentioning that at this stage the rate was fixed and its support decreased the currency reserves of NBU in 2013 almost by 10 milliard dollars and up to 21,6 milliard dollars. Thus in 2014 NBU shifted to the market floating mode of the currency rates. As a result the national currency unit value compared to the international ones dropped.

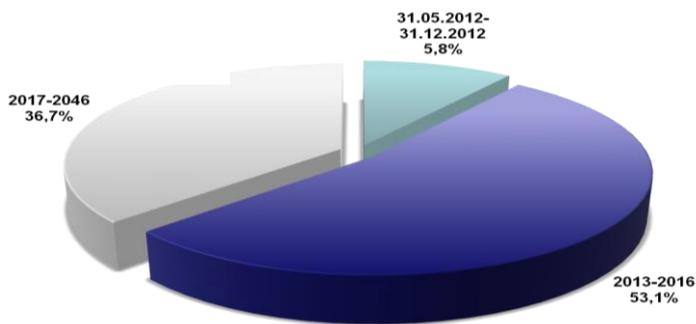
2) depending on the crisis characteristics at this stage. Crisis of this period are obvious, wide-scale, severe, impossible to control and they are nationwide.

3) depending on the consequences - at this stage crises develop really quickly and have transformation characteristics. Some correction of economic and political reforms caused partial crisis elimination.

In order to prove the above mentioned crises characteristics at the different stages of the Ukrainian economy development a list of economy events will be presented. In W. Geysia opinion, these facts are sings of crisis.

- recession (DGP drop during two quarters in a row);
- the drop in the business and investment activities;
- the drop in the level of production potential use
- problems in the employment market;
- the drop in consumer demand (especially about long-term goods);
- the drop in retail trade, the drop of the consumers moods;
- the increase of the debt among citizens, difficulties with paying off credits;
- the quick accumulation of expired credits by bank system;
- the drop in corporative incomes;
- the essential decrease in official currency reserves;
- the increase in the national external debt;
- the inflation growth;
- prolonged deficiency of national paying balance;
- the growth of the bank hopeless credits;
- the growth of the bank credits value (interest);

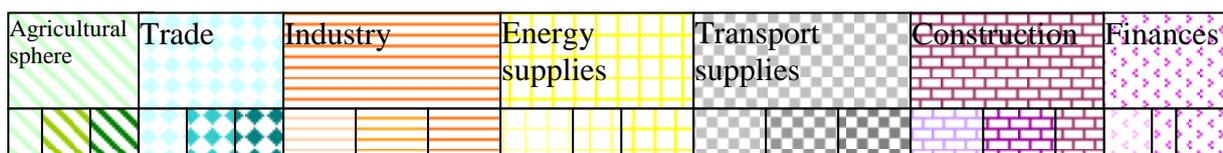
- the decrease in fund indexes; forced shares selling, which were used for the credits;
- quick loss of international investments, especially short-term capital, so called "hot money", which required highly profitable investment;
- essential budget deficiency;
- the drop in the credit rating of the country.



*Fig. 2.10. The structure of public debt by maturity\**

\* written by the author according to [5, 6]

The current conditions in Ukraine are characterized by a severe crisis in all the economy spheres. In such social economy conditions it is impossible to reach the right level of the efficient production, to get the maximum income, to be the leader in a cruel competitive fight. In the response to mechanism of anti cycle regulation on the national level described in the previous chapter it is necessary to compose a crises map in order to identify the preconditions of economy crises. Thus using the results of an expert survey the map of the Ukrainian economy crises was composed and presented in the fig. 2.11.

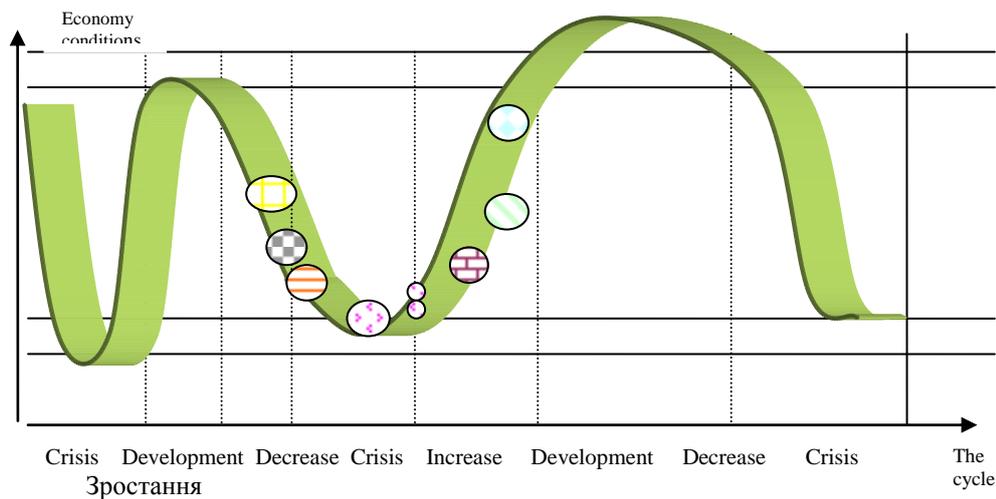


*Fig. 2.11. The map of Ukrainian economy crises\**

\*composed by the author according to [5, 6]

As can be seen from the crises map the greatest development potential and the lowest possibility of the crisis is observed in the trade and agriculture spheres. It can be explained that these spheres are in the stage of cycle development, due to innovation technology use. Whereas such spheres as industry, energy supplies are in the destruction stage. Construction in Ukraine is in the initial development stage. Therefore the possibility of crises spreading from other spheres to this sphere is very high. The financial sphere is in crisis. The draft below shows the state of the Ukrainian economy spheres.

Thus, during the period of Ukraine's independence some essential structure changes in the economy spheres development took place. All of them had different dynamics of development while influenced by the above mentioned crisis events and the world economy transformations. However, to draw the conclusion, I should say that such spheres as industry, transport energy resources shifted from the stage of development to the stage of destruction. Financial sphere developed. However, it was consumed by the crisis due to some negative internal and external factors. At the moment, the most prospective spheres which can facilitate in the anti cycle regulation as compensation means are construction, agriculture and trade. In the situation where the sources of quick development are exhausted, the only for Ukraine to return to its previous development route is major and bold reforms aimed at the increase of the economy competitive capabilities. Efficient mechanisms and approaches have to be developed in order to achieve a stable economy state. They would facilitate to boost the production efficiency and create favorable investment conditions, expand the products competitive capability in the consumer market.



○ – Ukrainian economy spheres

**Fig. 2.12. The stages of development of the Ukrainian economy spheres\***

\*composed by the author

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## **2.2. Global leadership and effective administration in the conditions of Ukraine's search of a new geopolitical identity**

Despite changes of political elite and the strategic course undertaken by them during the last ten years the current ambition is to help Ukraine become one of the top twenty of world leaders. But this task is not always synchronized with national self-consciousness of the Ukrainians who still do not feel their geostrategic role in the world history. The stereotypes that prevent Ukraine from realizing itself as an independent player in the world space are still invariable. In the Post Soviet territory Ukraine occupies the position of the most geopolitically open country that

has a high potential of integration with the global world. But the appropriate resources for defending its national interests are not formed. That is why, nowadays, the matter of principle for Ukraine is not only a formal attempt to be among the top twenty of the most developed countries but to develop its own potential which would enable to influence the world policy and define a new international system in the XXI century.

The main principle of Ukraine's international policy should be a realization of pragmatic policy that, first of all, would take into account its own national interests. Thus, a Ukraine's more active position can also be justified even if Ukraine would try to use the global world to realize its own interests. Any country in the world that takes care about its own safety does not use only one source of its realization. That is why, a modern approach to the state policy formation in Ukraine should include multi-orientation, predictability and national pragmatism that would ensure its transformation to a new modern and innovative type of development. To some extent, it will oppose 'a dilution' of national sovereignty. And only those countries that are able to turn their culture, science and education into a strategic resource of their development can keep their own sovereignty. Today Ukraine should make an ambitious claim for its role of a leader in the global world with new geopolitical interests, even in the conditions of breaking the terms of Budapest memorandum, and losing support of the countries- guarantors.

An important issue in forming the potential of Ukraine's global leadership is a high level of openness to integral processes. Establishing strong relations with the USA, the EU and Russia, Ukraine has lost its own formula of identity and it has a negative influence on the system of state governance. Because of it, Ukraine is losing the potential of effective influence on the world globalization processes, and external global parties are getting a better opportunity for direct, based on economic and political dependence and indirect influence which is based on cultural and informational dependence.

Joining corresponding international organisations will not solve the problems of national security in Ukraine. Such global structures as the EU, UN, NATO are becoming strategic institutions of the unique legitimacy of internal as well as external policy of Ukraine. So, it is of vital importance for Ukraine to clearly understand strategic relations and strategic partnership which would be based on recognizing mutual values, principles of bilateral support, pragmatism, realization of large-scale international projects.

Consequently, the formation of an effective system of national security is becoming more strategically important. Its institutions need reforming, especially Council of National Security and Defence, as a body that has to be composed of competent representatives of a certain professional field as well as a civil society and which would provide the administration of the country with analytics about the most urgent threats. It should become a principally new means of efficient policy that would modernize the dialogue between the corresponding branches of power and a civil society. Such a dialogue should be based only on the anthropocentric principle, according to which a person is the main value for the state.

Foreign policy of Ukraine fully corresponds to the challenges of the time. The issue of resource support of effective administration in the conditions of new geopolitical challenges is raised more often nowadays. Taking into consideration the fact that the development of effective governance in Ukraine does not go in line with long term stratagem, there is a certain strategic demand for new models of political, economic, social and humanitarian culture of governing. The issue of principle is strengthening of statehood in the conditions of its probable loss. In Ukraine the role of the state as a founder of large-scaled projects multipliers has been strengthened lately on a regional level. Meanwhile, the weakness of political parties and insufficient development of civil society institutions is a dangerous reserve for instability today.

All these factors contribute to a negative influence of integrating processes on efficient governance in Ukraine. There are three main parties of integrating

initiatives and each of them pursues their own interests, they are the EU, the USA and Russia.

The main priorities of integration of Ukraine into the European Union are adaptation of Ukraine legal system to the EU standards; creating a zone of free trade in the EU; increasing goods export; creating working places; visa free system. Ideology of European integration is mainly regarded in Ukraine as emotional and propagandistic technology without taking into account the fact how a political elite can ensure its positive features and diminish negative ones. The point of European integration in order to form the potential of global leadership and to ensure effectiveness of state governing system in Ukraine is only a certain political technology. Axiological value of institutional basis of the European Union is lost. According to the concept of *Yu. Khabermas* the European Union did not manage to put state interests over private ones. Thus, modern Europe started to adopt Post European values which deny Christianity, individuality, puritan labour ethics, human relations, sovereignty. Organic estrangement of these values from the countries that are mentally close to Europe emphasizes certain contradictions of their civilization development.

Currently, the priority of cooperation between Ukraine and the USA is strengthening of democracy; supremacy of law; realization of a judicial reform, struggle against corruption. In this sphere, Ukraine is necessary for the USA as a strategic ally in the struggle for global dominance. Until recently the policy of relations between Ukraine and Russia was based on the cooperation in economic, political, cultural spheres, but the annexation of Crimea has shown that Ukraine is not ready to react to the challenges of 'global policy' from the part of its eastern partner in an appropriate and effective way. The quality of mutual understanding and partnership relations between Ukraine and Russia define principles of stability only in the region but on the whole continent.

In order to increase its global leadership, Ukraine has to take into account tendencies of the modern world development. It is worth proceeding from the fact

that nowadays a new world system with different force centres is emerging where the USA's influence is significantly decreasing. Regional problems and conflicts are coming to the foreground (Iran, Iraq, North Korea, the Middle East, Abkhazia, Kosovo and so on). In fact, a non polar world is being formed which diminishes the influence of one economics or policy, 'great states' are losing control over the global agenda and do not fully comprehend how to react to certain problems and conflicts, how to settle them. According to the world experts' opinion, although 'a non-polar world' is more dangerous, and more of a conflict nature but it gives equal opportunities to all countries, creates conditions for a transparent competition among them and, hence, is more fair.

The concept of global leadership of big and small states is very different. The former ones, as a rule, have a bigger historical experience, while the small ones carry out a more cautious and transparent policy. A geopolitical methodology itself is changing correspondingly, and, as a result, a substitution of the notions 'force' and 'influence' are taking place. So, it is not necessary that only a great country with appropriate experience of accumulation of potential of a great and a strong one can be a global leader now, but the country that realizes new tendencies. Those, who will not comprehend these tendencies, risk remaining among the secondary ones or even outsiders.

The crisis has become a catalyst of processes of global leadership activation and competition among the states for their priority. The level of leadership depends on the potential of a country's influence on it and its ability to offer a new model of development. Hence, in the conditions of the crisis, a general attack of the state on a civil society is taking place, because of it the state becomes technologically weaker as its main functions are protection of a citizen's rights and interests. It is obvious that the state does not succeed in fulfilling this task and that is why citizens are looking for other institutional means of their rights and interests protection by joining corresponding transnational unions which serve this purpose, though only nominally. It leads to reforming a political geography and, consequently, to a

regional disintegration. Geopolitical conflicts very often break out between small countries on this basis and great countries inevitably get involved into the conflicts. The conflict between Ukraine and Russia of 2014 because of Crimea annexation is a good example to it. Great countries had to seek for a legal foundation to solve this conflict by introducing appropriate diplomatic sanctions.

A vitally important task is to define how effective international law and world diplomacy in solving such conflicts are. The global world is rapidly developing and they often fall behind it in an intellectual way. That is why these conflicts are settled extempore. It is strategically important to guess the world trend to lead the state, otherwise, the state can become an outsider. This tendency is evident for Ukraine as well, because the strategy of overcoming the crisis of 2014 was determined not in Ukraine but by external players and it automatically acknowledged its geopolitical weakness for the global world. Due to this fact Ukraine is being turned into a certain 'transfer zone' and world players get an opportunity to realize their own national interests on its territory, and in that way limiting Ukraine's own interests.

Now Ukraine does not need relations with the states 'guardians' because it can decide on its geopolitical ambitions itself. For this purpose, Ukraine does not need to expect an integral approach from the EU, the USA, or Russia. The country that hopes that one or another national global parties will provide it with some help, sanctions or use diplomatic pressure on its geopolitical opponents can not develop its own civilized direction. The EU, the USA and Russia are reforming the world and they are taking into account only their own interests and Ukraine, which will not take an active part in its rearrangement, will be politically and mentally left out.

That is why accumulation of potential of a great state is a very important issue for Ukraine today in the context of seeking for a new global identity. In this case, we mean not only an institutional structure that provides efficiency of state governance functioning but also an institution which ensures citizens' protection. Thus, it is possible to make a powerful state not only by increasing its capacity. It

will result in more effective work in the interests of the whole society. Thomas Paine's formula for developing the concept of a powerful state that defines the potential of its global leadership can be used. According to his ideas, the strategic aim is protection of human rights that stipulates inadmissibility of a war among modern states. In the modern world 'a different way of solving disputes which arise among neighbouring countries' must be found. In order to avoid them the states must be well educated and that is why it is necessary to cultivate the principle of mutual understanding among them. Thus, there is an issue about adopting meritocratic principles in the system of ensuring state governance effectiveness. The possibility of the country to become a global leader is determined by the quality of human potential, level of education, science, and technology.

Understanding of a war and its influence on forming the potential of global leadership in the country is quite a contradictory matter in different national systems of state governing. For instance, analyzing the role of a war in strengthening the potential of Germany, Hegel grounded its positive role as 'an aid-man of history' that ensures effectiveness of social development. A war deprives weak ones of their lives and allows the strongest ones to survive, as a result, it contributes to the formation of a powerful nation and state. But in the modern world there are other reasons for using military forces which traditionally breaks the state of 'eternal world', particularly it is the protection of a state sovereignty and state nationalism which is often imposed on other states. In such conditions a war becomes justified only if it serves for the protection of human rights. In other cases, it is a means of violence.

In contrast to this, a new formula for establishing global leadership is a realization of an idea of external world in Kant's understanding but this idea is not realized now to its full extend. In the conditions when each state seeks for its geopolitical identity, the creation of a union of nations on peace basis seems to be wrong even if each state joining such an organization will get certain security but will have to waive its rights and resources. In such a union a corresponding

stratification will quickly occur and only the states that will succeed in ensuring their citizens' rights and protecting a national sovereignty will obtain leading positions. But for this purpose it is necessary to win a victory in a war.

In order to ensure global leadership of a state and effectiveness of its governance line functioning, it is necessary to form a national matrix of values which would enable to clearly express the system of national interests in a certain integrative association. It will give a possibility to formulate a new value paradigm of Ukraine humanitarian development where a person's interests are in the centre of attention. So, such context of problem solving moves to the point of a state survival but not obtaining global leadership of a state as a strategic imperative of social development. That is why a high level of value uncertainty, which is reflected on life activities of a modern person, has led to the crisis of global leadership among modern states. Taking into consideration the fact that global problems of the modern world development can not be solved only by the efforts of one state it does not raise a question of a team leadership for Ukraine because it will deprive it of the opportunity to uphold its own geopolitical identity. Ukraine must find a nationally regulated formula of geopolitical identity, which would serve for the realization of its own national interests and would declare the wish to uphold them in the global world.

In the modern global world states with rather limited resources have become global leaders of its development. At the same time they held this position for quite a short period of time. It shows that Ukraine must objectively analyze its potential and resources in cultural and civilized, ideological, social, demographic, economic, political spheres and direct them to ensure its own mobilization development. It is important for Ukraine today to formulate its own geopolitical self-sufficiency as a state that possesses the potential of solving global problems and is an active player in settling regional conflicts. In order not to become a geopolitical bankrupt, Ukraine must have clearly formulated national interests that should be realized

according to the corresponding integration project. In the opposite case Ukraine will not be able to ensure its own advancement in the global world.

All trends of social development today testify to the emergence of such a form of social development as global integration. This phenomenon serves as the main criterion and principle of the development of the modern world, and, in accordance with that, and the institutional mechanism for ensuring it's functioning. Global integration determines the patterns of development of the modern world, as its influence changes the global structure of the world order, new integrated structures are appeared that ensure an intensification of human development in general.

The main tendency of the modern type of social historical development, which corresponds to the conditions of globalization, is the unification of individual countries, regions and continents into a new planetary reality. On this basis, the whole world is considered as "a global human reality that is based on the preservation of the continuity of civilizational development, through the constant implementation of a unique-unit, regionally-specific, with the direct birth by civilization of a variety of contradictory differences, distinctions, upon condition of their confrontation, when individual civilizational forms are perished and at the same time the entire civilizations are survived ". Global integration ensures the form of the unity and integrity of modern mankind, so that different aspirations and interests of states can lead to the global unity of the world. The basis of such unity naturally represents solidarity as a "conscious, internal spiritual-moral and social organization that ensures the universal community of mankind". It testifies that global integration is a necessary socio-historical condition not only for the development of the modern world, but also for the salvation of mankind as a whole. However, global integration, like any other social structure, can under certain conditions have both a positive and a negative impact.

Today, most states are faced with the need to answer the question: what is the essence of global integration, what its main goal, what its specific advantages for

the development of the modern world, and what it will give for the development of a separate national state with which states it is necessary to be integrated in order to achieve the desired result, which forms the global integration in the modern world takes on, which basic means of global integration must be applied, according to what principles and conditions global integration should be carried out?

Unlike all other historical forms of integration that preceded it, the global form of integration is global in nature. Moreover, one can even say that global integration is an evolutionarily modified model of integration, which includes all historical forms. Today, the world knows the following two historical forms of integration: 1) integration with the force that was carried out from prehistoric times by the first conquest campaigns (a separate state with assistance of force annexes other states (empire); 2) voluntary integration (association of states on the basis of realization of common interests and needs). By their scale, territorial dimensions and forms of influence, these two forms of integration did not have such expansion that a modern global integration has. These two historical forms of integration today characterize the modern form of integration - global. It should be noted that mankind has always been forced to solve the problem of achieving unity, for the manifestation of diversity it has become much easier to solve the problem in a globalized world/

A prerequisite for the emergence of global integration is the main means of sharing knowledge, values of development in the information society. The latter the Internet affords as the main mean of ensuring the exchange of such knowledge and values online in the global space. It should also be noted that the characteristic feature of the global form of integration, unlike all previous ones, is the realization of utilitarian interest - the idea of profit and material well-being, where people, the state turn into an instrument for the realization of separate goals, which are the basis of functioning and endurance of the corresponding global association.

The basis of global integration is a universal, world-global system of values (human, global, national, regional, and individual), which, whenever necessary,

should be shared by all actors of the global unification. Such a system of values is a priority in relation to the peripheral system of values and, in the majority, should lead to an averaging of neutrality in values, in such a way as not to be subjected to the destruction of the basic value factors that govern the states in the process of unification. That is why, in the context of globalization, we should talk about the so-called transnational system of values that would work for the integration of states, and not for contradistinction on the basis of differences in the national system of values when each of the states lives in accordance with them.

In order that global integration has positive character, it should be based not only on geostrategic but also on political and economic equality of states. Accordingly, the theory of "mondialism" was elaborated in the field of geopolitics. This theory foresees the unification of states only on the condition of equalizing their economic development. That is, it was about the possibility of establishing an effective and long-lasting unification between states only when they have common preconditions and opportunities for economic development. It testifies that the effectiveness of global integration is primarily determined by the parameters of the equality of conditions of development among the states that are seeking to become part of the respective global association.

Global integration represents a means of uniting states that promotes effective interaction between them at all institutional levels of development of society and is based on the realization of their common interests. Global integration ensures a structural transformation of the modern system of international relations, promotes a parity of socio-political, economic and cultural potential among states under the conditions of a common globalization vector of development. Within the limits of the corresponding global association, the individual state can set the appropriate rules of "geostrategic game", which regulate the nature of the implementation of global integration and determine the level of activity in such an association of each individual state. This, in turn, indicates the form of distribution of geostrategic functions between states as key actors in the implementation of

global integration, as well as the dynamics of social development of states in a global unification. It is an aspect that has been elaborated within the framework of modern administrative and political science, and therefore represents an unresolved part of the general problem of globalization's impact on the system of public administration. This directly defined the research objective in the context of elaborating this issue.

Today, none of the world's nations can stay away from global integration processes, because the rhythm of modern geopolitics requires each of them to synchronize with the modern conditions of development. Such modern conditions are global integration, which requires states to be included in the planetary space on the basis of realizing common geopolitical needs and interests. Accordingly, the main goal of global integration should be the realization of common interests by achieving a geostrategic consensus and preserving national identity. In our opinion, it is advisable to identify two main forms of global integration in the modern world: global individual integration and global collective integration.

Globalization, which naturally involves the intensified integration of developed countries within the framework of creating a single centralized space, foresees the focus on the active development of each of the states, under condition of use of financial means and technologies elaborated by other countries. The implementation of such a model of integration is characterized by a number of problems: development covers only a small part of the population of the planet and national economies, socio-economic stratification, marginalization, alienation and poverty of a large part of the population are growing, which is directly linked to the growing dependence on the strategy of the functioning of transnational structures, and therefore the issue remains open concerning the stability of state-management systems in the world.

### **2.3. Technological transformation of the economy of Ukraine in conditions of modern global processes**

The evolution of human society was held in three stages, which are called traditional society, industrial society and postindustrial society (table 2.5).

Traditional (pre-industrial) or agricultural society is characterized by hunting-spirallike way of farming, when men were mainly engaged in hunting and women gathering. Over time, the transition from hunting-zurlnick to agricultural and pastoral agriculture, in consequence of which the collection has changed to the cultivation of plants, and hunting and raising animals. This type of society existed before the industrial revolution of the late XVIII – early XIX century.

The scientific discoveries of the early nineteenth century. gave rise to a gradual transition from manual labor to machine. With the invention of the conveyor belt and steam engine society has become industrial. Industrial society is characterized by the use of steam power and the use of machinery, the formation of large industrial enterprises and industries. The industry is based on the scientific organization of labor.

*Table 2.5*

**Types of human society**

The type of society	The Nature of the production activities	Main production resource	Technology	The Basis of society formation
Traditional (pre-industrial)	mining	raw materials	time-consuming	interaction with nature
Industrial	production	energy	capitalintensive	interaction with the transformed nature
Post-industrial (the knowledge society)	processing	information	knowledge-based	interaction between people

As a result of global changes in industrial society caused by the dynamic information technology bubble was formed-elk informational or post-industrial society.

According to Professor of sociology, Harvard University D. bell, the postindustrial society is a "society whose economy is the priority switched from primary production of goods to production of services, research, organization of the education system and improve the quality of life; in which the class of technicians has become the basic specific group and, most importantly, where innovation ... increasingly began to depend on achievements of theoretical knowledge" (1967) [1, p. 173].

By definition of SB. Brzezinski (1971) "the post-industrial society becomes technotronic society, culture, psychology, social life and the economy which are formed under the influence of electronics, especially computers and communications. The production process is not the main decisive factor of change affecting the morals, social order and values of society" [5].

A feature of post-industrial society D. bell is "the formulation of a society based on the production of services and information" [1].

Signs of transition to a new type of society began (a):

a gradual transition from the traditional fossil energy sources to unconventional;

replace mass production with production of goods and services, clearly focused on the consumer;

replacement nuclear family "many plates";

shift in the organization of corporations to forms less bureaucratic, more specialized and focused on solving specific problems;

democratic means of communication, facilitated the development of cable television, satellite communications, etc. [16].

The development of the Internet and information technologies resulted in "information explosion" in modern society. To date, the annual increase knowledge in the range of 4-6%, and the current specialist almost a third of the total volume of your time should be spent on the upgrade of professional knowledge, and thus, it

gets to 50% of the knowledge after graduation. Updated annually about 5% of theoretical and 20% of professional knowledge [14].

If the most important economic feature of the post-industrial society is the leading role of the production services, the technological basis for such transformation is a qualitatively new role of science and theoretical knowledge that has developed in advanced industrial countries in the postwar period [1].

The main fundamental features of post-industrial society D. bell are:

- the Central role of theoretical knowledge;
- the creation of new intellectual technology;
- the growth of a class of carriers of knowledge.

Therefore, post-industrial society is often identificireba with the "knowledge society" (knowledge society).

Simultaneously with the evolutionary development of human societies have varied methods of processing, manufacture, change of state or properties, forms of raw materials in the production process. It is associated with the development of technology is the main driving force of scientific progress. With this new technology occurs not alone but in combination with other, complementary technologies.

A set of technologies and industries of the same level, which are combined in a stable integrity, which itself is reproduced, form a technological way. The concept of "way" means establishing a certain order of something [9].

For the first time the concept of "technological way", as a scientific economic category proposed by S. Glazyev. In his opinion, the technological structure is a complex of technological processes, which represent a totality which is reproduced, and cover a variety of industries and enterprises of production [3].

Technological way is a group of technological sets connected to each other the same type of technological chains and forming a reproducing integrity [2].

Technological structure is characterized by a single technical level of its constituent industries associated vertical and horizontal flows are qualitatively

similar resources based on shared resources of skilled labor, common scientific and technical potential of certain technologies [10].

In the framework of the technological system is vicious microfinance cycle, including extraction and obtaining of raw materials, all stages of their processing and production of end products that meet the appropriate type of public consumption.

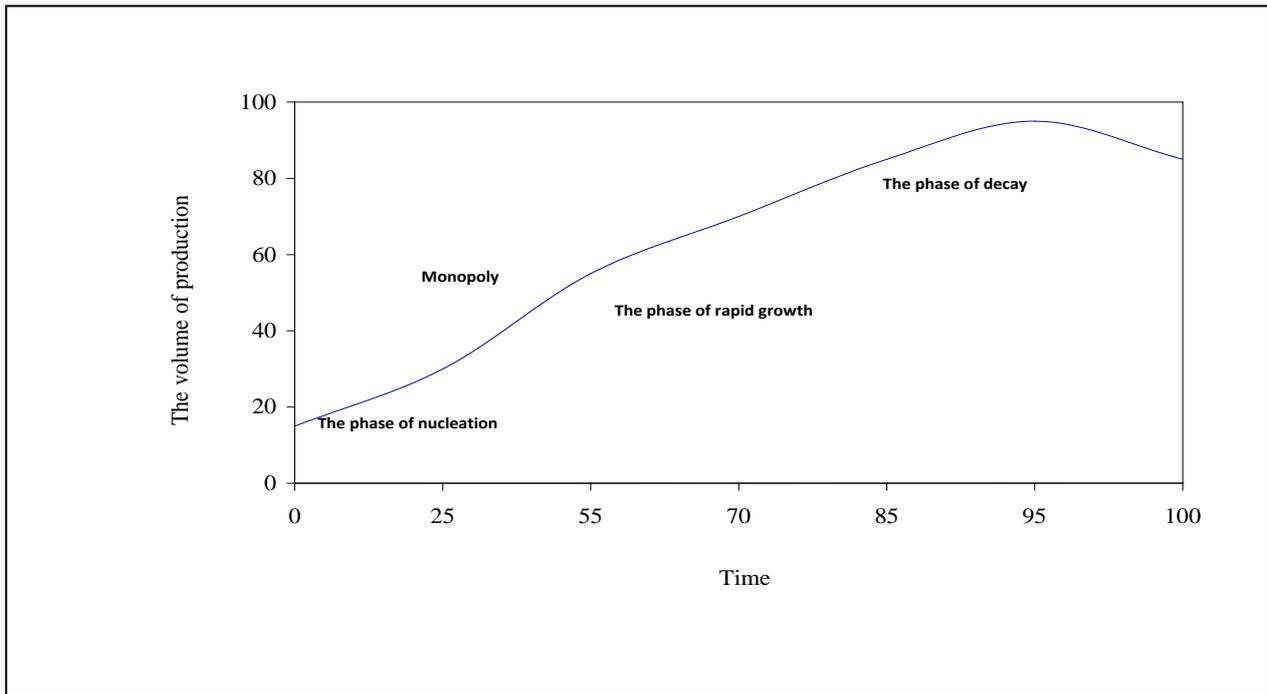
Each technological system is self-reproducing integrity. It has a complex internal structure, which is based on - technological system. Technological structure is also a key factor and the organizational and economic mechanism of regulation.

The core of the technological structure are fundamentally new (radical) technologies, which are created under the influence of earlier unknown laws and laws, inventions, discoveries that fundamentally change the content of the various activities in the society [15].

Each technological generation has a life cycle that is a period of time from inception to decline. According to many authors of scientific and technical progress, the cycle lasts about 100 years.

According to Krasnokutskaya N. In. life cycle of the technological structure includes four phases of development: the emergence and formation of new technological mode in the depths of the previous one; the dominance of the technological structure, maturity and decay (death) of an aging technology structure (Fig. 2.13.). The life cycle of a technological order Popel S. divided into the following phases: nucleation, monopoly, growth and extinction [15].

The first phase. The emergence and formation of new technological mode in the depths of the previous one. The existing productive capacity of the economy gives impetus for the further development of technological structure.



*Fig. 2.13. The life cycle of a technological order according to N. Krasnokutskiy*

The second phase. Economic restructuring based on new production technology, which leads to the domination and monopoly of technological mode. The rate of maturation of a particular technological structure depends on the favourable technological and socio-economic environment. If there is though a slight but steady regardless of price the demand for a new method, process, product, the development of elements of a new technological system is accelerating.

The third phase. The phase of rapid growth. Invented a new technology of production goes to the mass use that gives impetus to the accelerated development of new technological order.

The fourth phase. Technological way is moving from the stage of ripeness to gradual decay and death. At this stage begins the search for the replacement of old technologies for new, more efficient way.

The impact of technological structure determines the level of social development, culture, defence, the legal status of each subject, the crime rate and

other parameters of the development of society over time under the influence of business cycles, the change of technological structures in social production, that drew the attention of N. Dmitry Kondratiev. He is still in 20-e years of the twentieth century, studying fluctuations in the economy, came to the conclusion that economic changes are preceded by significant scientific and technological inventions and technological innovations. Long-term economic growth with technological development linked economists like Marx, S. Schumpeter, N. Kalecik and many others, but for a long time, the role of technological structures had been ignored in economic science.

According to the theory of long waves of N. Kondratieff economic and social development of countries in the world, there are waves. "Long-wave" consists of two phases: ascending and descending, which falls in the period of crisis and depression. Between short and long waves are closely linked, since the first as if strung by the second. The real nature of the economic cycle depends on what phase of long cycle falls short of this: if you the rising – revival, and if a downward – crisis depression worse.

Before the beginning of the upward phase has seen a revival in the field of technical inventions, their widespread use, that provides a long economic boom. At the stage of economic recovery usually changing economic conditions, supply and demand for manufactured goods. Feature of a depression wave is that it is accompanied by high activity of innovation, full upgrade of buildings, equipment, long-term use, the creation of new jobs and new production facilities. During the recession of the long waves of technological change the development model.

After a period of stagnation, the exit phase of the crisis and depression and to further the achievement of economic recovery can only happen thanks to the massive replacement of the active part of the instruments of labor, those businesses that survived the crisis. Through the use of new technology and relatively low prices of the period of stagnation is achieved by reducing unit costs and increasing the profitability of production, thus expanding economic activity.

These cycles have spiral progressive movement in technological potential of the economy. They are the mechanism by which the market environment is implementing the self-regulation of innovation by entrepreneurs in the economic practice. The most important cause of cycles ("long waves") Kondratiev and the duration of the known American economist P. Drucker recognized innovation.

According to the theory of "long waves" N. Kondratyev, scientific and technological revolution is developing in waves, with cycles of approximately 50 years. Scientific-technical revolution leads to change of technological mode. Life cycle of a new technological wave starts during the decay of the previous one. Currently scientists distinguish six technological ways and show signs of the formation of the seventh (tab. 2.6):

The first wave (1785-1835), was formed the first technological generation based on new technologies in the textile industry, the use of water-power.

This technology, related to the textile industry became the core of the first technological wave. The invention of spinning and weaving machinery, have led to the transfer of the textile industry on machine base that gave impetus to the development of this technological system. This, in turn, caused increase of demand for engineering products [7]. There was also improvement in the processing of metals.

A key factor of the first technological system has become a water engine. For the first time, such technological developments have taken place in England. Subsequently, with some delay, similar developments occurred in other European countries: France, Germany, Russia.

Since 1790, these processes began to occur in the United States. The formation of the first technological structure in these countries, except Russia, was carried out for 30-50 years.

Starting in 1820-ies on the basis of the first technological wave began to form a new technological way. The impetus this gave the second wave (1830-1890.), which is associated with the development of rail transport and mechanical production in all sectors on the basis of the steam engine.

Table 2.6

**The periodization of technological structures**

Technological way					
Name	Period	Core	The basic innovation	Advantages	Dominant industries
1	2	3	4	5	6
1st technological way	1785-1835	textile industry, textile mechanical engineering, iron smelting, iron processing, construction of channels	textile machine, water engine	mechanization and concentration of production in factories	textile industry, iron smelting, Metalworking, and construction of the main channels
2nd technological way	1830-1880	steam engine, railway construction, shipbuilding, the coal industry, ferrous metallurgy	steam engine, machines	the growing scale and concentration of production on the basis of the steam engine	mechanical production based on the steam engine, railroads, railway, steamship transport, engineering and machine tool industry, coal industry
3rd technological way	1880-1940	electrical heavy engineering, manufacturing and steel rolling, power lines, inorganic chemistry	motor, steel	Increasing in the production flexibility through the use of electric motors, standardization of production, urbanization	radio, Telegraph, electrical and heavy engineering, manufacturing and rolled steel, lamp appliances, shipbuilding, inorganic chemistry
4th technological way	1940-1990	automobile and tractor construction, nonferrous metallurgy, production of durable goods, synthetics, organic chemistry, extraction and processing of oil	the internal combustion engine, petrochemistry	mass and serial production	automotive, tractor, aircraft, synthetic materials, nonferrous metallurgy, organic chemistry

5th technological way	1990-2020	electronic and computer fiber-optic industry, software, telecommunications, robot construction, information services, extraction and processing of gas	trace elements	industrialization of production and consumption, increase production flexibility, deurbanization on the basis of information technologies	electronic engineering, computers, software, telecommunications, fiber optic equipment, information services
6th technological way	2000-2020	bio - and nanotechnology, Photonics, optoelectronics, aerospace, alternative energy sources	Nanotechnology	overcoming environmental constraints through the use of non-conventional energy sources	robotics, biotechnology, artificial intelligence, global information networks and integrated high-speed transport systems, space technology, nuclear industry, the use of hydrogen as an energy carrier, genetic engineering
7th technological way	XXI century	fusion technology, psi technologies, biotechnologies associated with morality and responsibility	cognitive technology (human bioenergetics)	the emergence of the categories of "GParted", "gpinfo" and "Tarzana"	the mastery of the physical vacuum, a new model and life forms on the planet, bacon utern systems and Biomedicine

That is the steam engine became a key factor in the development of the second technological way. The basis of this period were coal and transport infrastructure.

In the years 1845-1850 second technological mode becomes dominant in the economy of developed countries. The rapid development of machine production, including automated production has become the core of the second technological way.

During this period, dramatically increased the intensity of international trade. The growth of large industry was constrained by the underdevelopment of

transport. Therefore, an important feature of this structure was the rapid development of railway construction and transport mashinobuduvannya. The concentration of population in cities and intensive construction in the transport sector required the strengthening of technical base of construction and encouraged mechanization [7].

Mechanization of social production on the basis of the steam engine was gradually reached maximum capacity. Public demand for products of the second technological way saturated. Thus, the economic growth of the 1850-1860-ies was followed by stagnation. Was over-production of some industrial goods. Under these conditions, and began to form the third technological way.

Impetus to the development of the third technological order gave the third wave (1880-1940.) that was based on the use in the industrial production of electric energy, development of heavy engineering and electrical industry through the use of rolled steel, new discoveries in the field of chemistry. Was implemented radio, Telegraph, automobiles, airplanes, began to be used non-ferrous metals, aluminum, plastics and etc. becomes Dominant consumption AC deployed in the construction of power plants [7].

Although the most important energy carrier of the third technological order was coal, but also on the energy market starts using oil.

A significant development in this period reached the chemical industry. For the third technological structure was invented the ammonia process of obtaining a soda, the production of sulfuric acid by the contact method established electrochemical technology.

Formed the large enterprises, the cartels, the trusts. There is a concentration of banking and financial capital. Smaller companies began to be absorbed in the large and in the market to create monopolies and oligopolies.

The characteristic features of the monopoly are:

market presence of only one manufacturer that sells its products to many operating independently from each other.

the lack of substitute products the products of the monopolist;  
blocking market entry to new companies.

Oligopoly – a situation in which several companies dominate the market. The characteristic features of oligopoly are:

goods are not differentiated (undifferentiated oligopoly) or differentiated (differentiated oligopoly);

every company is exposed to marketing activities of competitors;  
are high barriers of market entry for new businesses.

The oligopolistic markets are formed: steel, aluminum (undifferentiated oligopoly); computers, cars (differentiated oligopoly)).

A key factor in the development of the third technological mode was the motor. Global leadership moving from England to the United States.

The fourth wave (1940-1990 gg) has formed the fourth technological order, based on further energy development with the use petroleum and petroleum products, organic chemical products, gas, communications, new synthetic materials. Oil has become a leading energy source, unlike the previous structure, which was the basis of coal. Petroleum products are used as the primary fuel for almost all types of transport – diesel locomotives, automobiles, aircraft, helicopters, missiles. Oil has also become the most important raw materials for the chemical industry.

The transition of the population to new type of consumption, characterized by mass consumption of consumer durables, synthetic products [7].

This way of life began a new direction of technological development. The era of mass production of cars, tractors, airplanes, various types of weapons, consumer goods on the basis of trgovsko conveyor technology.

Was invented and became widespread computers and software for them. With maturity the fourth technological order is created the global telecommunication system on the basis of telephone and radio communications [7].

I started using the atom first in military and then for peaceful purposes.

The core of the fourth technological order was the automobile industry and the development of the first samples of the tracked vehicle and special equipment.

Appeared multinational and international firms that carry out direct investments. Prevails in the market oligopoly competition.

A key factor in the development of the fourth technological order was the internal combustion engine.

The fourth technological order has reached maturity until the 1980s, in developed countries. The transition to the fifth technological order gave the fifth wave (1985-2035 years) that builds on the achievements in the field of microelectronics, Informatics, biotechnology, genetic engineering, new energy, materials, space exploration, satellite communication etc. There is a transition from isolated enterprises to the development of a network of transnational corporations, the United of the Internet, carrying out close cooperation in technology, quality control, production, planning, innovation and investment, procurement on the principle of "just in time". During this period in the industry are actively used achievements in the field of microelectronics in the management of physical processes on mcconomy level.

- The fifth technological structure formed electronic engineering, computer engineering, software, aerospace, telecommunications, fiber optic, robotic construction, information services, production and consumption of gas.

A key factor in the development of the fifth technological structure steel gas technology and microelectronic components.

On the fifth technological way are countries such as Japan, USA, Germany, Sweden, the EEC, Canada, North Korea, Australia.

Since 2000 in leading countries made the transition to the sixth technological mode, which gave impetus to a new stage in the development of medicine and biotechnology. Modern technologies are changing the structure of matter to atomic and nanoscale. At the nanoscale there is an opportunity to change the molecular structure of substances purposefully to give it the fundamentally new properties to

penetrate into the cellular structure of living organisms, altering them [18]. The development of computer technology has led to increased information processing. In the result of a combination of discoveries in science and the rapid development of technology created a quantum computer, artificial intelligence, virtual money (bdon) and other discoveries. Such discoveries have provided access to a new level in enterprise management systems, society, government, economy.

When entering into the sixth technological way, all parties familiar life and dynamics of society are changing dramatically [18]. A society moves from post-industrial to the knowledge society.

The core of the sixth technological structure steel, bio - and nanotechnology: nanoelectronics, molecular and nanophotonics, nanomaterials and nanostructured coatings, optical nanomaterials, nanoheterogeneous systems, nanobiotechnology, nanosystems engineering, nanoablation; space technology.

The leading industries of the sixth technological order are the electronic, nuclear and electrical industry, ICT sector, machine tools, shipbuilding, automotive industry and instrument-making industry, pharmaceutical industry, solar power, space-rocket industry, aircraft industry, cellular medicine, seed farming, construction, chemical and metallurgical complex [18].

Key factors in the development of the sixth technological order are:

unconventional (alternative) sources of energy: hydrogen energy, wind energy, sun;

cell technologies and methods of genetic engineering (fine chemistry), implementation of which requires the mandatory use of electronic raster and atomic-force microscopes;

the development of nuclear power with advanced security, and in the future of fusion energy;

the widespread introduction of materials with predetermined properties, primarily composite;

the formation of a pervasive global information and communication networks;

radical changes in the methods and means of environmental activities that reduce the anthropogenic impact on the biosphere of the Earth [11].

According to forecasts of Scientific Foundation, in 2015 the annual turnover of the nanotechnology market will reach 1-1.5 trillion dollars [9].

According to the leading scientists of the sixth technological way has already reached the second phase of the life cycle. But its further development is not yet well conceived and the prevalence of new technologies. While maintaining the current pace of technological progress in 2040 it will reach maturity [6].

Creation of technologies of "cold fusion", the development of which has long been under way, will radically change the energy potential of earth's civilization and lead to the industry's switchover to the seventh technological way.

The fundamental difference between the seventh technological order from all other orders will be a combination of production processes and human consciousness. Human consciousness will become a powerful resource as science. To date, the production of any product requires no direct involvement of human consciousness, and needs only his muscular strength: for example, press the button and start the conveyor in motion and then observe the production process. But in the near future, the start of the production process will realize the consciousness of the person. On the basis of human consciousness has developed so-called cognitive technology [13].

A key factor in the development of the 7th technological order will become the human consciousness and artificial intelligence system.

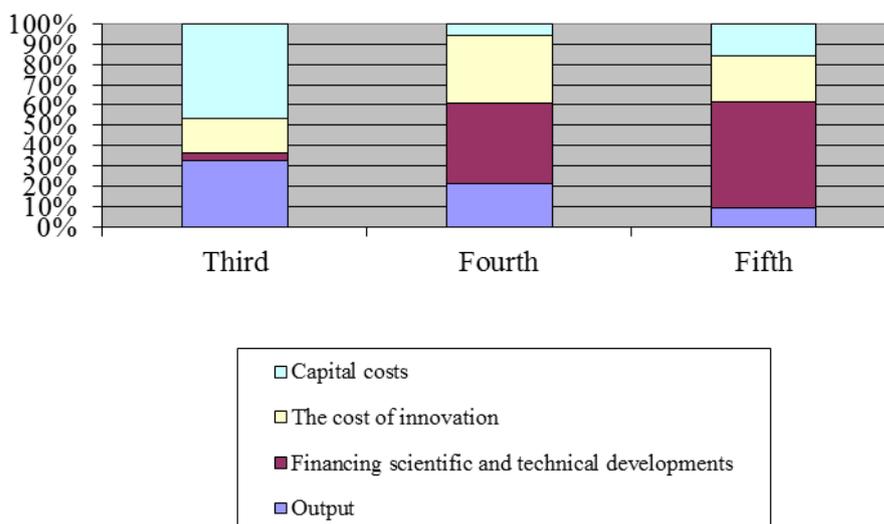
In connection with acceleration of scientific and technological progress in the future, the projected reduction in the duration of waves (modes).

Sequential change of technological structures gives impetus to the economic development of the countries. So, in economically developed countries there is a heavy redistribution of resources from the fourth to the fifth technological order. In

Ukraine, the fifth technological structure exists mainly in the defense industries. The transfer of defense technologies to the civilian sector is extremely slow due to a number of objective and subjective reasons [2].

Over the last decade developed countries to postindustrial economy is increasingly estranged from other States, which include Ukraine.

In the economy of Ukraine due to the potential large territory, favorable weather conditions, cheap natural resources and labor, at the same time traced the existence of the third, fourth and fifth (in defense industries) technological structures with a predominance of the third and fourth.

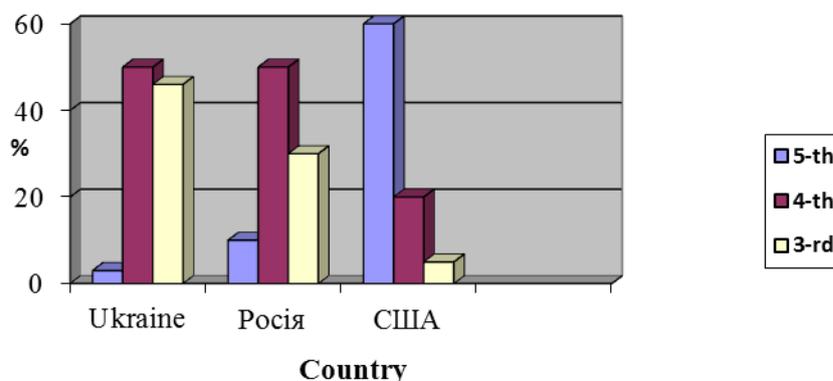


**Fig. 2.14. The structure of technological orders in Ukraine (compiled by E. G. Kirdina)**

According to the analytical materials for the parliamentary hearings "Strategy of innovative development of Ukraine for 2010-2020", in Ukraine in enterprises III technological mode accounts for 46% of the total IV – 50% V – 3%, and innovation changes the technological structure of the economy, preserving it [8, p. 54, 16].

The U.S. share of the fifth technological structure is 60%, fourth – 20% and only about 5% are sixth technological order. For comparison, in Russia the share of technologies of the fifth way is about 10% (in the military-industrial complex and

aerospace industries), the fourth – more than 50%, the third about 30%, and the sixth has not yet formed [20].



**Fig. 2.15. Comparison of technological structures of the countries**

Recent research of the industry of Ukraine indicate the country's technological degradation and the threat of deepening technological regress [17]. Today, the industry of Ukraine is heavily degraded, some experts speak even about the need for re-industrialization of the country and the reconstruction of national industry" [18,p. 15].

The analysis of the dynamics and structure of the scientific-technological and innovation activity in Ukraine allows to draw the following conclusions:

1. In the industrial complex of Ukraine and deepening the trend of dominance of industries with low knowledge intensity [4, p. 305].

2. Domestic enterprises at present and in the near future is not able to mass deploy high-performance, scientific-technological, industrial and innovative activities [21, p. 337].

3. Ukraine as a result of market transformation of inversion type, combined with the globalization processes, has not rebuilt its domestic market, have not created the corresponding consumer and manufacturing demand and supply, did not satisfy the basic needs of the population, and once in the defining part adapted on the basis of market mechanisms in certain segments of the world market as a raw materials appendage. Its structure, in its main points is not determined by the internal needs of economic development and external demand commodity nature [17].

4. The narrowness of the domestic market of Ukraine does not create adequate incentives for investment in domestic enterprises both from domestic and from foreign investors.

5. Unfavorable investment climate in Ukraine, which, through the incompleteness of institutional transformations, excessive government intervention in economic activity, corruption, low level of development of market infrastructure discourages domestic companies from the main flows of capital.

6. Irrational structure of export to international markets. Ukraine exports to international markets those goods and services (food, ore, metals, primarily black, transport services) that is mostly raw materials and are characterized by their declining share of global sales of goods and services.

7. The lack of a competitive, financially-powerful domestic multinational corporations.

8. Do not use the strategy of global marketing and investments, forms and methods of implementation of major international investment projects.

9. The presence of barriers to entry of domestic exporters to international markets.

10. Not the inclusion of domestic subjects of foreign economic activity to international information networks.

The above problems hinder the development of the economy and insufficient funding of domestic research and innovation does not allow to create new technologies, which will enable a rapid transition to a higher technological way. However, the current state of the global economy is characterized by the transition industry developed country leaders are already to the sixth technological mode, while the domestic economy was generally on the third and fourth order.

In order to be part of the technological leaders, Ukraine must focus its efforts on the creation of a fundamentally new directions, which are characteristic of the knowledge economy (i.e. the fifth and sixth technological structures), funding them through the development of unique technologies of the third and fourth orders.

Scientific and scientific-technical potential of Ukraine in a number of basic industries, adequately corresponds to the level of developed countries and allows to create base for formation and development of the technologies of the fifth and sixth modes [12].

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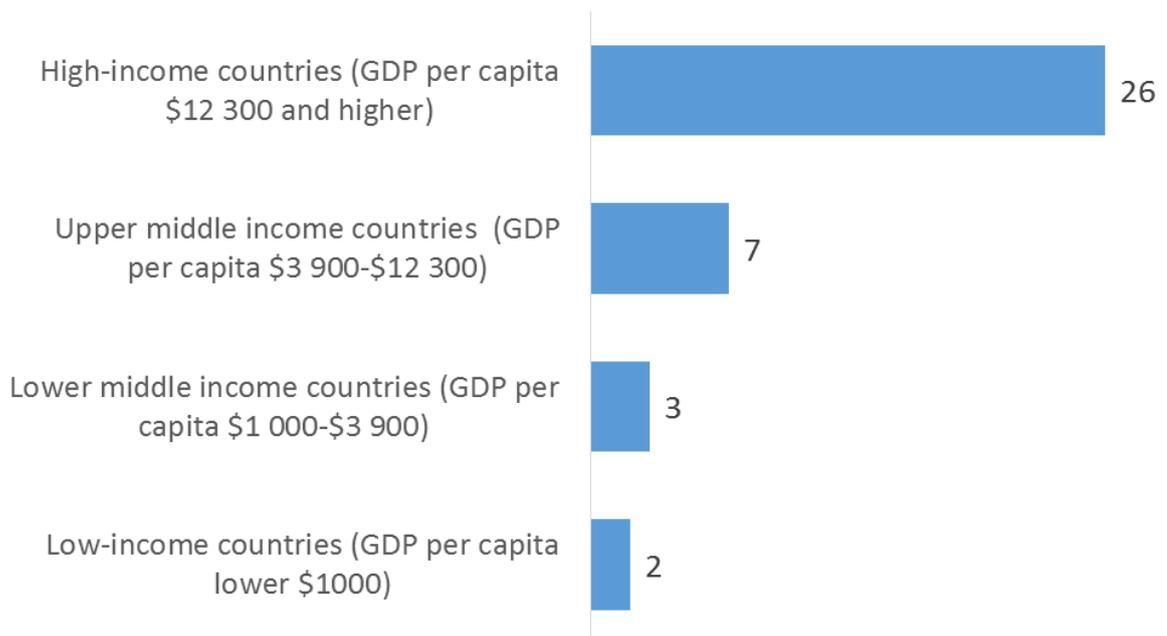
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## 2.4. Migranomics: the chance for Ukraine to become a successful country in the XXI century

The development of the world economy has always been accompanied by migration processes. Approximately until 1990, migrants were evenly distributed between developed and developing countries.

However, with the liberalization of economic regimes, the decline in the birth rate, the aging of the population, and the intensification of globalization, migration accelerates and moves mainly to the developed countries.

In 2016, an average of 57 high-income countries (according to the World Bank methodology), immigrants accounted for 26% of the population, and in the top 10 countries of the world - 36%. In other groups of countries, the share of immigrants to the population is much lower (fig. 2.16).



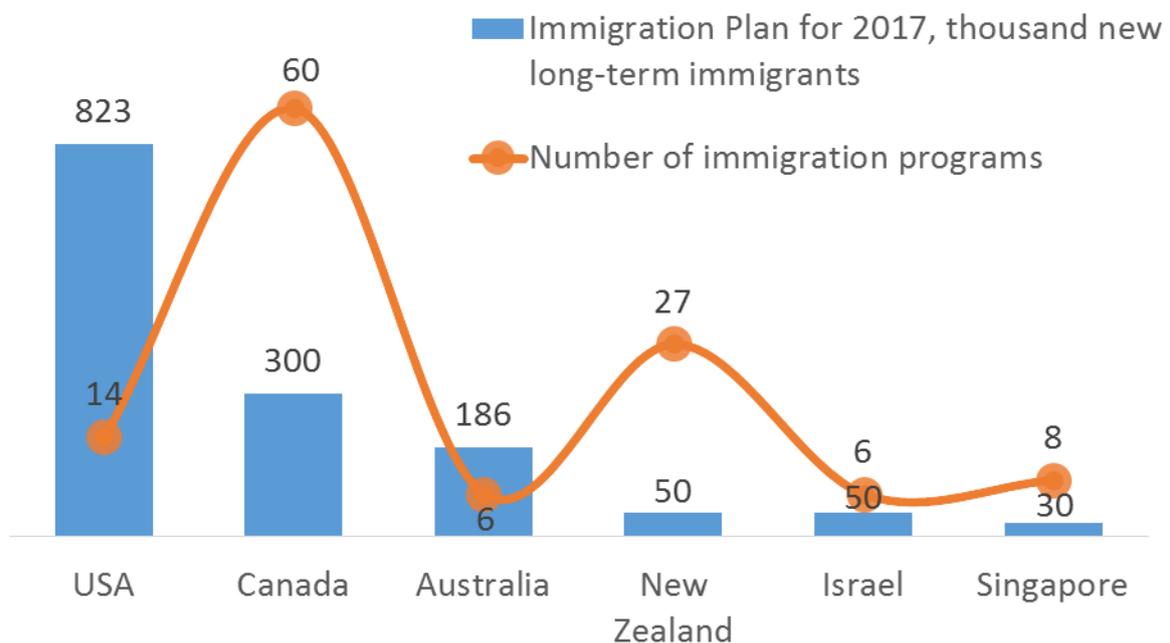
Source: World Bank; Wikipedia; Migration & Remittances Factbook 2016

Fig. 2.16. Immigrants to population ratio in countries by income level, %

The reader may think: well, of course, migrants from poor countries go to the rich ones to receive benefits, housing, salaries, etc. However, it is not like that.

Most of the developed countries have created a powerful system for attracting, selecting and retaining foreign migrants by themselves. In these countries, plans are made every year to attract millions of new immigrants (fig. 2.17). Countries have developed dozens of programs to attract immigrants by following factors: 1) the level of qualifications; 2) types of employment; 3) sectors of the economy; 4) the level of their social status. In order to achieve these plans and programs annually, special ministries, recruiting and legal companies, charitable and consulting organizations have been set up.

Special banking services have been also developed to ensure the growing inflow primarily labour force in these countries. In order to understand why the countries strongly motivate immigration let's have a brief look at the experience of the United States.



\* - approximate number of programs (without sub-programs)

Source: Country Immigration Plan Statistics; IRCC reports; Wikipedia

Fig. 2.17. Number of national immigration programs and amount of new immigrants that are planning to be attracted in 2017 by selected countries

### *Why America is successful in XXI century*

The USA is the largest "hunter" for migrants. Having only 4% of the population and 6% of the planet's area, the country attracted almost 20% of all migrants in the world (almost 50 million people). Every year more than 1 million new immigrants come to the United States for various long-term programs. In the XXI century, immigrants for the US is not just a labour force, it is a key driver for the development of its economy. Although immigrants make up only 14% of the US population, they create almost 30% of all new enterprises in the country [3]. The chances that an immigrant will open up his business are 2 times higher than a native resident will do it. According to Inc. Magazine about 20% of all retail sales in the US (so it's about \$ 1 trillion per year) are already made by companies created by immigrants [3]. Studies have shown that immigrants do not take jobs, but rather create them - in the United States every 10th worker works for an immigrant entrepreneur.

Immigrants helped the US become a leader in the digital economy. According to Inc. Magazine during 1995-2005 52% of all companies in the Silicon Valley were created by immigrants, and 53% of all researchers and engineers in the region are immigrants as well. During this period, the share of start-ups created by immigrants increased by 50%, while those born in the US - decreased by 10%. In general, according to Fortune magazine, 41% of the 500 largest US companies are created by immigrants or their children, including 45% in IT technology and 50% in medicine [3]. Without the participation of immigrants, companies like Apple, Google, GE, IBM, McDonalds, Tesla, Boeing, Disney would not appear in the US, and Ukrainians in the United States played their role in the appearance of PayPal and What's Up. Polls in technology companies show that at least 10% of all personnel are foreigners, another 40-50% are representatives of different diasporas (that is, children or grandsons of immigrants). In fact, thanks to immigrants, the US was able to outrun Japan, the technological leader of the twentieth century, that still has less than 2% of immigrants in the population structure because of the protectionism policy.

With the election of US President D. Trump (thanks to anti-immigration slogans as well), American business and scientists are deeply concerned about the possibility of reducing the plans for the new inflows of migrants. In general, it will hit the business and economy of the country [3]. The Wharton School even considered that if Trump would cut annual plans for immigrant inflows twofold, then in 10 years the US GDP growth rate would decrease by 0.7%, that is, almost double (in 2016 GDP grew by 2.6%).

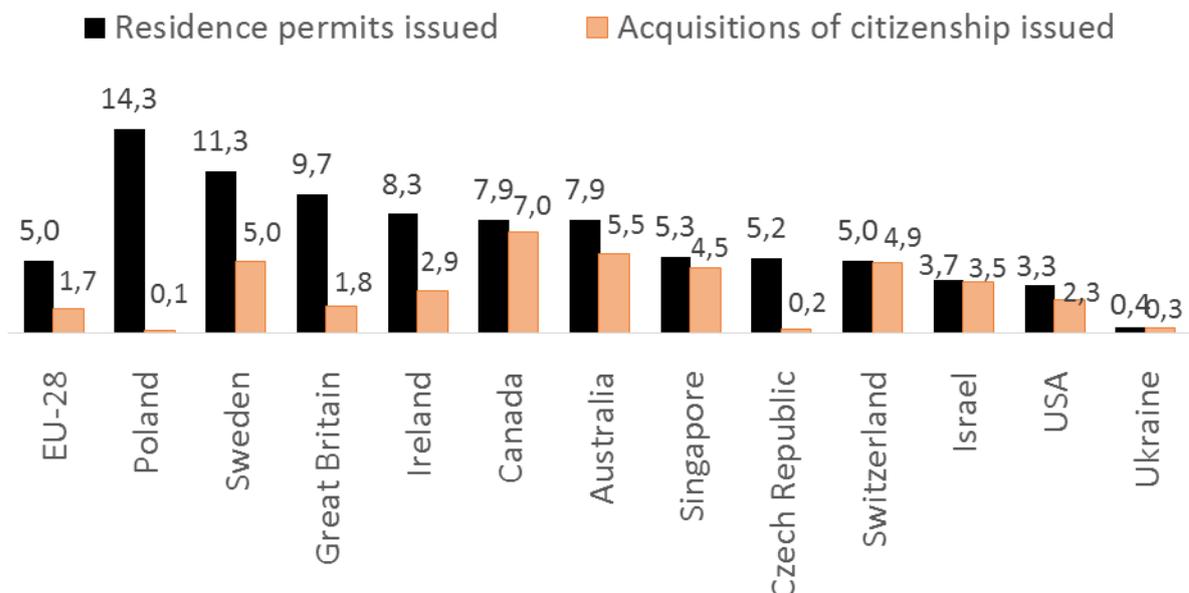
Canada is the second largest "recruiter" of migrants. And she has to fight even with the US for their involvement. At the end of 2016, realizing the deterioration in the attitude of the Trump Administration towards immigrants, Canada significantly (by 15%) increased by 2017 the plan for their inflow - up to 300 thousand [5]. They are ready to catch them even from the US. In California, where the most immigrants work, big boards along the autobahns advertise: "H-1B Problems? Pivot to Canada». In Canada, perhaps the most established system for the formation of annual plans for the inflow of immigrants. All interested in foreigners (business, social services, municipalities, etc.) submit their applications to the state territorial districts, those to the provinces, and the provinces to the Ministry for Immigrants, Refugees and Citizenship, which forms the 3-year Vision Action Plan. In 2017, in addition to 300,000 long-term immigrants, the Ministry also plans to attract more than 120,000 foreign students (they annually bring into the country more than \$ 11 billion) and about 250,000 temporary migrant workers.

***Europe: Ukrainians are required - here and now***

Unlike America, migration issues in Europe were not given much attention until the EU enlargement in 2004. At that period the first "attractive" programs have been launched in the North Europe for immigrants from the EU-10. As a result, the situation in the EU is complicated: in half of the countries the population is already declining, in most others it will happen after 2030. The birth rate is extremely low: on average in the EU, 1.58 children per 1 woman (with normal rate of natural reproduction for 2.1-2.2 children). But in many countries it is even

worse: in Portugal - 1,23; Greece - 1.30; Poland - 1.32, Germany 1.50. Besides the low birth rates, most EU countries have two other problems: 1) outflow of labour population; 2) the aging of the population. As a result, in many sectors of the economy there is a shortage of labour.

The EU countries annually require millions of new immigrants to support the development of their economies. Only Germany needs more than 500 thousand new immigrants a year. Therefore, to attract and retain immigrants, EU countries have activated such mechanisms with respect to temporary migrants: 1) the issue of a residence permit and 2) the issuance of citizenship. In order to understand how countries are active (compare to Ukraine) in attracting immigrants, let's look at figure 3. On average, 5 permits were issued for in the EU per 1,000 residents (more than 2.6 million totally) and 1.7 citizenships were granted (841 000 totally). And if countries want their economies to grow faster than the US and Canada (or at least keep pace), more human resources must be attracted. This is what they are doing, including, Sweden, Ireland, Great Britain. And they mostly attract population from Eastern European countries.



Source: Eurostat Resident Permits & Acquisition Statistics

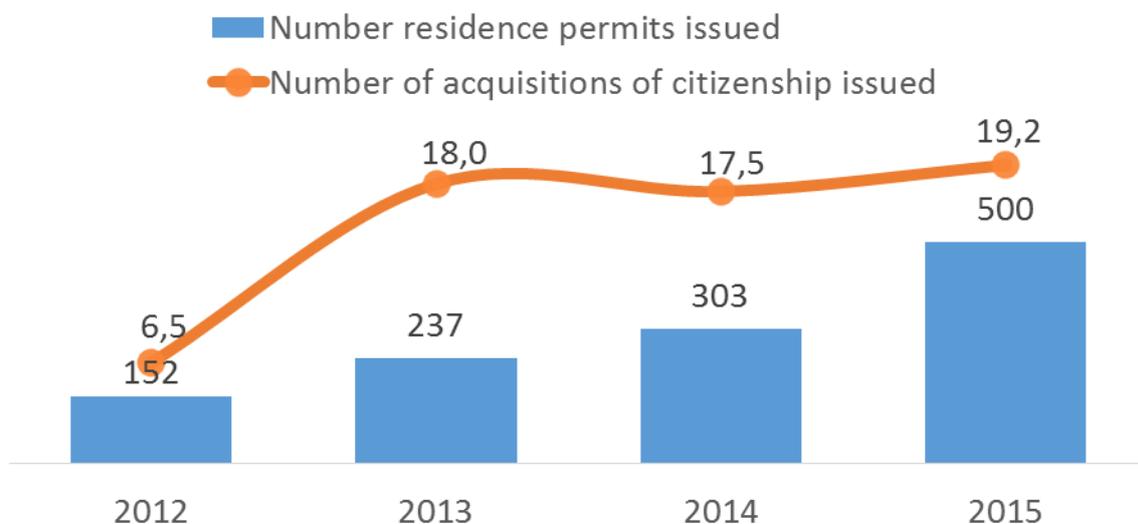
Fig. 2.18. Number of residence permits and new citizenships issued in selected countries in 2016, amount per 1000 inhabitants

In search of skilled manpower in the EU, the demand for Ukrainians is increasingly growing (fig. 2.19). During 2012-2015 among non-EU citizens, the increase in issued residence permits increased by 20%, in the same time among Ukrainians - by 3.2 times (up to 500 000). The increase in the granted citizenship for this period amounted to only 1% among non-EU citizens, but among Ukrainians – in 3 times. In general, Ukrainians are already included in the top 5 recipients of residence permits or citizenships in 10 of the 28 EU countries. For 2012-2015 years. Ukrainians have already risen to the first place in the EU for the issued residence permit, and by citizenship - moved from the 21st to 8th place.

Today the key "demand" for Ukrainians is motivated by Poland. This country is still on the last place in the list of 57 high-income countries and has only \$ 12.3 thousand of GDP per capita. Poland understands that if it wants to grow faster and reach the level of Slovenia at least (in 35th place with \$ 21.3 thousand of GDP per capita) and just to stay in the middle of the club of developed countries, the country needs to attract a large number of labour resources. In 2015 Poland has already issued more than 20% of all residence permits in the EU (more than 540 thousand units or 14.3 units per 1000 inhabitants). However, this is not enough for business. According to the recruiting company Work Service, still 25% of companies have problems with recruiting employees, especially working specialties [7]. This is due to both the aging of the local population and the departure of more than 2 million Poles to other EU countries.

Therefore, business in Poland conducts a periodic lobbying campaigns to simplify the procedure for employment of foreigners (read - Ukrainians). During 2015-2017 some important decisions have been lobbied [7]. *First*, Poland has become the only EU country that is allowed to enter the country without a work visa (only if a biometric passport is available) and to start processing documents right at the place of future employment. *Second*, on the basis of the so-called. "Osvjadchennya" (work permits), a migrant may stay for more than 90 days, that is, legally violate the period of visa-free stay in the country. The main thing is to

submit the necessary documents on time in order to extend the above-mentioned period. *Third*, the owners of the "Pole's Card" (which is already more than 80 thousand Ukrainians) receive residence permits immediately after moving to Poland, and after 1 year - the passport of an EU citizen and financial assistance. *Fourth*, starting from January 1, 2018, foreigners will be able to issue a new document "Permit for seasonal work" for a period of up to 8 months (another possibility to violate a 90-day visa-free period legally). And this document will be issued faster than "Osvjadchennya". *Fifth*, also starting 2018 the system of employment of foreigners begins to be in notification style. It means, the employer will not have to wait for months while the local administration of Voevodstvo affairs agrees employment contract. Employer could hired employees on the same day he submitted documents to the Voevodnsto (local) administration.



Source: Eurostat Resident Permits & Acquisition Statistics

**Fig. 2.19. Number of new resident permits and citizenships issued to Ukrainians in the European Union, thousand**

According to the Financial Times, due to such active measures, Poland managed to resume the growth of the working-age population (15-70 years) thanks to Ukrainians: in 2009-2016, it increased by almost 1 million to 30.6 million people (in Ukraine working-age population decreased by 6 million to 28.9 million people,

according to the State Statistics Service). Poland, in contrast to the EU as a whole, pays exclusive attention to the inflow of labour immigrants. If on average in the EU the structure of migrants (by purpose) in 2015 looked like this: work - 27% of migrants, study - 20%, family reunification - 29%, other goals - 24%. In Poland 70% of migrants come to work, 7% - for study, for family reunification - 0.2%, other goals - 24%. Therefore, it is not surprising that Poland's economy is also growing faster: for 2012-2016 the average annual increase of its GDP was 2.56% (in the OECD - 1.80%, in the EU-28 - 1.12%). In 2017, Poland's GDP is expected to accelerate to 3.5% (in Ukraine - only 2%). Thus, Poland is achieving its goal, it attracts more immigrants than its competitors and grows faster than they are. Strangely enough, but this happened thanks to Ukrainians in Poland.

### ***Countries attract not only migrants, but also their savings and funds***

In order to attract immigrants, first of all, entrepreneurs with financial resources, the countries are prepared additional "tricks". If you have an entrepreneurial spirit, have investments (savings), a willingness to create start-ups or buy real estate, countries will do everything to grant you a residence permit or citizenship as soon as possible. The countries have developed several programs for you: 1) start-up visas; 2) business visas; 3) investment visas, etc [2]. Investing from \$ 70 thousand to \$ 2 million (depending on the program), an immigrant and his family have the right to obtain a residence permit for up to 5 years immediately. In the EU, such programs already operate in France, Ireland, Italy, the Netherlands, Spain, Great Britain, Denmark and Cyprus. Usually, Ukrainians are already in the top 5 among holders of such types of visas [2]. An interesting fact about Cyprus: according to the programs related to obtaining residence permit and citizenship in 2016, about 4 billion euros were received, which is more than 20% of Cyprus GDP. And according to The Guardian, Ukrainians are also leaders here.

One of the most innovative programs in 2014 was launched by Estonia with the name E-residence (electronic residency). It allows an alien to obtain a national ID-card with a chip and an electronic signature. And this gives the right to open

accounts in Estonian banks (shortly, without first visiting the bank), register and manage companies. Owners of E-residence pay 0% of income tax. By 2025, the authorities plan to receive 10 million (!) of such e-residents (Estonia has only 1.3 million of population). To date, more than 10 thousand E-residence citizens have been issued to more than 130 countries [1]. Ukrainians are already in the top 3 (more than 10% of all e-residents). This is another example of a large-scale program to stimulate the flow of labour migration and their capital.

### *Ukraine: strategy and tactics in XXI century*

Today too much is said about reforms. The authorities are trying to launch agrarian, digital, energy-efficient, educational and dozens of other reforms. But the question is: who will realize these reforms? Who will be the consumer of these reforms? Who will launch the enterprises based on the results of these reforms? How can the number of entrepreneurs grow if the number of economically active population falls? As of the beginning of 2017, we had only 28.9 million working-age population (15-70 years) out of 42.7 million Ukrainians. However, almost 40% of them are economically inactive for various reasons (10.9 million people). That is, we already have only 17.9 million (but even here it is necessary to exclude several millions of Ukrainians working abroad). Less people means less entrepreneurs, which means less taxes and fees in budgets of all levels. Perhaps, it is difficult to imagine the worse situation by any finance minister or head of the tax service.

It is important to understand that not enterprises create jobs, not robots do goods and services – and, in fact, they do not create GDP. A person creates an enterprise, hires staff, buys robots. A person decides to start a business that will create (produce) value added, referred to in statistical reporting as "GDP". The more people are economically active (and not the fewer of them), more chances for the emergence of new enterprises, investments, GDP growth, receipts of payments and charges to budgets.

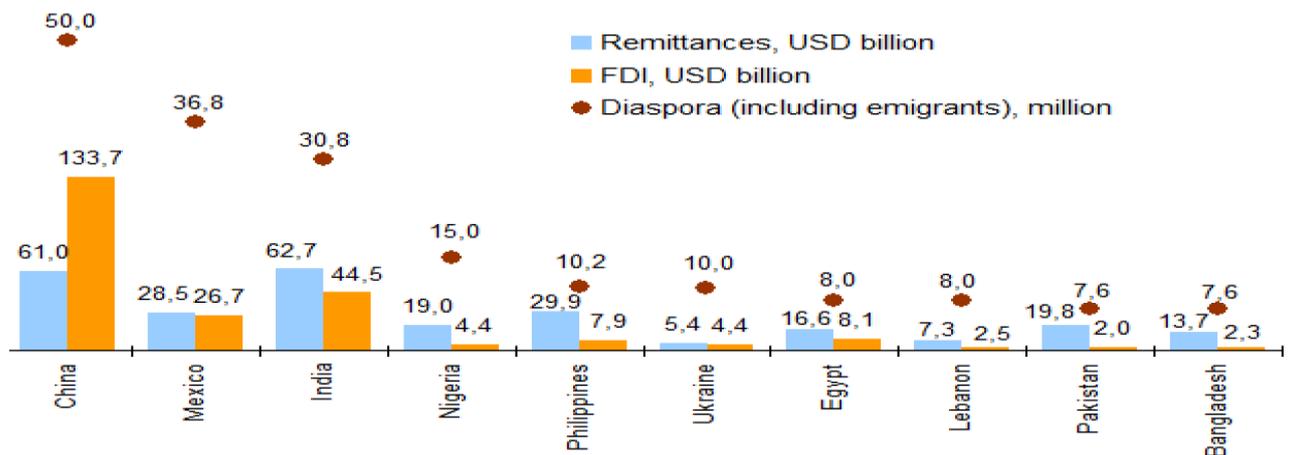
It should be taken into account that the world has gone very far today in development and if Ukraine would like to become competitive as quickly as possible, it is necessary to launch and scale up technologies of the near future. Just imagine, Ukraine wants to become a leader in one of the areas that the World Economic Forum in 2016 defined as such as will change the world. They are: 1) nanotechnology; 2) Zn-accumulators; 3) blockchain; 4) graphene; 5) autonomous transport; 6) organic microchips; 7) the initials; 8) artificial intelligence; 9) optogenetics; 10) metabolism management. Most likely, there are no many specialists in these areas in Ukraine. If we would not attracted them from abroad it would take decades to prepare them here in Ukraine. It means, Ukraine would continue grow very slowly for the next ten years.

The long-term acceleration of Ukraine's development is possible only due to the rapid growth of the economically active population, and this is possible only at the expense of immigrants. Therefore, a key strategy for rapid economic growth should be an active immigration policy aimed at selective inflow of labor and their capital. This will have to be done, because the EU-15 is doing it: to keep up with America they need to "run faster" for America, increasing immigration by 2-3 times. To "run even faster" Poland, increasing immigration almost 3 times compared with the EU-28. The absolute figures of Eurostat on attracted migrants to the EU (through the issuance of new residence permits) in 2015 are very impressed: each country from the EU-15 attracted, on average, 126 thousand people, Poland attracted 541 thousand people. Ukraine in 2015 issued only about 20 thousand residency permits, that is 6 times less than the EU-15 and almost 30 times less than Poland.

In order to develop the economy at a higher rate, it is necessary for Ukraine to attract at least 15 people per 1000 inhabitants, and this is about 640 thousand people per year. By attracting less, we will constantly have a negative balance of the economically active population of the country.

Motivation, selection and retention are key tactics in the strategy of attracting immigrants. Developed countries had to develop a complex system for controlling the selection of necessary labour resources from poorer countries and this required considerable financial resources to ensure national and economic security.

Ukraine, unlike most countries in the world, has a significant number of its emigrants and the diaspora. Ukraine is one of the top 10 countries in the world in terms of diaspora (fig. 2.20). Its majority lives and works in more developed countries and annually earns significant funds. However, in terms of remittances, Ukraine could not even join the top 20 countries of the world. Other countries with a similar amount of diaspora receive from diaspora 3-5 times more remittances.



Source: Migration & Remittances World Bank Data; Wikipedia

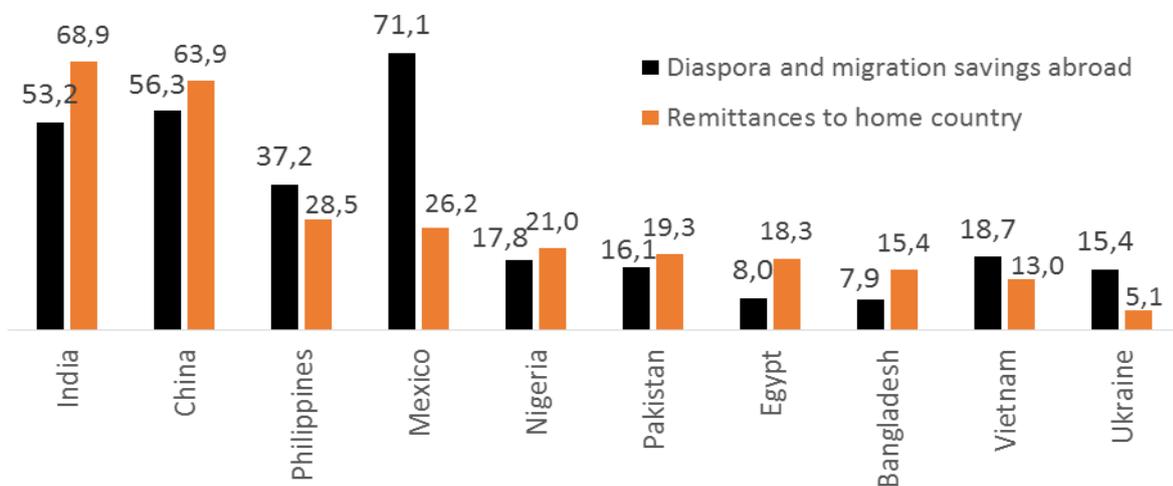
Fig. 2.20. Remittances and FDI inflows in 2016 in the countries with the largest diaspora abroad

Having a huge labour and financial resource with "Ukrainian roots" abroad, Ukraine could launch a new immigration policy aimed at the return of its emigrants and their means (savings, investments) in the shortest possible time and with little financial expenditure. For example, Ireland and the Philippines have the best tactics how to return their migrants. Thanks to the motivational programs for the return of the Irish diaspora to Ireland, it was surprisingly possible to reverse the decline in the number of people in the early 1990s. And with their return to the country, significant amounts of savings and investments were made, primarily from

companies headed by immigrants from Ireland. Similarly, China, Mexico, India receive significant amounts from their migrants, not only in the form of remittances, but also as direct investments.

In addition to remittances, immigrants from Ukraine annually accumulate significant funds abroad. Calculations conducted on the basis of World Bank data showed that in 2015 the Ukrainian diaspora (including migrants) accumulated more than \$ 15 billion in various types of savings in host countries. Comparison of Ukraine with other countries with a large diaspora shows that people from Ukraine accumulate abroad 3 times more than they transfer to their homeland (Fig. 2.21). And this is without taking into account the remittances that were already done.

Another confirmation that Ukraine does not use the financial potential of its migrants and diaspora is the ratio of diaspora in host country to remittances that were send to home country. As you know, Ukraine has one of the largest diasporas in the world (№7). But Ukraine took only 22-nd places, in terms of remittances to countries with largest diaspora, USD billion to their homeland in 2015 (Fig. 2.22).



Source: World Bank Diaspora Savings and Remittances Data

Fig. 2.21. Disapora and migration savings abroad and remittances flows in 2015

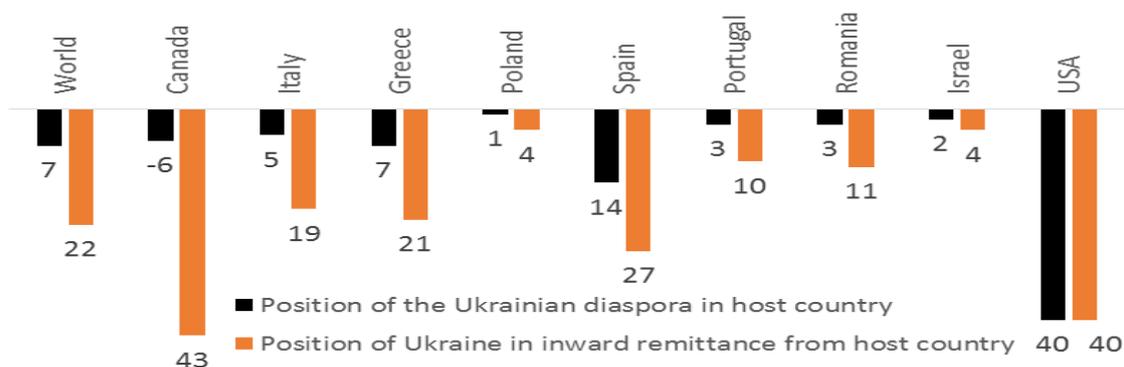
That is, at least 3 times Ukraine under-utilizes the financial potential of its migrants. In some other countries, in particular Canada, Italy, Portugal, Romania, this potential is even worse for Ukraine.

These facts are a vivid confirmation of the absence of any reforms, programs, incentives to increase remittances to Ukraine. In most countries with a large diaspora, on the contrary, transfers exceed savings abroad.

This suggests that other countries are pursuing a powerful motivational policy towards people from their countries. At the state, local, and rural level, powerful economic, social, donor programs have been created to ensure that migrants accumulate less abroad, and more so at home.

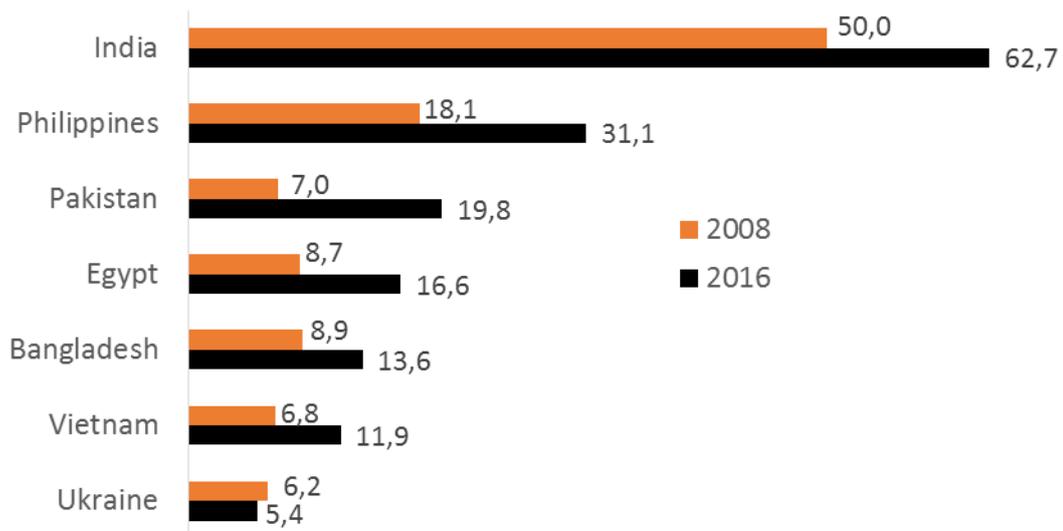
The financial, insurance, construction sectors of the economy create "magnet programs" for the recipients of transfers. Meantime, most countries with a large diaspora are doing their best to ensure that people from their country annually transfer more and more funds. In Fig. 2.8, we have compared the receipt of transfers to Ukraine and other countries with a large diaspora in 2008 and 2016.

During this period, the volume of transfers to Ukraine even decreased. During the same period in Pakistan, they increased almost 3 times, in Egypt, Vietnam and the Philippines - almost doubled, in the others - also increased ignificantly.



*Source: World Bank Bilateral Matrix on Migration and Remittances*

**Fig. 2.22. The position of Ukraine among the countries of the world in terms of the number of diaspora and the volume of remittances received in 2015**



*Source: World Bank Bilateral Matrix on Migration and Remittances*

**Fig. 2.23. The position of Ukraine among the countries of the world in terms of the number of diaspora and the volume of remittances received in 2015**

This growth would not have been without a motivational policy by authorities, municipalities, the financial and banking sector. If Ukraine launches a motivational policy for the diaspora and migrants, it will be able to attract at least \$ 10 billion a year in additional years, and in 10 years will attract more than \$ 100 billion from Ukrainians.

### ***Conclusions for Ukraine***

On the first stage, it is important for Ukraine to launch a series of organizational steps that would speed up the motivation and attracting immigrants to the country. First, the creation of the Ministry for Migrants and Diaspora, whose main task are the development of motivational programs for the return of Ukrainian migrants to their homeland (already with new knowledge, technologies, connections and capital). Such profile agencies work already in 26 countries of the world (from post-Soviet countries - in Armenia and Georgia). In general, in 56 countries around the world, there are more than 400 central authorities in charge of developing relations with their migrants. Most of these countries have a number of their diaspora 2-10 times less than Ukraine.

Second, the introduction of a policy of stimulating remittances to Ukraine. In more than 30 countries, regulators and banks pay special attention to migrants and their households. For example, in India, all federal banks have specialized services for migrants. The result is that as of 01.01.2017, more than \$ 70 billion (about 15% of all deposit funds) have been accumulated in the accounts of Indian migrants in India. In the Philippines, all the programs for migrants are initiated by the Central Bank - this topic is in the top five (at the same level as financial literacy and combating the laundering of criminal funds). The result - the volume of gold and foreign exchange reserves in 2017 exceeds 80 billion US dollars. We have already written about the unique experience of the Philippines regarding the large-scale attraction of remittances to our homeland.

The third important step is the development and implementation of financial and banking instruments among migrants. For example, issuing bonds could bring investments to develop the infrastructure of Ukraine. Already more than 20 countries offer several types of instruments (bonds for the diaspora, deposit certificates, etc.) for their migrants. For example, Israel has already been issuing such bonds among the Jewish diaspora for 65 years each year. As a result - attracted almost 40 billion USD have been attracted and spent to build an international airport, several ports, autobahns and hospitals. Egypt in 2014 attracted 8.5 billion US dollars (in equivalent) for the construction of the second line of the Suez Canal. Almost 20% of these funds are attracted from migrants and recipients of remittances.

Using the best international experience Ukraine has a real opportunity to improve the inflow of immigrants to Ukraine, first of all, by encouraging remittances from abroad. The implementation of the suggested organizational and economic actions will allow to establish contact with Ukrainian migrants, to stimulate their return through the development of their business in their homeland.

In addition, through the introduction of motivational programs and projects, Ukraine will be able to regulate and monitor the so-called brain drain and turn it

into a "brain circulation" and use the knowledge of the diaspora (brain gain) in the best way.

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## **2.5. Regional spatial aspects of globalization in the economy of Ukraine**

### **The conceptual foundations of regional development in Ukraine.**

The current era of globalization and new information and innovative technological system poses new challenges and difficult tasks for countries and regions. Today there is a new system of world social relations of interconnection and interdependence of human in the global namespace. Through the use of modern means of communication, people are involved in public life not only of other regions of the country, but also of the social and economic life of the planet. Thus certain aspects of people's life come out from the influence of the state. The movement of capital, goods and people is not regulated by the state administrative structures, but by the global supply and demand and by international legal regulators. They affect the amount of population, migration, employment, settlement system without approval from the administrative authorities of the country and its regions.

The investment capital, information systems, the management type on the basis of network systems and multinational companies have separated and became independent from the national administrative bodies. Thus is formed a special type of economic activity - the inter-state economic space, world cities, a common behavioral style of the industrial, socio-cultural community etc. Under these circumstances, the regions are increasingly becoming the subjects of international relations, acting on the basis of international rights and powers. Domestic public administration is not able to solve the problems of the functioning of the international integrated system of production, consumption and reproduction. This includes training and use of personnel, the activity of means of communication, the global information communications, environmental protection, rational use of resources, the functioning of the common interstate facilities, scientific and technical progress, global service systems etc. This economy and the world of public relations do not have national or regional boundaries. All this particularly

actualizes the regional-spatial approach because it is based on the research of the functioning and relationships of global, regional and local economic spaces and allow to take into account the above-mentioned global trends.

The current stage of market reforms in Ukraine exacerbated the problem of regionalization, because the priorities of regional development in the post-crisis period are not defined, there is the unwillingness of the regions to increasing competitive pressure in domestic and foreign markets, inefficient use of geo-economic situation of the regions, there are no real, not declarative development strategies of the regions. The issues of cooperation between regions and local authorities remain unresolved and they are of utmost importance for ensuring socio-economic development of local systems, reducing their excessive differentiation, intraregional and interregional cooperation and balanced development of the regions of different types, taking into account their historical, economic, ecological, geographical and demographic peculiarities, ethnic and cultural traditions. For resolving these extremely complicated problems in Ukraine the further development of fundamental and applied research on various problems of regional and spatial development is required, which emphasizes the interdisciplinary nature of these studies.

One of the main directions in the progress of the theory of regional spatial development is the study of regularities, principles and factors, which reflect the development of inter-regional (inter-state) spatial socio-economic systems on the basis of the relationships that are formed by mutually beneficial competitive advantages, meeting the same agreed conditions of economic activities between domestic and interstate regions, and a common mechanism of socio-economic behavior in regions.

Each region, in this case, thanks to the relations forms the geo-economic (social, environmental) space and integrates into the global economic system, functioning at the same time as a centre of the open poly structural system.

The operation of the system is possible only in the presence of this complex set of relations. They relate to flows of resources, products, labour, and information. These relations form a system and interactions and they are the reason for the formation of various forms of economic systems – network, areal, zonal, regional, spatial and the like. Each of such systems of the spatial organization of the economy can be classified as a certain type of regions with a particular integration of economic entities, their various misb cTnI and on-site relations, within both the region and beyond it.

Basic socio-economic regional spatial system consists of a combination of separate indivisible entities – enterprises, organizations and institutions. Their characteristic is a specific regional correlation, which is caused by the unity of production and social infrastructure of the region, the preparation and use of personnel, interaction with the natural environment, management system. The unity of such system is reached due to the market of goods and services, as well as the use of local mineral resources, infrastructure, and other components within their concentration, and that forms a single economic space.

Economic interest is the main factor in the functioning of such regional and spatial economic systems. The basis of their functioning is the profit from economic activities. Providing conditions for profitable development is the basis of stable and long-term functioning of the entire regional spatial system. It is provided as a business activity of subjects of economic process, state and local mechanisms of economic development. The mission of regional authorities is to ensure the infrastructural conditions of functioning of enterprises and institutions, the formation of the working staff and its use, which are the factors of integration and mutual relationship in the process of economic activities. The results of economic development are the goods and services and the stability of the living conditions of the local community. The concept of the future development of the regions lays in the paradigm of region specific integration – the unity of socio-ecological-economic system. The region acts not only as a subject of ownership, the system of

economic activities and relations, the market of production and consumption, but also as a society that operates specific natural, industrial and cultural information environment. In addition, all the elements of the environment in a certain way, balanced in structure, pace and trends of the development.

The actual research problems today, which require solutions in the future, and which are important to the economic and social development of Ukraine are the balanced development of cities and adjacent and peripheral areas, the revival and social development of agricultural regions under the impact of the current global economic situation, the use of innovative approaches for an integrated, balanced and sustainable regional spatial development, the formulation of a new strategy of regional development in the conditions of transformation of the world economic system, the need for an integrated approach to socio-economic development of regions of various types, fit and expedient and rational integration of natural landscapes while developing regional development strategies.

Thus, the theoretical and methodological foundations of regional-spatial organization of the economy have scientific and practical importance and their role in the future will grow, as they are the scientific basis for solving problems of improving the spatial organization of the economy and society as a whole.

**Regionalization and integration in the spatial organization of the economy** Modern processes of transformation of Ukrainian economy are characterized by the use of the advantages of regionalisation and integration as a potential for economic and social growth. The strategic importance of regionalisation and integration in socio-economic development lies in the fact that their sophisticated and modern form provides a significant effect as it is based on the laws of territorial division and integration of labor, the competitive advantages of natural-resource and socio-economic potentials of the regions, effective integration the economical sectors. The processes of regionalization and integration in the spatial organization of the economy are particularly important for the development of forecasts, concepts and strategies for the long term because they

give an opportunity to provide a phased engagement of the new resources in a timely manner in the economic activities, to develop a technologically effective methods of their use, to solve regional and inter-regional socio-economic problems.

In modern conditions the economy of any country in varying degrees became part of the world, thereby creating global economic space. Thus, any region, depending on participation in global markets for goods, services, capital, labour, became increasingly dependent on the world market. This causes the regions accordingly to transform the economic system, looking for a place in the global economic space. This implies the following – global economic space is the largest integrated formation, all of whose components interrelate and form an indissoluble unit. Economy, in this case, performs the role of such a public sphere, which can combine and integrate into a unified geospatial-functioning system of subjects of economic activities in different regions. Thereby achieved the expansion of economic space, the maximum involvement of production factors and receiving on this basis of the greatest effect. Thus, the economic space is an arena of active business activities that integrates actors and their economic activities to achieve this goal. Functioning spatial system is characterized by self-regulation and self-organization through the market mechanisms. In this process the regional cores are formed with a high concentration of activities and resources, which is the result of high integration of economic activity. The number of related objects and their interaction in a particular region in this case forms the various forms and the exposition (the physical organization) of the economic space. A common feature of regional-spatial organization of the economy is a balanced type of relationship between business entities and territorial communities or authorities in the process of socio-economic development. Entities, with the aim of increasing the economic impact of its activities, are trying to leverage the existing resources in the regions and to organize their activities.

Since the location of the business entities of different organizational and legal forms is carried out in a certain areas (waters), the latter with the settlements,

natural, social, production and other resources isn't passive to the fixing on her various enterprises. First of all, this applies to territorial (land) resources that have some economic, social or environmental value for the residents of the locality or state authorities or local self-government. In this case, the decision of questions about placing the enterprise is connected with the peculiarities of territorial relations as the basic in regional-spatial organization of the economy, as well as in the territorial model of a certain management system and the spatial development of society as a whole. Every stage of socio-economic development of the society brings new changes in the territorial organization of the economy in accordance with the pressing challenges and opportunities.

Thus, regional-spatial organization of the economy includes a range of processes targeted economic activities of businesses in a particular region and acts as the result (product) of the regional spatial economic activities in the past and the modern period, as a mechanism for the placement of new objects, as a system of relations between economic entities and local authorities and communities, as a form of territorial production integration and population settlement.

Regional-spatial organization of the economy is based on a system of spatial relations that involves the territorial division of labor, productive forces, territorial concentration and territorial proportions. The use of natural, social, logistical and other resources leads to the spatial localization of production, and is expressed in the areas' specialization and the formation of regional production-settlement systems of various types. Territorial differences of these advantages results in the formation of various spatial systems: industrial and integrated zones, districts, regions, agglomerations, nodes, centers, regional clusters and etc. The structure of these spatial systems creates a territorial exposure of business objects generated as a result of territorial integration of production activities and the action of the laws of complexity. Spatial localization acts as a form of organization of production and social activities and is an indicator of its territorial organizations.

Depending on the quality of the resource properties, the effectiveness of the forms of organization of activities, the impact of market factors the regional proportions are formed. Therefore, the regional-spatial organization of the economy is determined by the presence of a variety of spatial forms, and the effectiveness of these forms – spatial proportions of production, services etc.

The territorial division of labor reflects spatial economic processes associated with the production and exchange of products and is expressed in the specialization of areas. Territorial quantitative and qualitative differences in natural-resource potential, socio-economic conditions, industrial relations and the environment are the leading factors of territorial division of labor, production specialization and territorial concentration, cooperation and commodity exchange.

Thus, the territorial division of labor reflects the consolidation of production by certain territories according to the existing economic, social and other benefits, promotes its rational and cost effective use, the establishment and development of commodity relations and commodity production, productivity of social labor, therefore, the territorial division is one of the factors of regional spatial structure of the economy. The territorial division of labor influences the selection of the most cost-effective places of production concentration and the maximum effect due to the accommodation rent. This is a direct economic regulator itself of a regional-spatial organization of the economy.

The economic integration reflects the unity (combination) of the economic complexes in the process of territorial organization. It is created due to the presence of industrial relations, a shared natural, social, economic and resource environment, infrastructure and settlement systems. Territorial form of the economy integration in a variety of its systems ensures the economic effect due to the territorial concentration of production, combination and cooperation, rational use of resources, effective functioning of the single production and social infrastructure.

Summing up the aforesaid, we can conclude that the regionalization and integration of the economy represent the processes of purposeful ordering in space

of its various components and refers to the relation between the productive forces of the territory, by business entities, which are carried out by socio-economic and administrative bodies that provides specialization, complexity and systematic development of the regions.

The essential meaning in the changes of regional integration has the dynamics of social processes. Among them – the dynamics of the average annual number of employed in all spheres of economic activity, labor productivity, extrication and the demand for labour, the number of people unemployed and the number of registered unemployed, the average wage of workers, the standard of living of the population etc.

An important role in the regionalization and integration of the economy plays the ecological situation in the regions. This applies to the assessment of the degree of disturbance and reclamation, restoration of forest resources, consumption and use of water, emissions of harmful substances into the air and discharges to water, anthropogenic pressure on the territory, deterioration of human environment and biological systems. Thus, the quantitative parameters of the various factors are the basis for determining the basic directions of perfection of regional-spatial organization of the economy for the foreseeable future in the regions of Ukraine.

The processes of regionalization and integration are to some extent characteristic for all countries and regions of the world. The great integration areas have formed in North America, Europe, Asia that characterize the Association and interdependence groups of countries in regulating the world economy and politics. The integration processes are characteristic not only for the world regions, but also for the most developed countries. USA, UK, Canada, Italy, France, Germany, Japan – all they have an extensive integration experience in the world macroeconomic policy.

The European Union is a specific regional system of global integration level. From the first legal document which was The Paris Treaty establishing the European coal and steel community (1951), and to the formation of the European

Union in 1991 the goal was the joint promotion of economic development, employment growth and living standards improvement of the population in the countries – members of the Association through the creation of a single market. The operation mechanisms of integration during this period have improved. A new impetus to integration has been associated with the desire to strengthen the economy of not only countries, but also to reduce the gap in development between different regions in the countries of the Union, overcoming their backwardness, the implementation of regional development policy, creation of the European regional development Fund etc. The region has become an active player in international policy of the States – participants of the Union. The EU aims to reduce the disparity of levels of development of various regions and their backwardness. The EU Committee on regional and local self-government was established as a special organization, which is engaged in the development of regions. In the EU there are three integration levels – European Union, national countries and the European regions.

The integration process is objective. It makes possible the benefits of the interstate division of labor, – a single economic complex, by the creation of supranational structures regulating integration processes. The complementarity and interdependence of economies of different countries has led to economic integration of border regions and the creation of Euro regions, cross-border and other regional integration associations.

Thus, integration into regional spatial structure of the economy contributes to strengthening the unity of economic space, which is based on mutual benefit for the involved partners and on complementarity of the economies. The reduction of interregional relations or strengthening of foreign trade by reducing interregional leads to the closure of the national economic space. In the global market conditions and in the conditions of a significant heterogeneity of production, natural resource and human potential of the regions, it is the basis for strengthening interregional relationships of the economy within the country. The integration process ensures

the homogeneity of the economic space; reduce economic, social and environmental contrasts. Inter-regional exchange of goods, services, labour is an important factor of regional economic integration. Moreover, a unified transport infrastructure, the uniqueness of geolocation, natural resource advantages also contributes to the regional integration.

Also the asymmetry of Ukrainian regions development should be noted, which complicates the economic integration of the country. So, for the last 10 years the concentration of industrial production in Dnipropetrovsk, Zaporizhia and Kharkiv regions grew from 53% to 56%. The most active centers of the economy remain major cities and regional centers.

The regional differences in the concentration of employees are also significant. Thus, the greatest average annual number of employees from nationwide of their number are concentrated in Kiev (11,1%), Dnipropetrovsk (9,2%), Kharkiv (by 6.7%), Kyiv (5,8%), Lviv (5.2%), Odessa (4.8%) and Zaporizhia (4,3%) [calculated from data 7, p. 345]. In General, these seven regions account for almost half of all employees (47.1%).

Note. Accounting these extraordinary and insurmountable circumstances which do not allow, starting from the second quarter of 2014, to obtain full statistical information on socio-economic indicators of development of the Crimea, Donetsk and Lugansk regions, the analysis of these regions is not performed.

The minimum number of employees is in Chernihiv (2, 4%), Volyn (2,1 %), Kirovohrad (2,0%), Kherson (2,0%), Transcarpathian (1,9%), Ternopil (1.8 %) and Chernivtsi (1,3 %) [calculated from data 7, p. 345]. Together in these seven regions only 13.5% of employees are concentrated. These data suggest significant regional differences in the concentration of the main productive forces of economic development.

An important measure of the asymmetry of regional economic development is the productive activity of employees. Assessment of this activity is carried out with the help of a generalizing indicator of economic and social development of

regions – gross regional product per person. According to the results of economic activities, a significant regional asymmetry of production of gross regional product has taken place, which characterizes the final effect of management. Gross regional product per capita in 5 most efficient regions more than three times higher than the result in 5 the least effective. In Ukraine there are 5 groups of regions with the most efficient operation. These include Kyiv, Kyiv region, Dnipropetrovsk, Kharkiv, Odessa region. Together they produce almost 70% of the gross regional product, while the 10 least well-functioning areas of about 15% [calculated from data 7, pp. 45-46]. Thus, the efficiency of the economic activity in the first group of regions is almost 5 times higher than in the second. The same disparities exist in regional unemployment rates, concentration of enterprises and organizations as entities of economic activities, the distribution of fixed assets by region. Such a figure as the commissioning of fixed assets also characterizes the level of regions' development. The analysis of statistical data indicates that the introduction of such measures also has significant regional differences. From this point in 10 most developed regions which are three times more than in the same number of least developed countries the basic means of production were introduced.

The analysis of the output indexes of industry and agriculture is important for the assessment of regional economic development. Indices of volumes of production in 2014 compared to 2013 were lower than in whole Ukraine in Kyiv and Sumy region. The indices of output of agriculture in Ukraine in 2014 accounted in general in 90.2% from the level in 2013. The indicators below 7 were specified in regions, among which the lowest results are in Nikolayev region (68.9 per cent from the 2009 level) [calculated from data 7, pp. 87, 120]. Regional alignment of economic development is one of the key objectives of the national economic policy of Ukraine. Its solution is possible by improving regional-spatial organization of the economy, strengthening of integration processes. This requires diversifying instruments and mechanisms of regional policy taking into account the specifics of

the current levels of regions' development, their socio-economic and natural capabilities and resources, the benefits of geolocation.

**Natural resource and socio-economic potential of regional-spatial organization of the economy.** Regional and spatial organization of the economy and regions largely depends on the availability and use of natural resources. It can be an important factor of domestic and international economic integration, to promote the development of regional, including international division of labor, the growth of partnerships with neighboring countries. It deserves special attention because it has a positive effect on the functioning of the unified national and international economic space, social and humanitarian cooperation of neighboring countries, strengthening of relations of their peoples, which is especially important in a period of intense international relations. Thus, local or regional cooperation becomes an element of the single regional spatial economic system in which national entities become subjects of inter-regional and global economic system, contributing to the strengthening of national interests on the world stage. The space that represents both the unity of regional cooperation in the framework of the national economy with the global (international) is formed, an integration role of the local in global development is enhanced, created opportunities of local socio-economic growth based on access to natural resources of the regions of the country and the world. It contributes to the integration of economies in general and in particular regions in the world economic system.

For Ukraine, which is at the stage of active transformation of the economic system, issues of natural resource provision are quite relevant. Attracting national companies to the active use of nature-resource potential of the country can contribute to the solution of problems of socio-economic development of regions. Thus the important issue is not only rational use of natural resources and gain economic benefits, but also the preservation of life-supporting components of nature to meet the needs of present and future generations.

This applies, above all, land, forest, mineral resources, water, territorial and other resources and their role in balanced regional and spatial socio-economic development. In particular, on the basis of soil evaluation in the regions the average number of points of the natural resource growth class 1 ha of agricultural land is determined. Knowing the monetary evaluation of one hectare of agricultural land it is possible to calculate the value of the lands for any use. It is also important to establish ecological and economic value of land, forecasting the gross production of agricultural products by business entities and to assess the conditions of its sale and purchase in interregional or international markets.

Forest resource potential as a set of raw materials and the other functions is very important for meeting diverse needs of the community and for its environmental safety. An assessment of the overall status of forest resources and their use of natural-climatic zones indicates their important role in regional and spatial organization of the economy through the harvesting and processing, as well as for recreational activities, development of natural reserved Fund not only in Ukraine but also neighboring countries.

Natural resource minerals such as mineral-raw material base of the regional spatial structure of industry occupy a leading place in the industrial and socio-economic development of the country and its regions. Ukraine generally relates to countries with a high ratio of separate kinds of mineral resources. First of all, it concerns the resources for the development of ferrous metallurgy, the raw material base of which is the global value of iron and manganese-ore pools and coking coal of Donbass. Ukraine has significant resources for the development of the construction industry. With the aim of improving the quality of the raw material base the significant investment resources are required. The discovery of new gas fields offshore could increase the hydrocarbon resource base. The same applies to occurrences of polymetals, copper, rare and rare earth metals. Expanding the mineral resource base of Ukraine can be the subject of international cooperation and on this basis - interstate regional development.

Water resources, including marine water, surface water, groundwater, air and soil moisture, water and other artificial water objects is also an important factor of regional-spatial organization of the economy and socio-economic development of Ukrainian regions. Available for economic use of water resources provide for the needs, first of all, of the population of cities and villages, industry, agriculture and municipal economy, hydropower, transport and are used for other purposes. Resource estimation of the river flow of regions is the basis for sound water use and development of various sectors of the economy of regions from the point of view of water availability.

Natural resource potential in the regions of Ukraine with indication of its species (fuel, metal and non-metal), as well as designated regions in Ukraine concerning types of resources, quantity of reserves and deposits, including those that are developed, are an important source of data to determine areas of socio-economic development of regions.

The composition of the population by major age groups by region is of particular interest for regional-spatial organization of the economy, as it stands the category of the working age population. Regional differences according to this criterion are quite substantial. The largest share of the population of working age in 1 January 2015 was in Kiev, and the smallest one in Chernihiv region. In the older able-bodied age the largest share of the population was in the Chernihiv region (18.8%) and the lowest - in the Transcarpathian (11.3%). To determine the base of future employees it is important to establish the proportion of people in younger age for working. In the Western regions of Ukraine, the share of persons in the age of the younger able-bodied is the highest. Thus, in Rivne region, it was 20,1%, Zakarpattya – 19,6%, Volyn – 19,4%, in Chernivtsi – 18,1%. In the Eastern regions the share of this category of population is the lowest in Sumy – 13,0% , Kharkiv – 13,2%, Chernihiv 13.3% of the total population of these regions [7, p. 325]. Such information is important for determining long-term regional plans of spatial development of the economy.

In the placement of objects of different organizational-legal forms and assessment of natural population growth in general and in urban settlements and rural areas is important. It was established that in urban settlements like Volyn, Transcarpathian, Ivano-Frankivsk, Rivne, Ternopil and Khmelnytskyi regions the natural population growth was positive. In other areas it was negative. The negative growth was especially low in the Eastern highly urbanized regions – Dnipropetrovsk, Kharkiv, Zaporizhzhia. Natural increase in rural areas was negative in all regions except for Zakarpattia. With the negative factors of population natural increase in 2014 as a whole per 1,000 existing population was the smallest in the Western regions of Ukraine, and the largest in Chernihiv (13,2‰) and Sumy (11,5‰) regions.

The economically active population employed in economic activities and the unemployed are of particular interest for regional-spatial organization of the economy. Such information is important for determining labor potential, labor force formation and effective functioning of regional labour markets.

The greatest number of the unemployed population aged 15-70 years in 2010 was recorded in Dnipropetrovsk, Luhansk, Kharkiv, Zaporizhzhia, Lviv, Odessa, Poltava, Zakarpattia and Chernivtsi regions and in Kyiv.

Also, the demand of enterprises in workers for substitution of free work places in 2014 was the lowest in the Western border areas – in the Volynsk area it was 0.5 thousand people, in the Transcarpathian – 0,5 thousand, Ivano-Frankivsk – 0.3 thousand persons, Chernivtsi – 0.4 thousand persons; as for the presence of registered citizens, unoccupied with any labour activity, respectively of 35.3 thousand people, 31.8 thousand, 47,1 thousand to 25,5 thousand persons [7, p. 351, 353]. According to the data above we may conclude that the demand is in many times lower than the labour supply on the labour market. In such circumstances, the price of labor decreases, which can be attractive for business growth in the border regions of Ukraine.

The preparation and training are conducted with to enhance competitive advantages of the workforce the purpose of employment. It was established that the new professions in Ukraine in 2014 were studied by 152,5 thousand people, of whom about a quarter were the women. However, the percentage of those who were trained for new professions, accounting the number of full-time employees was the lowest in the Western regions. Among full - time workers in Ukraine in general for new professions were trained 1.8%, whereas in Chernivtsi - 1,0%, in Lviv - 0,8% [7, p. 360].

A significant role in the labour market plays an improvement of staff's skills. In General, in Ukraine in 2014 804,1 thousand people have increased their qualification, of which about a half were the women. However, the percentage of individuals account for the number of full-time workers who upgraded their skills, in Zhytomyr, Kyiv and Odessa oblasts were almost a third less than the average in Ukraine. Thus, there are large reserves of unused labour potential in the Western border regions of Ukraine and significant opportunities for its growth. This is a serious factor in the possible increased economic activity, with improvement of its regional and spatial organization. One of the ways of revitalization can be the improvement of the mechanism of cross-border cooperation. Lack of the active economic activity in the Western regions of Ukraine and, therefore, the low demand for labour resulted in a significant interstate and interregional migration.

It was established that the number of retired regions was 1,000 thousand of the existing population in 20 regions higher than in Ukraine in General. The number of departures from the Western regions of the CIS countries was lower than average values in Ukraine. This is the evidence of Western European inter-state migration orientation of the population in these regions of Ukraine.

For the effective regional-spatial organization of the economy it is important to know the number of the employed population in the regions in the main economic activities – agriculture, industry, construction, which constitute the basic sector of the economy. It is important to know the employment trends in the service

sector – trade, transport and communication financial activities operations with the real estate, public administration, education, health, provision of communal and individual services in the field of culture and sport.

Special attention is given to the distribution of employees by the types of economic activity and to the assessment of their dynamics in recent years, to unemployment, dismissal of employees by types of activity, to the demand for labour, to the load which is not engaged in labour activity of citizens on one vacancy (vacancy) and to the unemployed population.

Thus the identified analyses and the evaluated natural resources and socio-economic potential of regions of Ukraine can be the starting point for the definition of types of economic activity and ways to improve regional-spatial organization of the economy, development of cross-border and trans-boundary cooperation of Ukraine and its regions in the following years.

**Sustainable development of regional spatial systems.** The implementation of principles of sustainable development is extremely important and urgent task nowadays. Its effective solution is complicated to some extent by the destabilizing processes in the world economy, inconsistency and insufficient substantiation of the ongoing market reforms in Ukraine. It is quite clear that under such conditions of sustainable development of Ukraine as well as of its separate regions is inextricably linked with the need to improve regional and spatial development of the economy and its social orientation, competitiveness and ecology.

Contemporary processes of regional development objectively indicate that complex tasks are impossible to be solved without comprehensive approach to the regional development and development of the optimal strategies for the future.

The main prerequisites of the economical transition on the path of sustainable development can be the following:

- the creation of suitable conditions for the balanced socio-economic development of regions;

- financial and regulatory support of economic and social activities in the regions;
- overcoming the disparities of regional spatial development of the economy;
- using of the competitive advantages of territorial division and integration of labour;
- the efficient use of natural resources and industrial potential of the regions;
- the conduction of structural reforms, modernization of production to ensure its competitiveness;
- carrying out an administrative territorial reform with the aim of creating a system of state regulation which is adequate to the principles of the market economy;
- the formation of a market infrastructure that would be able to provide quality services and meet demand from business entities, in particular, at the regional level.

Thus, sustainable development of Ukraine and its regions is possible under condition of radical structural changes, as well as effective social policies to improve living standards of the population. These measures are designed to stimulate the efficient development of the regions, rational use of resource potential, creation of life conditions of the population, environmental security and improvement of spatial organization of the economy.

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### **CHAPTER 3 APPRAISAL OF OPPORTUNITIES OF UKRAINE'S INTEGRATION INTO THE WORLD COMMUNITY**

Within the modern processes of globalization the advancement of Ukraine's economy is dependent on the opportunities of country's integration into The World Community; therefore, their comprehensive appraisal is required.

These days entrance to the European Union is being the main strategic objective of Ukraine. The requirements concerning this opportunity are expounded in 'Copenhagen Criteria' that includes political, economic and juridical parts. The main political criteria lie in achieving the stability of the institutions and in the rule of law. Economic criteria presuppose the open market economy and the high competitive environment. The capability of meeting the engagements that proceeds from the membership such as developing democratic institutions, freedom of choices, and the fight against corruption is related to the juridical criteria.

The prospects for the integration are in many respects dependent on what position the country places in the global economic environment, which are determined by the competitive positions of each country in the current period and in the long-term prospect.

The World Economic Forum (WEF) has been investigating the competitiveness of countries for approximately three decades. This organization started calculating the global rating of the competitiveness of countries in 1979. Ukraine was inscribed in the rating in 1997. The annual global accounts concerning the competitiveness are in a sense a standard in accordance with which the world countries find out the strong and weak points of their advancement so that they can make up the effective strategy of increasing the competitiveness of the national economy in the world market.

### **3.1. Level of Ukraine's globalization as a basis for its integration into the world economy**

Globalization is a process of organizing the unified world market economy, i.e. geo-economics, as well as its infrastructure that follows the evolution of the state perfect exchange (market) relations. One of the modern world tendencies within the globalization is unrestricted capital flows between countries. Foreign investment is one of the main prerequisite of Ukraine's integration into the world economic community. At the same time it is important to preserve the top-priority significance of the national interests within the competitiveness. So that the simultaneity of national interests is provided, the process of foreign investing cannot be allowed to happen spontaneously. It should be controlled. The use of the corresponding mechanism, for justifying of which it is necessary to find out how beneficial Ukraine is today from the point of view of the investment profitability, can provide the effective managing by the foreign capital formation into the Ukraine's economy, what the competitiveness of the native economy is dependent on.

Globalization is a direct consequence of processes of internationalization that include all the spheres of human being and society (i.e. economy, politics, social sphere, culture, ecology, security) and lay the material, institutional and political basis for it.

Internationalization of the international economy has got some new meanings in a qualitative sense and has gone up on the higher level of its development, i.e. the stage of globalization in the 1980s in the twentieth century, the meaning of which is to form and advance the unified integrated system of the world public production on the basis of the new information and computer technologies.

**Globalization** is interpreted as a complex combination of the cross-border cooperation between the economic agents that is revealed in the intensification of the flows of goods, services, technologies and funds, in intensifying of the effect of international institutions, in enlarging the activities of transnational and

multinational corporations, in increasing of the scopes of cross-border communications and informative exchanges etc.

Globalization is a general civilized, overall, objective, combined and multipurpose process that affects greatly on humans' being.

With the aim of appraisal the level of belonging of some countries to the process of globalization four indexes of globalization, which allow to create a rating of the countries according to their level of bringing in global flows, i.e. KOF index of globalization, index of globalization of Kearny A. T., index of globalization CSGR and Global Index, are used.

KOF Index of Globalization is the most spread index, which was created on a basis of the index of the degree of world's countries' globalization in 2002 in KOF Swiss Economic Institute with the help of Swiss Federal Institute of Technology [1].

The aim of this research is the appraisal of the level of countries' bringing in the global processes. The significance of the index is presented in points within 0 and 100 and is calculated in 24 indexes, which are divided into three following groups: globalization in the economic, social and political spheres:

1. Economic globalization includes the following indexes: volume of world trade, level of international economic activity, traffic flows, international investments, tariff policy, limitations and taxations on the international trade.

2. Social globalization is presented by such indexes: cultural integration level, rate of foreign population, international tourism, international personal communications, volume of voice traffic, of postal items, of trans-border money movements, information flows, advancement of informational and communicational infrastructure.

3. Political globalization is characterized by the following indexes: the states' membership in the international organization, participation in the international missions (including UNO missions), ratification of the international

multilateral contracts, the amount of embassies and other international agencies in the country.

Some significance is given to each of the indexes. The highest index is referred to the greatest level of country's bringing in the global processes. The information of 2014-2015 of the World Bank, of the United Nations Organization, of International Monetary Fund, of UNESCO and of other international organizations was the initial data for counting the index of 2016 [2].

The index of globalization level is calculated as a sum of the indicated elements with significant coefficients for 2016, which are 36%, 37% and 27% relevantly. For each country which is within the limits of this research the rating according to its index of globalization is created, which indicates their position in the list among the other states under investigation. The elements of indexes of economic, social and political globalization are given in Table 3.1, 3.2 and 3.3 [2].

*Table 3.1.*

**The elements of the index of economic globalization  
(2016 KOF Index of Globalization) [2]**

<b>Index of economic globalization (36%)</b>	
<b>Actual flows, share of GDP (50%)</b>	<b>Limitations (50%)</b>
1. Trade (22%)	1. Hidden barriers to import (23%)
2. Direct foreign investments, capital Stocks (27%)	2. Average degree of tariffs (28%)
3. Portfolio investments (24%)	3. Taxes on international trade (share from current income) (26%)
4. Others (27%)	4. Capital account restrictions (23%)

Table 3.2.

**Elements of the index of social globalization  
(2016 KOF Index of Globalization) [2]**

<b>Index of social globalization (36%)</b>		
Personal communications (33%)	Information flow (35%)	Cultural familiarity (32%)
1. Telephone traffic (minutes per person) (26%)	1. Users of the Internet (per 1000 people) (36%)	1. Quantity of McDonalds restaurants (per person) (46%)
2. Transactions (% of GDP) (2%)	2. Television (per 1000 people) (38%)	2. Quantity of IKEA (per person) (46%)
3. International tourism (26%)	3. Sale of newspapers (% of GDP) (26%)	3. Sale of books (export, import in % of GDP) (7%)
4. Foreign population (% from the general quantity of population) (21%)	-	-
5. International correspondence (per person) (25%)	-	-

Table 3.3.

**Elements of the index of political globalization  
(2016 KOF Index of Globalization) [2]**

<b>Index of political globalization (27%)</b>
1. The amount of embassies in a country (25%)
2. Membership in some international organizations (27%)
3. Membership in a mission of Security Council of UNO (22%)
4. International contracts (26%)

KOF Index of Globalization is the major result of the work done by the collaborators of the Swiss Institute due to which the yearly updated world rating of the level of globalization is published. The higher the value of the state's index, the more it is brought in the world processes (Table 3.4).

During the last several years the indicators show the considerable increase. Therefore, the current separation of countries according to the degree of their globalization has some practical meaning.

Ireland, Netherlands and Belgium were included into the ratings of 2014-2016 as the first three countries, which are the most globalized. Ireland was the most globalized country in 2014 and 2015 (its indexes were 92.14 points and 91.30 points). In 2016 the amount of points for this country increased (91.64), however,

Netherlands appeared on the first position in the rating (91.70 points), when Ireland according to this lowered to the second position. Belgium found itself on the third position (90.51 points). In 2015 and 2016 Solomon Islands became the least globalized country in the world (25.26 points and 25.10 points).

Table 3.4.

**Rating of Ukraine according to its index of globalization among the world states for 2014-2016**

2014			2015			2016		
Rating	Country	Index of globalization	Rating	Country	Index of globalization	Rating	Country	Index of globalization
1	Ireland	92.14	1	Ireland	91.30	1	Netherlands	91.70
2	Belgium	91.61	2	Netherlands	91.24	2	Ireland	91.64
3	Netherlands	91.33	3	Belgium	91.00	3	Belgium	90.51
4	Austria	90.48	4	Austria	90.24	4	Austria	89.83
5	Singapore	88.63	5	Singapore	87.49	5	Switzerland	87.01
6	Denmark	87.43	6	Sweden	86.59	6	Singapore	86.93
7	Sweden	87.39	7	Denmark	86.30	7	Denmark	86.44
8	Portugal	87.01	8	Portugal	86.29	8	Sweden	85.92
9	Hungary	85.91	9	Switzerland	86.04	9	Hungary	85.78
10	Finland	85.87	10	Finland	85.64	10	Canada	85.67
.....	.....	.....	.....	...	...	...		
<b>44</b>	<b>Ukraine</b>	68.85	<b>42</b>	<b>Ukraine</b>	69.50	<b>41</b>	<b>Ukraine</b>	70.71
.....	.....	.....	.....	...	...			
187	Somalia	24.03	191	Solomon Islands	25.26	192	Solomon Islands	25.10

Singapore is defined to be the most globalized country in Asia in 2015 and 2016 (87.49 points and 86.93 points), which lowered from the 5<sup>th</sup> position in the list the 6<sup>th</sup> one. And Switzerland rose to the 5th position (87.01 points).

In 2016 Canada positioned on the 10<sup>th</sup> stage in the rating (85.67 points), it rose on two stages comparing with the previous year and considerably outran the USA (75.71 points) according to the level of North American country's bringing in the global processes (34<sup>th</sup> position in the rating).

In the Middle East Qatar reached the highest level of globalization (77.094 points), it is on the 31<sup>st</sup> position in the rating. Chile is the first among the Latin American countries (71.19), which occupied the 39<sup>th</sup> position of the world rating. Morocco is the national leader of Africa (66.06 points), it is on the 57<sup>th</sup> position.

Among the post-Soviet republics Estonia is the most globalized country (78,46 points), it is on the 26<sup>th</sup> position in the rating. Among the East European countries Slovakian Republic is on the first place (83.62 points), which is on the 16<sup>th</sup> position.

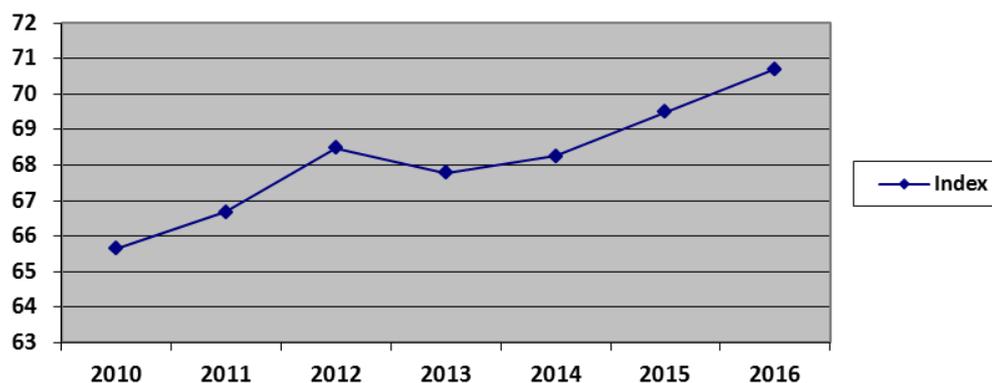
The index of globalization is evidence that the most globalized countries are mostly small and have a little population [3]. The Netherlands, Ireland, Belgium, Austria, Singapore, Sweden and Denmark are the most globalized countries during 2014 – 2016.

During 2015 and 2016 Switzerland rose on 9<sup>th</sup> and 5<sup>th</sup> positions, and moved Singapore on the lower position in 2016.

According to the index of globalization in 2014 Ukraine occupied the 44<sup>th</sup> position (68.85 points) out of 187 states. In 2015 and 2016 it was on the 42<sup>nd</sup> (69.50 points) and on the 41<sup>st</sup> (70.71 points) positions out of 191 and 192 states. Therefore, Ukraine rose on 3 positions in the rating during the analyzed period, when the amount of countries included to the rating extended on one country. The general quantity of points increased on 1.86 points. The highest results in the processes of globalization in 2016 Ukraine reached in the political sphere (index is 86.27 points – 41<sup>st</sup> position), and the lowest results are in the economic (68.89 points – 54<sup>th</sup> position) and social (61.06 points – 67<sup>th</sup> position) ones.

According to all information written above the conclusion is done that the level of bringing in the global environment, which is a bit higher than average one is typical for Ukraine. At the same time the positive yearly dynamics of the increasing in KOF Index of Globalization for Ukraine is observed. The dynamics of Ukrainian index of globalization is shown on Fig. 3.1.

The formation and realization of geo-economic policy of Ukraine is reached within the increasing in interdependence of countries, regions and transnational institutions through the intensification of commodity, financial, investing and currency interaction [4]. Though in the negative aspect, but it was illustratively confirmed by the last world financial crisis.



*Fig. 3.1. The dynamics of Ukrainian index of globalization from 2010 to 2016*

The directions of the economic global improvements are defined by the countries which are the leaders according to their GDP volume. According to the released data of the last researches of the World Bank the largest shares in the general world GDP in 2015 (the released data for 2016 during this research is absent) belong to such countries as: the USA – 22.38%, China – 13.3%, Japan – 5.91%. Among the countries of the European Union the largest share belong to Germany – 5%. The Ukraine’s share in the world GDP is 0.17% [5].

So, multilateralism as a basic model of international relationships is not appeared as the specific Ukrainian phenomenon, however, the national peculiar feature of their development is obvious. In this context the factors of the integration within the euro integration such as energy, geopolitical and the factor of foreign indebtedness are important for Ukraine.

### **3.2. Influence of the national global competitiveness on the investing appeal of Ukraine**

The level of country’s competitiveness within the modern processes of globalization has the essential influence on the opportunities of its social and economic advancement increasing the investing appeal and possibilities of its successful integration to the world economic area.

For the last time more and more information appears about the world country's ranking on a basis of indexes, which appraise the national economies' competitiveness in the world economy system, the business climate's condition, level of economic freedom, quality and effectiveness of state administration, degree of economy's globalization, level of people's capital development, potential of foreign debts, level of corruption of society, etc. For the appraisal of the country's competitiveness level the world indexes developed by the Institute for Strategy and Competitiveness at Harvard University (USA), the World Economic Forum (WEF) in Davos (Switzerland) and the International Institute of Management and Development (IMD) (Lausanne, Switzerland) are used. In Harvard University the competitiveness from the point of view of corporate development is studied, and two Swiss centers are carrying out research within larger scopes, calculating the competitiveness' ratings of countries and regions. Each center uses its own research methodology and appraisal criteria of competitiveness.

WEF prepares traditionally two yearly ratings: the first is based on the Growth Competitiveness Index (GCI) suggested by the Sashe G., the second took for its basis the Business Competitiveness Index (BCI) determined by Porter M. Both indexes are formed on a basis of the results of a special survey of managers, which is annually carried out by the WEF, and also on statistics. Growth Competitiveness Index is used to appraise the economy's opportunities to reach the stability in economic development in mid- and long-term prospects. Index forming factors are divided into 3 groups: quality of macroeconomic environment, effectiveness of public institutions and technological level. Business Competitiveness Index appraises the macroeconomic factors that determine the current level of national economy's productivity. To form this index several dozens of factors are used one part of which appraises the quality of strategies and the effectiveness of company's work, when the second is used to evaluate the quality of national business' climate.

The main means of generalized countries' competitiveness' appraisal is the Global Competitiveness Index (GCI) suggested in 2004 for the World Economic Forum by the professor Xavier Sala-i-Martin from Columbia University. As the representatives of WEF assure, GCI is constantly improving because of testing and consulting with the leading experts. GCI is calculated with the usage of 12 main criteria, which characterize in details the competitiveness of the world countries that are on different levels according to their economic development, such as: 'Quality of institutions', 'Infrastructure', 'Macroeconomic stability', 'Health and primary education', 'Higher education and professional training', 'Effectiveness of the goods and services market', 'Effectiveness of job market', 'Advancement of financial market', 'Technological level', 'Domestic market margin', 'Companies' competitiveness' and 'Innovational potential' [6].

Among the most well-known centers that study countries' competitiveness are: the Institute for Strategy and Competitiveness at Harvard University (USA), the International Institute of Management and Development (IMD) (Lausanne, Switzerland), the World Economic Forum (Davos, Switzerland). Michael Porter, who is the founder of the systematic study of competitiveness in economics, has been the head of the Institute for Strategy and Competitiveness for many years. At Harvard University the competitiveness is mostly studied within the corporate scopes, and two Swiss centers turn the research to wider scopes, they calculate the competitiveness ratings of countries and regions.

**The Global Competitiveness Index** is calculated according to the World Economic Forum's methods that is based on the combination of the available statistics and on the results of survey of large companies' managers. Competitiveness of national economies is determined in a number of factors: the following has the negative influence on economy: ineffective managing by state finances, high level of inflation, etc., when the positive effects come from the advanced transport system, level of consumers' rights protection, etc. In conjunction with institutional factors the education level, the improvement of

personnel qualification, the public access to new knowledge and technologies are also important.

The Global Competitiveness Index includes two indexes, on a basis of which the rating is made up, i.e. the Global Competitiveness Index (GCI) and the Business Competitiveness Index (BCI) that are calculated in total on a basis of variables. Summation of the variables two thirds consists of the results of the global survey of companies' managers that allows to cover many factors that have an influence on the business climate, and one thirds of the statistics and the researches' results, which are regularly carried out by the international organizations. All the variables are combined in 12 groups of activities that determine the national competitiveness [6]: quality of institutions; infrastructure; macroeconomic stability; health and primary education; higher education and professional training; effectiveness of the goods and services market; effectiveness of job market; advancement of financial market; technological level; domestic market margin; companies' competitiveness; innovational potential.

The selection of such variables is explained by the theoretical and empirical researches, none of the factors is able to provide the economy's competitiveness on its own. Therefore, the most competitive are the economies of those countries, which can conduct the integrated policy taking into account the significant amount of factors and interactions between them.

According to the ratings of the international economic organizations Ukraine with its level of competitiveness occupies one of the final positions. Work of the government towards liberalization of external relations did not fully justify all the given hopes and did not realize the competitive benefits of Ukraine. Expediency of liberalization of external economic relations had to be studied during the first steps of borders' opening because not the same conditions and differences were explaining the essential difference between economic systems of Ukraine and of the advanced countries. Activities of Ukraine's economy's advancement comparing with the greatest trading partners show that it is mistakenly to open the borders

implicitly. Thus, according to the data of the World Bank, due to the level of GDP per person in 2015 Ukraine occupied the 118<sup>th</sup> out of the 187 countries of the world [5] (the data for 2016 was not still released during the carrying out of this research). Production and industrial complex of Ukraine is not able today to adapt to the demand on the world market that is understood due to the sufficiently low GDP per person.

The economic meaning of Gross National Income (GNI) is in the fact that it is a combined value of all goods and services made during the year on a territory of a state (i.e. Gross Domestic Product) in a sum with incomes got by the citizens and by the organizations of a country from abroad, but without incomes that were exported from a country by foreign citizens and organizations. It is one of the crucial activities of the economic development.

GNI of a country may be significantly lower than GDP, if the considerable share of incomes got in a country is exported from it by foreign companies or citizens. And vice versa, if the citizens of this country possess a huge amount of securities of foreign companies or governments and get incomes from them, GNI will appear to be higher than GDP. However, for most countries of the world the indexes of GDP and GNI are lightly different and are often used as interchangeable ones.

The global rating of economies according to the index of Gross National Income per person is calculated due to the methods of the World Bank [5]. On a macroeconomic level the effective entrepreneurship of all the agents determines the future of the country's economy because when the investment margins and the structure of their usage are increasing, the increase in gross domestic product should happen.

These days, according to the official data the share of Ukraine in the global investment flows does not exceed 0.5 per cent, so the development of the **investment reform in Ukraine** is in urgent need. Investment reform is a combination of mechanisms, projects and institutions that are synergistically joined

together and are aimed at the radical increase in the investments in the national economy.

The development of investment activity is influenced by factors such as political, resource, world globalization which form directions and ways of the international investment cooperation. In practice, to ensure the financial security of the investment activity it is important for each country to have a possibility to raise capital in some scopes and forms and its using to provide the sufficient profit for an investor within the optimal risk.

The country's investment potential is estimated by macroeconomic indicators (economic growth, consumption and savings ratio, lending interest rate, rate of an income, the level and dynamics of inflation, consumer demand of a population), inputs factors ratio, infrastructure development, etc.

The investment risk of a country is characterized by the level of uncertainty about the forecast for profit (income) from the implementation of investment. The investment potential and investment risk (political, economic and social characteristics of the host country about the probability of loss in its investments or income from them) determine the investment climate.

The main direction of revitalization of domestic and foreign investment in the economy of Ukraine is the issue of forming elements of favorable investment climate. The study of foreign experience in investment security helps to identify the indicators to characterize the investment activity. The analysis of these parameters allowed to divide them into three groups such general, macroeconomic indicators and indicators for assessing the investment market, which constitute together a system of appraisal of investment attractiveness of Ukraine.

One of the most important factors in stabilizing the economic situation in Ukraine and in formation the conditions for a competitive economic system based on its market reform is the formation of a favorable investment climate, including the attraction of the foreign investment.

The investment climate means the combination of political, social and economic, organizational and legal, environmental factors which are peculiar to a particular country or region that determine the choice of investors in relation to place, time and form of investment. The investment climate is formed under the influence independent on a particular enterprise processes and has a significant impact on investment behavior.

The concept of the investment climate is complex and difficult and can be seen at the macro and micro level.

At the macroeconomic level, it includes indicators of political (including legislation), economic and social environment for investment. During the analysis of the political situation the government policy on foreign investment, the probability of nationalization of foreign property, the country's participation in international agreements with various issues, strength of state institutions, the continuity of political power, the degree of state intervention in the economy, etc. play the crucial role for potential investors in Ukraine

The investment climate is defined as the combination of political, economic, legal, social and other factors that determine ultimately the investment risk and the possibility of their effective use.

To the significant factors that determine the investment climate refer such factors as the estimated inflation rate, the market interest rate and risks which are associated with regulatory legislation and tax regulations. Frequently, national entrepreneurs simply do not know how to cooperate with investors who afraid of losing control under the company and therefore sometimes reject conditions for attracting investments which are considered acceptable in the world.

Firstly, it is necessary to stimulate general revitalization of the economy to increase on this basis the investment appeal of industrial enterprises. To do this it is essential to put some money into this deal, which can give the portfolio investments and short-term loans of the commercial banks.

However, many companies are not prepared to attract the western direct investment. They cannot prepare substantiated business plans not just because of that. They are affected by the low level management, marketing, poor organization of production, and to receive foreign investment the organizing production and the labor in domestic enterprises have to meet the western standards.

There are different approaches to appraise the investment climate in the national economy, which differ depending on the research objectives, the number of analyzed indicators and their quality characteristics.

There is a complex method of the appraisal of investment climate, which covers the maximum amount of economic characteristics, trade indexes and characteristics of the political climate, legislative environment for investment (by B. Toyne, P. Walters, and others) that allows to appraise the situation in the country deeply and comprehensively at the moment and judge the possibility of the development. For a comparative analysis of the investment climate in Eastern and Central Europe, including countries, which formerly were a part of the Soviet Union, special techniques are used, where the attention is concentrated on pace and the prospects of reforms.

Methods of scoring, the main advantage of which is the possibility of quantitative comparison of key features of the investment climate for different countries and selection of the final index that takes into account the values of all the components and the ranking of different countries, serve as a criterion of their attractiveness for foreign investors.

Not only direct restrictions on the activities of foreign firms contained in the legislation have a negative effect on the investment climate, but also the vagueness and especially the instability of the legislation of the host country, since this instability deprives the investor of the ability to predict the development of events, which reduces the profitability of investments.

Among the economic parameters, the main attention during the appraisal of the investment climate is given the general state of the economy, monetary,

financial and credit systems, customs regime, the potential utilization of the workforce (the workforce cost and its relations with the average level of workers' skills and productivity).

Indicators of the attitude to foreign investment in the society, degree of stratification, the presence or absence of consent on major issues of economic and social development of the country, unemployment rate, and possibility of strikes play important role in the evaluation of the social environment for investment.

At the microeconomic level investment climate manifests itself through the bilateral relations of the investing company and specific state agencies, economic entities-suppliers, customers, banks and trade unions and labor collectives of the host country. Specification of the generalized appraisal of the investment climate in the course of real economic, legal, cultural contact of foreign firms with the new environment is being on this level.

Macro - and micro-levels of the investment climate are perceived by investors as a one thing, because any legislative effort of the government to create a favorable investment climate can be blocked by the rule-making of local authorities, and the efforts at the local level to create favorable economic regime for foreign investment often compensate for some flaws in the overall economic regulation of the central government.

The use of the latest methodological approaches gives the opportunity to characterize the investment climate as a special subsystem in the institutional system of the economy, designed to create preconditions for better use of social and economic relations in the development of research and technological upgrading of the productive forces of society through active investment activities.

The so-called economic indexes are often used for investment climate appraisal. They characterize certain features of the activity in a particular economic system of the country: the level of competitiveness, transparency of the markets, the level of economic independence or corruption.

The presence of favorable or unfavorable investment climate in a country is often judged according to the macroeconomic and monetary policy of the state. Indirect indicators may be:

1) *Various ratings of favorableness according to the conducting of the business* (relative to national entrepreneurs and investors, foreign investors, taking into account such factors as the tax regime, state intrusion into the economy and price controls, market competitiveness, restrictions for foreigners, the level of corruption and freedom).

2) *The volumes of foreign direct investment involved in the market.* This index is rather arbitrary, since foreign direct investments are oriented not as much on low risk, as on the risk profitability ratio.

These international rankings indicate unfavorable conditions regarding the conducting of business (the difficulty of setting up a new business, complicated licensing system, almost the last positions as for business competitiveness), as well as the conduct of investment activities. Indicators allow to appraise the overall figure of the Ukrainian economy. They indicate the nature of the problems that significantly worsen the investment climate of Ukraine and require systemic solutions.

The disadvantage is the macroeconomic instability (forecast of economic decline, deteriorating credit, insufficient development of venture capital to finance perilous projects).

The level of government regulation of business and the dominance of bureaucracy in Ukraine is appraised by the business as one of the highest in the world. In this context, the need for the delineation and protection of property rights that helps to minimize risks to attract and encourage investment is of particular importance.

The least corrupt countries in the world are the Scandinavian countries, i.e. Denmark, Finland, Sweden, New Zealand, Netherlands, and Norway.

In the modern economy, and it is recognized by most economists, the measure of the success of the activities of individual companies in the national and global markets is varying from the level of competitiveness of its products to the levels of competitiveness of the state, region, industry. The state or region acts as the guarantor of creation of attractive business environment and the investment of capital that determines the investment attractiveness of enterprises and the degree of consumer loyalty.

### **3.3. Appraisal of the global competitiveness of Ukraine on a basis of the world economic ratings**

The leading European Institute of Management Development (IMD) which is located in Lausanne (Switzerland) reveals that the country's competitiveness is the ability of the national economy to create and maintain an environment in which the competitive business appears. The relatively strong interdependence is between the different levels of competitiveness: a country's competitiveness is based on the efficiency of national industries where competitiveness is largely determined by the social and economic environment and by the system of relations between entrepreneurs and the government.

Appraising the current competitiveness of Ukrainian enterprises on the world market, let us consider the situation of the country in the most famous world ratings. There are some achievements in improving the business conditions; however, at the same time there are some significant problems.

The World Bank group annually has held the "Doing Business" rating since 2002, which aims at determining the conditions of business conduction in different countries of the world. The project "Doing Business" is dedicated to the activities of the national small and medium enterprises and to the appraisal of the normative acts that regulate their activities throughout the life cycle. According to a general study of the World Bank and the International Finance Corporation (IFC) – Doing

Business – 2017 (Business Conduction in 2016), the position of Ukraine in the rating of conditions for doing business has improved on 7 points – 80 place compared to the 87<sup>th</sup> position in last year's survey [7, p. 139]. Data of Doing Business in some countries for 2011-2016 are presented in Table. 3.5.

Table 3.5.

**The dynamic of some countries' positions in the Doing Business rating**

Country	Doing Business 2011	Doing Business 2012	Doing Business 2013	Change	Country	Doing Business 2011	Doing Business 2012	Doing Business 2013	Change
Singapore	1	1	1	0	Kazakhstan	58	56	49	7
Hong Kong	2	2	2	0	Byelorussia	91	60	58	2
New Zealand	3	3	3	0	Azerbaijan	69	66	67	-1
USA	4	4	4	0	Kirghiz Republic	67	69	70	-1
Denmark	5	5	5	0	Mongolia	89	88	76	12
Georgia	17	12	9	3	Moldova	99	86	83	3
Germany	19	18	20	-2	Russian Federation	124	118	112	6
Japan	20	20	24	-4	<b>Ukraine</b>	<b>149</b>	<b>152</b>	<b>137</b>	<b>15</b>
Armenia	61	50	32	18	Tajikistan	152	147	141	6
China	87	91	91	0	Uzbekistan	164	168	154	14
Country	Doing Business 2014	Doing Business 2015	Doing Business 2016	Change	Country	Doing Business 2014	Doing Business 2015	Doing Business 2016	Change
Singapore	1	1	2	-1	Armenia	45	35	38	-3
New Zealand	2	2	1	1	China	90	84	78	6
Denmark	4	3	3	0	Kazakhstan	77	41	35	6
Korean Republic	5	4	5	-1	Byelorussia	57	44	37	7
Hong Kong	3	5	4	1	Azerbaijan	80	63	65	-2
Great Britain	8	6	7	-1	Kirghiz Republic	102	67	75	-8
USA	7	7	8	-1	Mongolia	72	56	64	-8
Sweden	11	8	9	-1	Russian Federation	62	51	40	11
Norway	6	9	6	3	Moldova	63	52	44	8
Finland	9	10	13	-3	<b>Ukraine</b>	<b>96</b>	<b>87</b>	<b>80</b>	<b>7</b>
Georgia	15	24	16	8	Tajikistan	166	132	128	4
Germany	14	15	17	-2	Uzbekistan	141	91	87	4
Japan	29	34	34	0					

In 2015 there has been a significant improvement of the rating according to the registration of enterprises index, that reflects the ease of procedures for setting up a business. Ukraine has risen on 40 positions from the 70<sup>th</sup> to the 30<sup>th</sup> one [8]. In 2016, the increasing was on an additional 10 positions and the Ukraine occupied

the 20<sup>th</sup> place. The main indexes that are used during the formation of the registration of enterprises index are: the total amount of procedures to register a company (index for Ukraine is 4), the number of days to register a company (5), cost (0.5% of income per person), minimum capital (0% of gross income per person). According to the index such as obtaining building permits the position of Ukraine decreased on one point in 2015 – from the 139<sup>th</sup> to the 140<sup>th</sup> positions, and remained the same in 2016. According to the connection to the power supply system index, on the contrary, there was an increase on one point in 2015 (from the 138<sup>th</sup> position to the 137<sup>th</sup> one), in 2016, the increase was on 7 points and Ukraine occupied the 130<sup>th</sup> position. Ukraine has risen in the registering property index on three points in 2015 – from the 64<sup>th</sup> place to the 61<sup>st</sup>, but in 2016 it got back to the 63<sup>rd</sup> place. The highest place in the rating our country occupied due to the getting credit index (the 19<sup>th</sup> position in 2015 and the 20<sup>th</sup> in 2016) and at the same time very low in 2015 due to the taxation index –the 107<sup>th</sup> position. But in 2016, according to this criterion, the country has risen to the 80<sup>th</sup> one. It should be noted that in facilitating the process of business registration and improving tax climate in the country, obtaining construction permits and connection to electricity are associated with certain difficulties due to serious corruption obstacles.

According to the international trade index, which characterizes the cost and procedures required to export or import of a standard shipment of goods, Ukraine occupied in 2015 the 109<sup>th</sup> position and in 2016 the 115<sup>th</sup> one, which indicates the complications of international trade relations. According to the solvency resolution index Ukraine took the 150<sup>th</sup> position in 2016 among 190 countries.

The five leading countries in terms of doing business in the world have remained the same: New Zealand, Singapore, Denmark, Hong Kong and the Korean Republic. It should be noted that Singapore had been occupying the first position in the Doing Business rating for six years and only in 2016 the first position came to New Zealand, and Singapore was on the 2<sup>nd</sup> position. Denmark remained on the 3<sup>rd</sup> position, and the Korean Republic and Hong Kong swapped.

Among the former Soviet republics the easiest conditions of doing business in 2016 were observed in Estonia (the 12<sup>th</sup> position), Latvia (the 14<sup>th</sup> one) and Georgia (the 16<sup>th</sup> one).

The methodology of the Doing Business rating is quite complex and ambiguous; the results do not always reflect the real economic situation in the country. However, the high positions in the rating attract external financial resources. In addition, the country's position in the rating is an indicator for public authorities' quality of reforms in the country [9].

Today, Ukraine occupies a relatively low place in the international ratings of global competitiveness. This refers, first of all, to the two most well-known rating: the rating of competitiveness of IMD (International Institute for Management Development, Lausanne, Switzerland) and the Global Competitiveness Index of WEF (World Economic Forum).

According to the rating of competitiveness of IMD Ukraine occupied the 59<sup>th</sup> position in 2016 (compared to the 60<sup>th</sup> one in 2015). The most competitive countries are the following ones (from the first in descending order): Hong Kong, Switzerland, USA, Singapore, Sweden, Denmark, Ireland, Netherlands, Norway, and Canada [10].

Other ratings also confirm the low level of competitiveness of the economy and standard of living in general in Ukraine (Table. 3.6, Table 3.7).

*Table 3.6.*

**Ukraine in the world ratings in 2016 and 2017 [11]**

Title of rating	Amount of appraised countries	Position in 2015 (ratings of 2016)	Position in 2016 (ratings of 2017)	Changes
1. Global Index of Militarization	152	23	15	+8
2. Index of Corruption Perceptions	176	130	131	-1
3. Rating of Innovating Economies	50	41	42	-1
4. Rating of the best counties for business	139	61	74	-13
5. Level of mortality in the world countries	226	2	4	-2

Ukraine has become more militarized country in 2016, but it remains the most corrupted one, although its index of corruption perceptions improved on two points. The economy of Ukraine cannot be called innovative, although the policy of innovative development declared at the state level. In the rating of innovating economies Ukraine's position decreased on 1 point. Business conduction also became more complex. The mortality rate in the country is extremely high, indicating severe living conditions for the population and almost slowing of the social and economic development.

*Table 3.7.*

**Ukraine in the world economic ratings [12]**

Title of the index rating	2012	2013	2014	2015	2016	Changes in 2016/2015
1. Index of economic freedom	161	155	162	162	166	-4
2. Index of innovational technologies	-	-	33	41	42	-1
3. Index of easy business conduction	137	112	96	87	80	+7
4. Index of global competitiveness	73	84	76	79	85	-6
5. Global index of innovations	71	63	64	56	*	-
6. Index of corruption perceptions	144	142	130	131	*	-

\*data has not been calculated and published yet.

By the end of 2016 Ukraine appeared in the list of the countries whose economy is slowly declining [13]. So, according to the materials of the World Economic Forum in Davos Ukraine was on the 47<sup>th</sup> position among 78 countries in 2017 and received 3.67 points out of 7 possible. This means that economic performance in the past year showed a slow regression.

The competitiveness of a country, region, economic agent is determined by two main factors. First, by the available resources, investment potential and efficient use; and second, by an effective system of state regulation of investment flows. Ukraine has not very high resource and low level of investment capacity, so the country occupies the outsider positions in the international rating of

competitiveness. This is confirmed by data about the position of Ukraine in the international rating of global competitiveness conducted by the World Economic Forum. The global competitiveness index consists of more than 100 variables, which are grouped into 12 indexes (Institutions, Infrastructure, Macroeconomic environment, Health and primary education, Higher education and vocational training, Efficiency of goods market, Labor market efficiency", Financial market development, Technological readiness, Market volume, Compliance of the business with the modern requirements and Innovation potential) with 3 major groups of sub-indexes: Basic requirements, Productivity enhancers and Innovation and improvement factors [14].

According to the study of global competitiveness, Ukraine worsened its position (the 85<sup>th</sup> position out of 138 countries in 2016, compared to the 79<sup>th</sup> one out of 140 countries in 2015). More detailed deterioration happened in 7 out of the 12 key indexes. The greatest losses (minus 17 points) are due to the labor market efficiency, 9 points are lost due to the indexes that characterize the development of the financial market of the country and health and primary education. There is a big problem with infrastructure development and other components of the global competitiveness index [14].

According to some positions the country is at the end of the lists, in particular on the strength of banks we have last position for the second time among the appraised countries, among 138 countries for regulation of securities exchanges, we received the pre-last position; for inflation – the 136<sup>th</sup>, for road – the 134<sup>th</sup>.

Negative factors for doing business in our country are defined as follows (in decreasing order): corruption, political instability, inflation, inefficient government bureaucracy, inadequate access to finance, frequent changes of government, high tax rates, complexity of tax legislation, the foreign exchange market regulation, inappropriate quality of infrastructure, restrictive labor market regulation, insufficient capacity to innovate crime and theft, poor ethics of the workforce, poor quality of health care and lack of education of workers [14].

The level of corruption in the country is too threatening and it is the most significant negative factor, which affects the slowing down of social and economic development and, consequently, impoverishment of the population. It is believed that if the annual GDP per person is lower than 8 thousand dollars, such a state cannot be corrupted. In Ukraine GDP per person was 3082 thousand dollars in 2014, in 2015 – 2109 thousand dollars, in 2016 - 1965,81 thousand dollars. It is 53 times less than that of Luxembourg – the country with the highest GDP per person in the world in 2016 (104359,32 thousand); 40 times less than in Switzerland; 29 times less than in the USA. Among the former Soviet republics the highest GDP per person is in Estonia – 18179,65 thousand dollars. [15; 16]. This country has the same high rating on the ease of business conduction (the 12<sup>th</sup> position out of 190 countries). Therefore, for Ukraine, the achievement of at least the lower boundary of 8 thousand dollars will allow to make a conclusion about the decrease in the level of corruption.

Despite policies aimed at simplifying tax legislation the number of taxes remains significant, which negatively affects the state of entrepreneurship in the country.

The Law of Ukraine "Changes to some legislative acts of Ukraine on simplification of business conditions (deregulation)" from 12.02. 2015 No. 191-VIII entered into force on April 7, 2015 in Ukraine [17]. The main purpose of this act is the deregulation of economic activities, the bringing of the legislation in certain areas in accordance with the legal field of the EU, which allows Ukraine to improve the position in the Doing Business rating.

This Law simplifies the procedure of opening and conducting business activities, reduce licensing and conciliation procedures, reduces the influence of state bodies on the activity of the economic agents, increases the level of investor protection, improves the mechanism of financing of activity of bodies of the State Registration Service.

According to the law, the elimination of licensing centers is provided. Now services for issuing documents of arbitrary nature in the sphere of economic activities will be provided through the centers of administrative services (with the increase in the number of such centers). Along with this, the responsibility of the administrator for failure to perform official duties increases.

In the field of registration of legal agents and individuals – entrepreneurs the following changes are provided:

- period of providing the administrative services for registration has been reduced (instead of 3 days it should be done from the day after the filing);
- the requirement of publication of the message on the state registration of paper in a specialized printed mass medium has been abolished;
- an opportunity for applicants to obtain administrative services in the sphere of state registration surcharge in a shorter period has appeared.

In summary, the conclusion about the low level of global competitiveness of Ukraine at the present stage is reached; the major obstacles which are defined are the high levels of corruption and the conduction of military operations in the East of the country (increase of militarization). Consequently, social and economic development of the state and the overall deterioration of life of the population have slowed down.

### **3.4 Global Innovation Index as an indicator of Ukraine's possibilities for innovational development**

These days, science and scientific and technical sphere play a crucial role in the effective development of the economies of the advanced countries of the world and in the improving of the quality of life of citizens. The knowledge-intensity of GDP are growing rapidly, the number of employees in scientific and technical sphere are increasing, funds for its financial and resource support are increasing

too. The world market of science-intensive products is increasing in 2-2.5 times as fast than the growth rate of the world economy.

In Ukraine during the independence years science has lost its function of influence on the social and economic development of the state, rate of domestic scientific and technical potential decreased to the critical level that has become a threat to national security of Ukraine.

Since 2007, Cornell University (USA), the French business school INSEAD and the world Intellectual Property Organization at the United Nations have annually conducted studies about the effectiveness of innovation activities of countries and presented the results in a report which is called Global Innovation Index.

Report of the global innovation index of 2016 contains a rating of the effectiveness of the innovation activities in 128 countries in 2015, which is based on the appraisal of 82 primary indicators grouped in the following directions:

1) available resources and conditions for carrying out innovation (Innovation Input): institutions; human capital and research; infrastructure; market development; business development;

2) achieved practical results of the implementation of the innovation (Innovation Output): the development of technology and the knowledge economy; the results of creative activity.

The global innovation indexes for some countries for the period of 2011-2015 with the appropriate changes are presented in Table 3.8.

*Table 3.8.*

**The dynamic of the global innovation index of some particular world countries**

Year	2011		2012		2013		2014		2015	
Country	Position	Point (0 - 100)								
Germany	15	56	15	56	13	56	12	57	10	57,94
USA	10	58	5	60	6	60	5	60	4	61,40
Great Britain	5	61	3	61	2	62	2	62	3	61,93
Japan	25	52	22	52	21	52	19	54	16	54,52
France	24	52	20	53	22	52	21	54	18	54,04
Poland	44	40	49	40	45	41	46	40	39	40,22
Russian Federation	51	38	62	37	49	39	48	39	43	38,50

Ukraine	63	36	71	36	63	36	64	36	56	35,72
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In the latest edition of the report the impact of innovation-oriented policies on economic growth and development is examined. Countries with a high income as well as the developing countries conduct different economic growth strategies based on innovative initiatives. Some countries have been successful in increasing their innovation potential, while others continue having difficulties [18; 19].

Switzerland is recognized as the most innovative country for the 6<sup>th</sup> time. The second place went to Sweden; the UK is on the third place. They are followed by USA, Finland and Singapore; China is also included to the 25 leading countries.

European countries have at their disposal some relatively strong institutions and a highly developed infrastructure, although there are some opportunities for further progress as regards the level of development of business and results in the sphere of knowledge and technology. Europe achieved particularly high results in the areas of environment, ICT access and the expected duration of study. At the same time, opportunities for further progress exist in terms of scientific and experimental works financed by enterprises scientific and experimental works funded by foreign firms, high-tech exports and the filing of international patent applications.

China became the first country with an average income that is among the 25 leading countries of the innovators in the world, and thus joined the group of highly developed countries, which have been at the top of the Global Innovation Index rating for all nine years of the survey of innovation potential in more than 100 countries worldwide. This achievement of China reflects the growing indexes of the country in innovation, and the improving the estimation methodology used in the preparation of the Global Innovation Index [19].

Despite China's progress, "innovation distance" between developed and developing countries preserves, the promotion of innovation remains an important factor in the dynamic development of a competitive economy.

Innovation requires the continuous investment. Before the 2009 crisis scientific researches and experimental works grew on about 7% per year [19]. Published in the Global innovation index of 2016 data shows that in 2014 the expenses on scientific researches and experimental works rose on only 4%. This was a result of slowing economic growth in emerging market economies and reduction of expenses on scientific researches and experimental works in countries with a high level of income, which, as before, is worrying.

An important condition to increase the rate of long-term economic growth is investments in innovation that becomes a priority for all stakeholders.

Among the leaders of the Global innovation index of 2016, which is the leading indicator of the quality of innovation, there are four countries – Japan, USA, UK and Germany. This important indicator reflects the level of development of higher education, the number of scientific publications and the number of submitted international patent applications. China has moved into the 17<sup>th</sup> position according to the quality of innovation, and became on this indicator the leader among the countries with average income; followed by India that is higher than of Brazil.

Therefore, to ensure the effectiveness of investment in innovation, the country must focus on reforming education and building its own research capabilities in order to successfully compete in a changing global economy.

From the countries of the former USSR, the highest position has Estonia; it is on the 24<sup>th</sup> position. Russia took the 43<sup>rd</sup> position, Moldova is on the 46<sup>th</sup> one, Ukraine occupies the 56<sup>th</sup> position. (in 2014 it was on the 64<sup>th</sup> one), Armenia has the 60<sup>th</sup>. Byelorussia, which took the 79<sup>th</sup> position, is in the lower part of the rating between Iran and Kenya [18; 19].

Ukraine is located between Mongolia and Bahrain, which got the 55<sup>th</sup> and 57<sup>th</sup> positions. In the group of countries with lower average income, to which our country is included, it is ranked on the second position after neighboring Moldova. In the region "Europe" Ukraine is on the 3<sup>rd</sup> position out of 39 countries, and is

followed by Macedonia (58<sup>th</sup>), Serbia (65<sup>th</sup>), Byelorussia (79<sup>th</sup>), Bosnia and Herzegovina (87<sup>th</sup>) and Albania (92<sup>nd</sup>). However, our country is the only one among the European countries in the general rating from 50 to 100, which improved its positions [20].

In the frames of the Global innovation index, analysts divided the countries into three segments – leaders and successful and countries-outsiders – depending on the size of GDP per person when appraising the impact of innovation markets. Ukraine is closer to the center in the segment "prosperous" efficient innovators (white circles), close to Vietnam, India, Philippines, Armenia and Morocco.

The weakest criteria in the innovation index for Ukraine is political stability and security (125<sup>th</sup> out of 128), easy solving of problems of bankruptcy (113<sup>th</sup> – behind Honduras and Iran), the political environment (123<sup>rd</sup>), GDP per unit of energy used (115<sup>th</sup> position after Russia). Also, the weak point is the category of investment, where our country was ranked on the 77<sup>th</sup> position in the indicator ease of protection of minority shareholders, it is on the 76<sup>th</sup> position according to the market capitalization of the national companies. In the indicator "Number of venture capital investments" per billion dollars of GDP Ukraine occupies the 42<sup>nd</sup> position. Interestingly, the Global innovation index also takes into account some cultural indicators, where our weak point is the Number of shot films per million population –it is on the 94<sup>th</sup> position in the ranking [20].

The report also analyses the increasing share of innovations that are created using global innovation networks, which serve as a proof that in the pace of growing cross-border exchange of knowledge and talents there is a broader possible application of the results of global innovation. The report also concludes that there are wide opportunities for deepening cooperation in the frames of private and public on scientific researches and experimental works to enhance future economic growth [19].

At the national level, as noted in the report, policy innovation needs to be more directly aimed at promoting international cooperation and cross-border

dissemination of knowledge. New international leadership structures should also seek to enhance the transfer of technology to developing countries and its dissemination in these countries.

An important driving force for new strategies and innovative development of enterprises in almost all sectors of the economy are digital. For success in today's new environment forward-looking strategies are required that take into account advances in digital technologies and the need for a fundamental revision of the working methods of the companies [19].

It is well known that for self-reproduction of scientific sector financing should be conducted at the level not lower than 0.9% of GDP. Thus, according to 2014 the share of scientific researches and experimental works in GDP of the EU-28 were on average 2.03%. More than the average share of scientific researches and experimental works was in Finland – 3.17%, Sweden – 3.16%, Denmark – 3.05%, Austria – 2.99%, Germany – 2.87%, Belgium – 2.46%, Slovenia – 2.39%, in France at 2.26%; less in Montenegro, Romania, Cyprus, Latvia and Serbia (from 0.36% to 0.77%) [21].

Over the last 10 years the financing of the Ukrainian science has declined from 1.7% of GDP in 2005 to 0.62% of GDP in 2015 from all sources. The state budget funds in 2015 in the total amount of financing amounted to 0.21%. This is the lowest funding for science for all the time of Ukraine's independence [21].

The shortage of funds and the obsolescence of the material and technological base of science severely restrict the possibility of holding in Ukraine of scientific research and their implementation to the global level.

Ukraine has been in a condition of economic, political and social crisis for a long time. Low positions are the result of a lack of a unified policy development and the lack of results in the fight against corruption.

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## **CHAPTER 4 UKRAINE'S COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS AND THE WORLD TRADE ORGANIZATION**

After gaining independence in 1991, Ukraine began to form relationships with international financial institutions (IFIs) - the International Monetary Fund (IMF), World Bank Group (WB), European Bank for Reconstruction and Development (EBRD) and Black Sea Trade and Development Bank (BSTDB).

Admission to these organizations is the first step to deepen international cooperation, Ukraine has opened the way to international financial markets.

International financial organization - a union of states, institutions and individuals jointly implement the program or purpose based on certain rules and procedures and carrying out activities beyond national borders; an important part of modern institutional structure of international monetary and financial relations. In today's world there are almost no states, which are not the IMF members.

In the system of global economic relations MFIs were created in order to:

- study and take action on the most important issues of international economic relations;
- stabilizing the currency;
- funding in addition to private capital to help economic and technological progress;
- providing recommendations on measures to fight the economic crisis and depression and so on.

In relations with Ukraine MFIs use different forms of cooperation, including providing technical assistance and loan funds attracted for the implementation of various projects. Terms of loans to the IMF, the EBRD, the World Bank, such as interest rate, maturity, grace period, is very attractive for Ukraine, because in many ways is better than could be obtained from other sources.

The main objective in obtaining and using credit IFI - the greatest possible

protection of national interests of Ukraine as a borrower with the interests of lenders, defending the interests of states through an appropriate strategy and tactics of government and business circles of the country. In attracting foreign funds Ukraine should consider not only the business side of getting income for loan repayment and general efficiency, but also to prevent violations of national sovereignty and economic security threats.

Today relationship with the IFI is important as to provide sufficient financial resources for the implementation of systemic and structural reforms in Ukraine, and to change the attitude to Ukraine in the world; the need to improve public relations strategy of IFIs in the context of the definition of the foundations of internal and external policy of Ukraine on the modern stage; lack of analysis of the factors that hinder the establishment of mutually beneficial cooperation with IFIs; regulatory inadequate procedures and coordination of positions Ukraine MFIs in the preparation of relevant agreements, monitor their implementation; the need to ensure a high level of efficiency to attract and use funds received from MFIs.

#### **4.1. Cooperation with the International Monetary Fund**

International Monetary Fund (IMF) is the most influential international organization that regulates the specific parameters of the international economy in general and macroeconomics each country that is a member in order to achieve stability in the global economy.

International Monetary Fund - a specialized UN agency - established in 1945 after the ratification of the Agreement, developed at the United Nations Conference on Monetary and Financial Affairs, held from 1 to 22 July 1944 in Bretton Woods (New Hampshire, USA) and entered into force on 27 December 1945 the IMF began operations in Washington in May 1946 consisting of 39 countries. Accommodations of IMF - Washington (USA).

IMF Membership is among the global organizations. In 1950 it totaled 49 as of

today - 189 member states. In its activity it is guided by the IMF charter, known as the Articles of Agreement. Almost IMF is the institutional basis of the current international monetary system.

The International Monetary Fund has the following objectives:

promote international cooperation by providing a mechanism for consultation and concerted action on international currency issues;

promote balanced growth of international trade in order to increase employment and real incomes, the development of productive capacity of member countries;

promote exchange stability, and orderly exchange relations and prevent competitive devaluation of currencies;

promote the establishment of a multilateral system of payments and transfers for current operations and seek to eliminate exchange restrictions;

temporarily share the resources of the Fund member states (with appropriate safeguards) to correct their violations of their balance of payments, avoiding activities that could harm the national or international level;

reduce the time and extent of deficits. [1, p. 255]

The IMF has two sets of stable arrangements for borrowing money from the Member States in case of need to overcome threats to the international monetary system. Under these arrangements the IMF can borrow up to SDR 34 billion (about 50 billion dollars. USA).

In modern conditions the Fund's activity largely associated with its financial and credit functions, but in the form of the IMF's arsenal, there are other areas:

inspection;

Consultation annual, additional, special;

provision of services: training, technical assistance, provision of information;

Funding: direct, incremental, privileged, special.

Ukraine became a member of the IMF June 3, 1992 (according to the Law of Ukraine "On accession of Ukraine to the International Monetary Fund, the International Bank for Reconstruction and Development, International Finance

Corporation, the International Development Association and the Multilateral Investment Guarantee Agency" from 06.03.92 g. number 2402-XII) [2].

Ukraine's quota in the Fund is 2 billion. 11 million SDR (special drawing rights).

IMF loans aimed at supporting the national currency, the international reserves of the active position and balance of payments according to the IMF. In 2015 the IMF concessions policy loans Ukraine, namely loans to Ukraine, directed not only to cover the deficit and stabilize the national currency, as most of them were aimed to the State Budget of Ukraine.

Recipient of IMF loans are the National Bank of Ukraine, which classifies them to their international reserves and should use them only for foreign exchange interventions for these purposes.

During the years of cooperation with the IMF (1994-2016 biennium). Ukraine received 30 217 600 000 USD. US credit system transformation program loans STF (systemic transformation facility), «stand-by" mechanism EFF EFF (extended fund facility) (Table. 4.1).

With the positive results of implementing IMF stabilization programs following should be noted. In 1999 and 2000 Ukraine has been without fiscal deficit. For the first time since independence in 2000 there was economic growth, while export growth due to domestic products and the positive balance of foreign trade in the amount of 1.406 billion dollars. US rather than the domestic market. In 1999 and 2000 eliminated the imbalance of the current account balance. Inflation first became largely controlled and therefore more predictable.

These positive developments affect not only the stabilization programs of the IMF and other significant factors. But they are also impossible to identify.

On the other hand, there are many negative factors. For example, tight monetary anti-inflationary policy led not only to the containment of the factors of cost inflation, but also to the acute shortage of means of payment in the economy in the form of payments crisis, and hence - to reduce domestic production that actually happened in Ukraine. Restriction of money supply and domestic credit and artificially control the

internal aggregate demand caused adverse social and economic consequences. Thus, the slowdown in inflation was due almost curb money creation and low level of monetization of the economy, led to a shortage of cash, acute payment crisis, decline in aggregate demand due to non-payment of arrears of wages, delays in payment of pensions and other social benefits. Putting monetary constraints hampered investment activity in the country, which would be aimed at economic growth [3].

An important aspect of continuing Ukraine's cooperation with the IMF is that the successful implementation of joint programs provides the opportunity to obtain financial resources from other financial organizations, in particular the World Bank and the European Bank for Reconstruction and Development, and also contributes to the restructuring of Ukraine's commitments to external private investors.

#### **4.2.Cooperation with the International Bank for Reconstruction and Development**

International Bank for Reconstruction and Development (IBRD) - the main institution of the World Bank Group.

Statement of the World Bank, which became both its Charter officially entered into force on 27 December 1945, and Bank began operating July 25, 1946 the World Bank is a specialized agency, part of the UN system. Accommodations of World Bank - Washington (USA), European Bureau - Paris (France), Tokyo Office - Tokyo (Japan).

IBRD is an international public company whose membership is growing. Its status is quite elaborate all issues related to the introduction to the new members of the World Bank, the release procedure in any country of the Bank's regulation of the Bank, its organizational structure, formation of senior management and their powers, order of formation and use of IBRD holdings . In particular, under Article II of the Constitution Bank IBRD can become a member of any country in the world. On January 1, 2017 were 189 members of IBRD countries.

Table 4.1

**FEES RECEIVING**  
**WITHIN THE FRAMEWORK OF UKRAINE CREDIT AGREEMENTS WITH IMF, MILLION USD. USA**

Programs	1994	1995	1996	1997	1998	1999	2000	2001	2008	2010	2014	2015	2016	Total
STF 1994-1995 (763,1 million dollars USA)	361,0	361,0												<b>722,0</b>
«Stand-by» 1995-1998 (1,935 million dollars USA)		780	776	288	49									<b>1893,0</b>
EFF 1998-2002 (2,6 billion dollars USA)					342	648	247,2	375,4						<b>1612,6</b>
«Stand-by» 2008-2010 (16,4 billion dollars USA)									10600					<b>10600,0</b>
«Stand-by» 2010-2012 (15,1 billion dollars USA)										3390				<b>3390,0</b>
«Stand-by» 2014-2015 (16,5 billion dollars USA)											4300			<b>4300</b>
EFF 2015-2018 (17,5 billion dollars USA)												6700	1000	<b>7700</b>
Total	<b>361,0</b>	<b>1141</b>	<b>776</b>	<b>288</b>	<b>391</b>	<b>648</b>	<b>247,2</b>	<b>375,4</b>	<b>10600,0</b>	<b>3390,0</b>	<b>4300,0</b>	<b>6700,0</b>	<b>1000</b>	<b>30217,6</b>

Source. <http://www.minfin.gov.ua> – official site of the Ministry of Finance of Ukraine  
[www.imf.org](http://www.imf.org) – the official website of the International Monetary Fund.

The founders of both international institutions (IMF and World Bank) led to the possibility of joining the World Bank of its mandatory membership in the IMF. Not only joining the IMF, but it is accompanied by exclusion from similar actions by the World Bank, any shareholder that terminates (voluntarily or forcibly) its membership in the Fund, must be excluded from the number of shareholders within three months.

None of the institutions of the World Bank provides loans to the country, which Monetary Fund completely or temporarily refuse to credit. Where the Fund ceases to have loans of open lines of any member of his, a country no longer automatically receives funding and the World Bank only does not get new loans from the Bank, but the implementation of the previously agreed credit lines gets suspended.

Terms of loans through the World Bank, although they may seem to be not very attractive donors (because of low interest) have the advantage of dual protection (guarantees of the Bank and the governments of countries receiving loans). In addition to reliability, providing loans to countries through the World Bank is attractive to investors because these loans provide the building in place of their assimilation favorable business environment, create the moral and material conditions for the arrival of the newly created market for debt of private capital, and creating new markets not only for goods creditor countries, but also for their technology and know-how.

According to the provisions of its founding documents, the World Bank as one of the specialized financial institutions, especially the UN should also contribute to the strategic objectives: integration of the economies of all member countries of the main centers of the world economy, bringing quality of life in poor countries to the level of developed countries.

The purpose of the World Bank:

promote reconstruction and development of territories of members by promoting investments for production purposes;

encourage private and foreign investment through guarantees or participation in loans and other investments of private creditors;

stimulating a long-term balanced growth of international trade, and support balanced international balance of payments through investments in the development of productive resources of members of the World Bank.

IBRD high credit rating (AAA) enables banks on favorable terms to raise funds for the long term maturity. Bank borrowing in all regions of the world in different markets and in different currencies.

The Bank provides medium and long-term loans to governments that it includes, as well as private organizations under government guarantees and controls their use. Borrowers should follow the recommendations of the Bank and provide it with reports on the use of funds.

Ukraine became a member of the World Bank September 3, 1992 under the Law of Ukraine "On accession of Ukraine to the International Monetary Fund, the International Bank for Reconstruction and Development, International Finance Corporation, the International Development Association and the Multilateral Investment Guarantee Agency," [2]. Since then, Ukraine became a member of the Bank 167 and started their cooperation in order to ensure the successful implementation of reforms in the country.

For all the years of cooperation for the World Bank approved for Ukraine 50 loans totaling 12.5 billion dollars. US, of which received 8.7 billion. Dollars. United States (Table. 4.2).

According to the "Regulations on the preparation and implementation of Ukraine's economic development supported by international financial institutions" (approved by the Cabinet of Ministers of Ukraine) IBRD divided into systemic and investment.

System projects aimed at economic reform in Ukraine, including public sector reform, structural and institutional changes in industries and sectors. Thus the financial resources provided by international financial organizations under the

draft system are used solely to support the balance of payments and finance the state budget deficit and returning from the state budget.

*Table 4.2*

**NUMBER OF PROJECTS AND IBRD lending volumes FOR THE YEARS 2009-2016, mln. USA**

Years	Number of projects	The volume of lending
2009	12	1653,62
2010	11	1563,62
2011	11	1677,03
2012	10	1787,03
2013	2	460,00
2014	4	1382,00
2015	4	1344,73
2016	3	1560,40
2017	1	500,34

Source: [www.worldbank.org](http://www.worldbank.org) - the official website of the World Bank

Investment projects - a project of individual industries and sectors, industries, financing for which the conditions of sustainability and mandatory domestic co-financing.

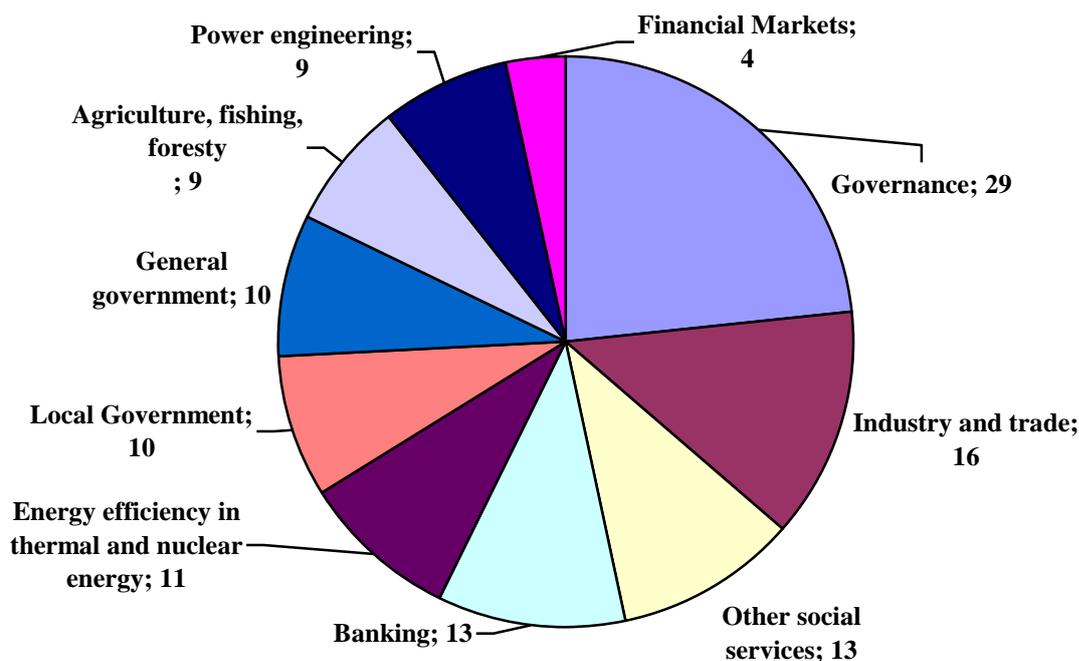
In terms of the use of funds for structural adjustment loans accounted for approximately 80% of all funds used, and on investment loans - 20%.

The largest part of the credit was given to projects related to public sector management (39.5%). Important also was the development of financial and banking sectors. They accounted for 13.7% of total lending. The dominance of the energy sector gradually decreased. Instead, more resources were provided to the agricultural sector. The Bank also provided funds sectors of social security and health care, to develop the institutional framework necessary for the creation of a national system of targeted social assistance and combat the spread of tuberculosis and AIDS (Fig. 4.1).

The first draft of the Bank about education was approved in 2005 and related to improving the quality of education, management and use of resources.

IBRD has helped modernize the budget system of Ukraine through the creation of the State Treasury, elimination of barter payments and improve the overall financial and payment discipline.

In 2012 completed the project "Modernization of the State Tax Service of Ukraine-1" - the amount of loans to \$ 40 million. USA, which is set to \$ 40 million. At present cooperation with the World Bank based on adopted in February 2012 a new Country Partnership Strategy for Ukraine for 2012-2016., Which aims to assist the Government in implementing the program of economic reforms and EU integration. The focus of this Strategy is focused on strategic priorities of development, including sustained economic growth, improving the competitiveness of the national economy, effective reform of public finances and improve the quality of public services. To improve the efficiency of credit in 2008 the World Bank has changed the conditions for obtaining loans. At present, the maximum term of receiving loans - 30 years (subject to medium-term loan repayment 18 years), the only financial fees are one-time fee of 0.25% of the loan (September 27, 2007 Board of Executive Directors canceled the payment of commission for reservation, which was 0.25% of the loan amount withdrawn).



*Fig. 4.1. Distribution of IBRD projects in Ukraine by sectors, 2016,%*

At the end of March 2014 the World Bank has offered to Ukraine for a series of reforms for development policy loans of the financial sector, which consists of the following:

- diagnosis of banks in Ukraine;
- measures to strengthen the financial capacity of the Fund Deposit Guarantee;
- the regulation / supervision in the banking sector.

The program includes 2 IBRD loan amount to \$ 500 million. USA. The first loan of \$ 500 million. Ukraine received the US in September 2014. The second program loan for development policies of the financial sector in the amount of 500 mln. USD. US will be involved for 17 years with a 6-year grace period, interest on the loan Bank - 6 month LIBOR + variable spread (currently 1%). One-time fee - 0.25%. Booking fee - 0.25%. The proceeds of the loan will go to the general fund of the State Budget of Ukraine single tranche.

In the 2015-2017 fiscal years provides an opportunity to finance investment projects in the following areas: transport, energy efficiency, utility, health and education. The strategy also provides for the possibility of Ukraine loan program to

finance the budget (Development Policy Loan - CPD), contingent upon the Bank's appraisal of structural reforms in Ukraine.

Today there are 13 projects aimed at upgrading infrastructure, especially in energy, transport and utilities sectors, modernization of social support and education.

Thus, Ukraine is actively cooperating with the World Bank in many industries and areas. This cooperation is intense, as confirmed by the number and quality of joint projects, though not always effective. In the future we expect to activate this cooperation. Currently they are discussing a new style of partnership between Ukraine and the World Bank 2017-2021.

#### Cooperation with the International Development Association

International Development Association (IDA) was founded in 1960 as a subsidiary of the World Bank to provide financial assistance on concessional terms to governments of the poorest countries, developing countries, that are not able to timely and fully pay on loans IBRD provides.

Since 1961 IDA started a specialized agency of the United Nations. Accommodation- Washington (USA). The structure includes 173 IDA countries, which are divided into 2 categories: 26 and more economically developed 147 less economically developed countries. Obligatory condition of joining the organization is membership in the World Bank and the IMF. Membership in IDA is open to all members of the World Bank.

World Bank IDA pursue largely the same aim - loans (credits) for priority, economically and technically reasonable projects within the national economy. Distinguished by sources of funds and terms of providing capital. While the World Bank, which lends capital mainly in financial markets, lends somewhat more favorably than normal commercial conditions, which basically state that the lender must meet certain requirements, IDA, which gets its capital from other sources, provides interest-free loans to the poorest countries. The bulk of IDA funds come from three sources: 1) transfers from IBRD profits; 2) contributions of Member; 3)

contributions from richer IDA members, including several countries with have an average level of annual income per capita [4, p. 108].

The purpose of the International Development Association:  
providing long-term loans to the poorest developing countries;  
support economic development, improve living standards in the least developed member countries of the Association, including by providing the necessary funds to finance specific projects usefulness they are confirmed by experts of the International Bank for Reconstruction and Development;

Support to improve the efficiency of labor in the countries with the lowest per capita income [4, p. 108].

Ukraine became a member of the International Development Association in 2004 to fund IDA's contribution amounted to \$ 90 million. USA.

Introduction to International Development Association was reasonable economic attractiveness of loans through the IDA, to obtain interest-free long-term loans in the social, educational and municipal sectors. Such loans are considered appropriate for urban renewal and expansion of communications. Also of great interest loans represented modernization of energy networks that is appropriate for the more efficient use of energy resources. For this same purpose the effective use of loans went on for upgrading the municipal sector more modern and economical equipment.

Ukraine is also interested in upgrading water supply, sewage system, implementation of a new water treatment system that is reasonably durable, requiring replacement, and lack of quality of water by international standards and norms.

The Ministry of Education and Science of Ukraine was interested in obtaining loans from IDA to modernize equipment in Ukrainian schools, including the purchase of computers and repairing schools that are in disrepair. But due to the change of government in 2005 Ukraine's cooperation with the International Association suspended.

### **4.3. Cooperation with the International Finance Corporation**

International Finance Corporation (IFC) was established at the initiative of the United States in 1956 to encourage investment in the private equity industry in developing countries. The main goal of the organization was the promotion of the private sector in developing countries and economies in transition; assist in the management of enterprises involving both foreign capital and local investments; stimulating private capital inflows in the manufacturing sector [5, p. 174].

IFC - a member of the World Bank is legally and financially independent organization, as part of the specialized agency of the UN system. Accommodation of IFC - Washington (USA), Bureau - Frankfurt (Germany), London (UK), Paris (France), Tokyo (Japan).

Members of IFC January 1, 2017 are 184 countries. Membership involves IFC and World Bank membership.

Ukraine became a member of IFC in 1993, IFC has been involved in the program of privatization of small businesses and unfinished construction and land privatization programs and mass privatization. The first years of cooperation with Ukraine IFC was not very active.

In 2004 fiscal year, IFC significantly expanded its investment program in Ukraine having invested 87 million dollars. US agribusiness, financial sector and mainstream manufacturing industry. Projects invested IFC supported the expansion and modernization of Ukrainian companies, strengthen their corporate governance and create a significant number of new jobs, particularly for Ukrainian farmers.

In 2014, IFC has invested 3.2 billion dollars. USA in Ukraine, including 918 million in syndicated loans to 92 projects. The investment program in Ukraine is expanding, while focusing on investment opportunities in the manufacturing and services sector (38%), agribusiness (32%), finance (23%), transport equipment industry and infrastructure sectors (7%). In the financial sector, IFC focuses mainly

on leasing and financing of the construction and housing [3].

#### Cooperation with the European Bank for Reconstruction and Development

Agreement establishing the European Bank for Reconstruction and Development (EBRD) was signed on 29 May 1990, which entered into force on 28 March 1991. Agreement was supposed to close contacts of the Bank with the World Bank and the IMF. The first meeting of the Board of Governors of the EBRD held April 15, 1991

The founders of the EBRD were 40 states - all European countries (except Albania) and the United States, Canada, Mexico, Morocco, Egypt, Israel, Japan, New Zealand, Australia, South Korea, along with two institutional members - the European Economic Community (EEC) and the European investment bank (EIB). Successor to the USSR, Czechoslovakia and Yugoslavia subsequently became the CIS countries, the Czech Republic and Slovakia, Slovenia, Croatia and Macedonia. In connection with the unification of Germany GDR ceased membership in EBRD. Today there are 65 member countries of the EBRD, the European Union and the European Investment Bank. They are divided into groups of countries: Group A - EEC, Member States EEC; Group B - other European countries (including Israel); Group C - Central and Eastern Europe; Group D - non-European States (US and Japan).

The EBRD is an international financial institution with the highest credit rating (AAA). In the EBRD's headquarters (located in London) employs about 900 workers, bank offices - 592.

EBRD combines the following features:

1) intergovernmental organizations (EBRD members are independent states, in accordance with Chapter VIII of the Agreement, the EBRD has legal personality (full capacity and capability of the international organization), the EBRD has the right to conclude international agreements, bank employees and their families have diplomatic immunity and have civil, criminal and other liability, property and assets of the EBRD exempt from taxation, customs and other taxes and are immune

from inspection and search, requisition, confiscation, expropriation before the court decision is in force);

2) Investment Bank (ie EBRD guarantees placement of securities of companies in the case if other methods of financing are less acceptable, the EBRD is the general investor within the banking consortium or syndicated loans, in addition, he serves as a consultant and advisor in the preparation of investment projects; EBRD also conducts technical assistance for investment projects);

3) Commercial Bank (EBRD entitled to raise funds from international financial markets, followed by financial and credit financing and other commercial institutions, the EBRD is supposed status as a guarantor of investment projects and loans).

The work of the EBRD uses the following forms of business operations for public and private ownership:

loans for production development (in the private sector - 60% in the public sector - 40%);

financing and maintenance of investment projects (not more than 35% of the cost of the project);

to guarantee the placement of securities;

providing guarantees for borrowing on international financial markets;

Resource Allocation of special funds in accordance with the agreements.

EBRD finances projects dealer and does not issue guarantees for export credits and insurance is not engaged. The most important areas of fiscal policy, financial sector, energy, telecommunications, transport, agriculture, privatization, environment.

Ukraine joined the EBRD in August 1992 according to the Decree of the President of Ukraine "On Ukraine's membership in the European Bank for Reconstruction and Development" dated 14.07.92 number 379. Ukraine's share in the authorized capital of the EBRD is 0.6% (240.1 million euros) .

Following the last five years, Ukraine was one of the largest recipients of

EBRD funds. Anytime cooperation with Ukraine EBRD provided investment totaling 12.358 billion euros in 377 projects (as of January 1, 2017), 48% of which are aimed at the private sector. Of the 12.358 billion euros currently 8.908 billion are utilized. As of early 2017 there are 182 active projects totaling 4.382 billion euros. As part of the investment projects made investments in food, oil and gas industry, transport, telecommunications, finance, provide services in agriculture and municipal infrastructure. EBRD manages the Chernobyl fund "Shelter", established in December 1997 to assist Ukraine in the reconstruction of the sarcophagus, which should be environmentally safe system.

The volume of EBRD investments in Ukraine's economy in 2005 amounted to 530 million euros, twice as much as in 2004, in 2006 - 729 million euros. These were investments in transport, agriculture, banking, investment funds, energy and municipal infrastructure. EBRD stepped up their efforts to create a mechanism of direct lending to municipal enterprises in Ukraine and signed the first agreement on investments in the municipal sector without the government guarantee to improve water supply services in Odessa.

As for the results obtained in 2007, the volume of EBRD investments in the Ukrainian economy amounted to more than 843 million euros. 2007 was a record number of new operations - conducted 32 transactions. The amount of co-financing in the form of syndicated loans tripled compared to 2006 and amounted to an additional 321 million euros. Also increased the amount of funds actually provided by the EBRD loan, representing almost 500 million euros. Effective project management in Ukraine EBRD 30% increased the number of bankers in the Kiev office.

The main directions of EBRD investments in 2008 were industrial complex, the banking sector, municipal infrastructure and construction and reconstruction of roads and totaled approximately 835 million euros.

2009 was a record both in terms of volume of EBRD investments made in Ukraine, and given the number of new operations - conducted 42 transactions and the

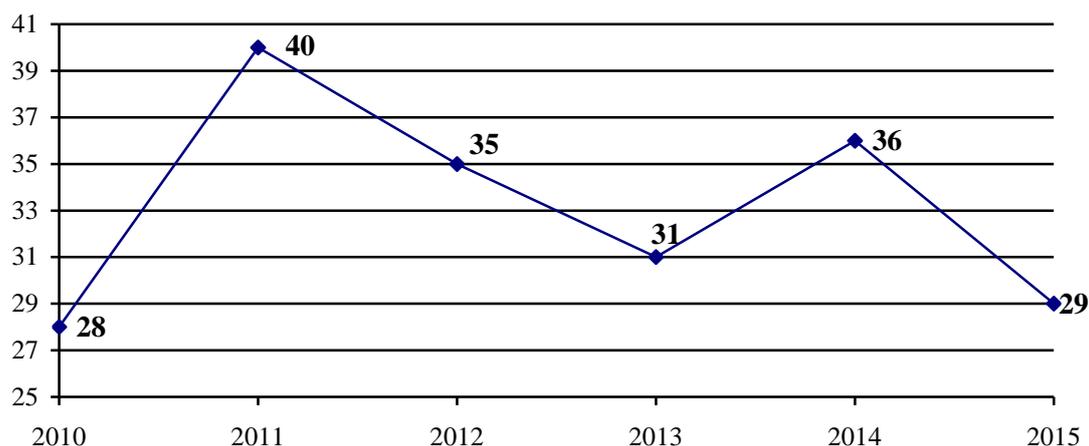
volume of EBRD investments in the Ukrainian economy amounted to more than 1.1 billion euros.

In 2010 the EBRD signed in Ukraine in total 32 projects totaling 964 million euros. One of the largest of these was the opening of investment projects under the state guarantee credit facility in the amount of 450 million euros for modernization purposes of highways leading to Kyiv. This includes areas as part of the M06 corridor that connects the capital of Ukraine with the EU.

Transactions EBRD in 2010 were mostly direct agreements with Ukrainian companies. For example, a loan of 50 million dollars. US issued one of the country's leading exporters and growers, "NIBULON" registered in Ukraine. The implementation of this agreement allowed the company to create storage and transportation of grain along the Dnieper, on which the cargo at the time committed.

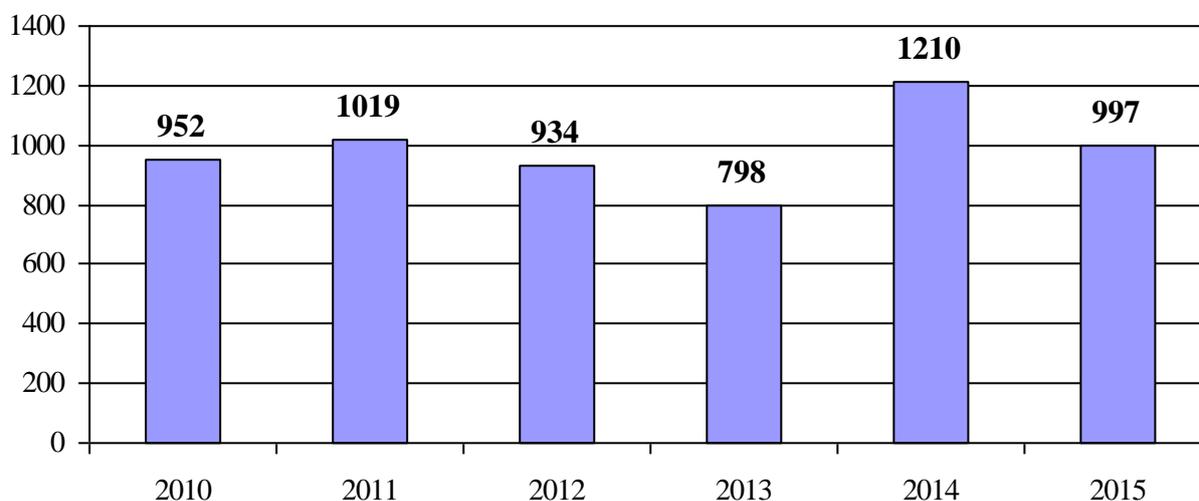
In 2012 the EBRD has allocated 934 million euros in the Ukrainian economy in 35 projects. The largest transaction bank in Ukraine in 2012 was 152 million euros in Dnipropetrovsk subway construction to complete.

A key tool for organizing cooperation between Ukraine and the EBRD is the strategy of the EBRD in Ukraine (for the period 2011 - 2014), approved by the Board of Directors of the Bank April 13, 2011 Strategy has been developed so as to help Ukraine in solving major key problems of the transition period, then, in particular, diversification of the production base and improve the overall competitiveness of the country, the development of local capital markets, continued reform of the energy sector and improving corporate governance and transparency.



*Fig. 4.2. The number of EBRD projects in Ukraine in 2010-2015.*

If we consider the areas of investment resources of the EBRD in Ukraine's economy at the current stage of cooperation of our country with this organization by sectors, we can see that the priorities are energy (33%, 1.425 billion euros), trade and agriculture (28%, 1.222 billion), infrastructure (28%, 1.217 billion euros), financial (12%, 0.518 billion euros) sectors.



*Fig. 4.3. Funding of EBRD in Ukraine in 2010-2015., Million euros*

It is advisable to consider the main areas of investment for which EBRD cooperated and continues to cooperate with Ukraine in recent years and to characterize some of its projects that are underway.

The first direction - is to support private sector development that takes place through credit lines and investment funds for private SMEs, as well as through

direct funding of joint ventures and local private companies.

When financing projects in the private sector bank usually does not require government guarantees, but then the price of the loan for such a project can be significantly increased given the commercial risks of the project.

The second direction can be identified as investments in energy and energy efficiency. Bank's intention in this industry is involved in projects of reconstruction of thermal power production capacity and improve the efficiency and environmental safety at power plants. The Bank intends to develop private financing schemes for electricity, improve the efficiency of gas transportation to invest in the rehabilitation of district heating networks and the creation of energy service companies [6].

The third important area of investment projects is the modernization and reform of major infrastructure industries. In the field of communication Bank supports projects and programs that extend the overall intensity of telecommunications. As for the transport sector, the most promising in terms of EBRD projects on modernization of airports, ports, air transport services and transport terminals. EBRD also considers important projects to reform and restructuring of enterprises of railway transport and urban transport.

The fourth priority investments of the EBRD in Ukraine are utilities.

When selecting projects for funding the EBRD is guided by three basic operating principles:

the project has a positive impact on the process of systemic transformation of the economy (where such criteria are analyzed: potential impacts of the project as creating efficient markets, strengthening institutional market, development of skills and standards of business conduct required for normal market economy);

the project must be self-sustaining and profitable (Bank worked hard process of assessing credit risks);

the project must comply with the principles of complementarity (EBRD should not displace their funding or other possible sources of funding, such as

private investors or banks) [6].

During the period of cooperation with the EBRD (1993-2015 years) in the public sector Ukraine took a loan for a project, which the state or under state guarantees, signed agreements totaling US \$ 674.94 million and 1.637 billion euros (under 25 projects), of which as at 08/21/2015 used 630.6 million euros and 849.53 million dollars.

Sectoral structure of credit portfolio of EBRD projects in the public sector includes such a way that 50% of the total portfolio of loans are spent to finance transport infrastructure projects, 39% to support projects in the energy sector in other financial (8%), communications (2 %) and the development of municipalities (1%).

Currently basis of Ukraine's cooperation with the EBRD is the strategy of the EBRD in Ukraine. The Bank plans to continue to support private sector development projects of municipal management and promote sector reforms in the transport, energy and housing.

The volume of investments will depend on government action to improve the investment climate in the country, steps in administrative, political and tax reforms and reforms of the judicial system in terms of harmonizing Ukrainian and European legislation.

#### Cooperation with the Black Sea Trade and Development Bank

Black Sea Trade and Development Bank (BSTDB) was established in 1998 based on the agreement in 1994 between the member states of the Black Sea Economic Cooperation, namely, Azerbaijan, Albania, Armenia, Bulgaria, Greece, Georgia, Moldova, Russia, Romania, Turkey and Ukraine. It is the financial part of the Black Sea Economic Cooperation (BSEC), headquartered in Thessaloniki (Greece). BSTDB members were joined by Serbia.

BSTDB enjoys all the privileges and immunities of international organizations. Due to the lengthy process of creating Black Sea Trade and Development Bank, it began its operational activities only 1 June 2000.

BSTDB was established to avoid difficulties implementing investment to facilitate the signing of the credit and financial agreements at governmental and non-governmental levels, and with a view to expanding mutual economic cooperation business, the implementation of individual projects and mutual interests.

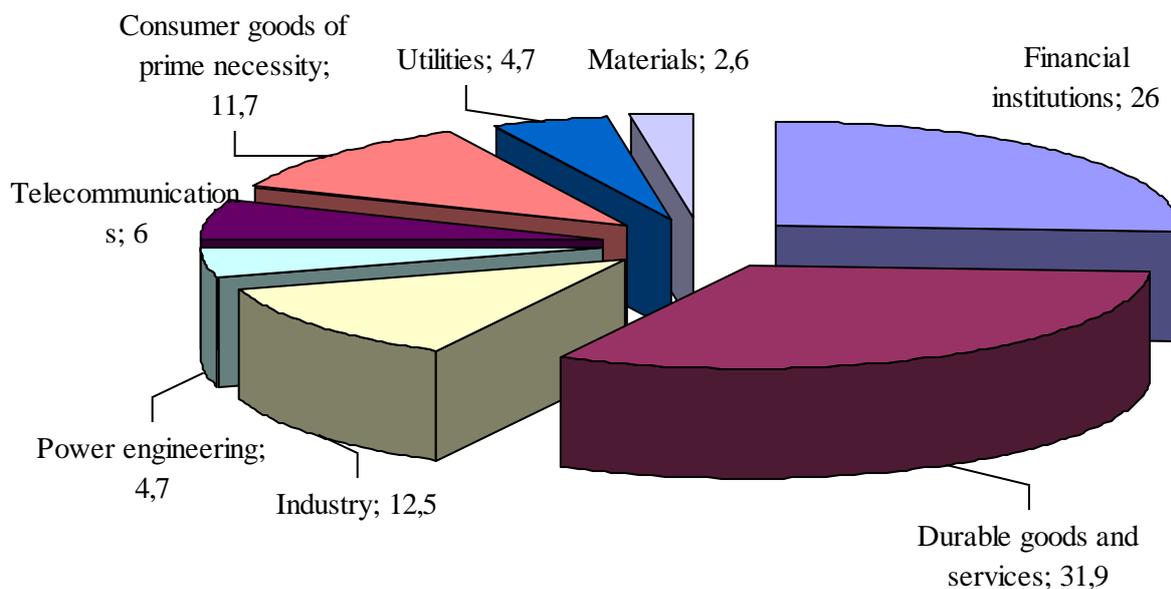
Ukraine joined the Treaty establishing by the BSTDB in June 1997 under the Law of Ukraine "On ratification of the Agreement Establishing the Black Sea Trade and Development Bank" dated 17.06.1997 number 348/97-VR.

Ukraine is one of the BSTDB shareholders, it owns 13.5% of the share capital and is represented in the bank (as vice president of operations).

December 23, 2011 BSTDB Ukraine supported the decision to switch to the euro as a single currency for bank accounts and internal reporting bank.

At the beginning of 2017 in Ukraine BSTDB portfolio consisted of 38 transactions involving investment to 547.8 million euros, of which 31 projects were sold totaling 463.6 million euros.

Ukraine ranks third after Russia and Turkey, approved by the Board of Directors of the Bank and such projects being implemented, with a share in the loan portfolio at 7.5% and 12.5% respectively. In Ukraine, the bank invests in industries such as consumer goods, financial institutions, industry, renewable energy, telecommunications (Fig. 4).



*Fig. 4.4. Distribution of BSTDB projects in Ukraine by sectors, %*

#### **4.4. Cooperation with the World Trade Organization**

The complete withdrawal of Ukraine on the world trade market as an equal partner made possible by its membership in the World Trade Organization (WTO). Participation in this international organization enables Ukraine to create more favorable conditions of access to world markets for goods and services based on the predictability and stability of trade relations with WTO member countries, including transparency of their foreign policy. Ukraine gained access to WTO dispute settlement mechanism that protects national interests and thus eliminate discrimination in the implementation of foreign trade; the possibility of implementing its current and strategic trade and economic interests through participation in multilateral trade negotiations in the formulation of new rules of international trade. Domestic consumers were more choices of goods and services and so on. However, there are specific issues for individual domestic industry for WTO membership.

In these processes plays an important role evaluation of the possible effects

of WTO membership for the country's economy and its individual sectors to develop preventive measures to prevent possible losses and avoid threats in foreign trade activity ..

From a legal standpoint WTO represents multilateral agreement signed by 164 countries, responsible for over 95% of the turnover of world trade in goods and services.

The process of Ukraine's accession to the GATT / WTO began December 17, 1993, when it was decided to establish a working group considering Ukraine's application to join the GATT / WTO. The most significant and important breakthrough in the negotiations was made during 2005-2007, when Ukraine gained the status of a market economy by the EU and the US was canceled Jackson-Vanik Amendment, completed negotiations with major WTO members.

February 5, 2008 President of Ukraine signed the protocol on Ukraine's accession to the WTO. 10 April 2008 Parliament ratified it and 16 May Ukraine became the 153 th member of the WTO official.

This means that the codes and conventions that emerged and developed in the framework of the WTO, is now determined by national rules and regulations regulating foreign economic activities, and in particular trade. Ukraine should follow existing in the organization the following basic principles:

of trade without discrimination. All actions should be aimed at promoting the most of trading for both national and foreign entities of any form of property;

doing business in free mode, which means the gradual reduction of trade barriers in the process of negotiations;

estimated export and import regimes, foreign companies, investors and governments want and need to be confident that trade barriers (including tariff and nontariff methods of regulation of foreign trade) will not grow and change arbitrarily and unexpectedly;

and a higher quality of competition [7].

It is assumed that WTO membership gives the country not only due to the

liberal economic benefits of foreign trade, reduce barriers, but also positively affects the social and political situation in the country improves employment and improve the welfare of individual citizens.

Thus, the benefits of free trade for consumers - a reduction in the cost of living. Since the decrease protectionist trade barriers, we are ready to cheaper imported goods and services, as well as domestic products, the production of which use imported components. Consumers will have access to a wider range of goods and services. Free trade will strengthen competition, forcing domestic producers to seek ways to improve the efficiency of business activities, provide high quality products, lower prices.

Free foreign trade, increasing the competitiveness of domestic producers will boost exports of domestic production, increase farmers' incomes, revenues from taxes to the state budget, but in the end it is again a positive impact on welfare.

The development of trade in the long run will increase employment in export sectors of the economy, although short-term job losses as a result of competition with foreign domestic producers almost inevitable. But the creation of new jobs will not only export-oriented enterprises, but also in companies involved in the import. With confidence we can say that imports and creates new jobs, necessary commercial firms that deal directly import products into the country, companies to realize imported products on the domestic market, companies engaged servicing of imported products more.

Non-discrimination, predictability and transparency of the economy attracted partners and increase trade, promote the optimization of companies and reducing costs, creating a favorable climate for trade and investment inflows into the country.

WTO supports the creation of an efficient economy and equal rights to trade on the basis of national interests while preserving healthy competition, balanced (sustainable) development. These circumstances are attracted to its ranks new members who see the WTO rather than a mechanism of economic globalization as

"right" corporate, mutually beneficial, but regulated, interactions under conditions of liberal world market [8].

Becoming a member of the WTO and participating in the new round of multilateral negotiations launched by the Ministerial Conference of the WTO in Doha (Qatar) Ukraine on an equal basis as any member of the organization will be able to use the provisions of the General Agreement agreements and WTO rules to protect their national economic interests , facilitating access of national products on the world market, resolving trade disputes more.

WTO - it's definitely progress in trade, but do not assume that the codes and conventions of this authoritative organization is perfect and acceptable to all, without exception, countries both developed and those that only have embarked on market reforms, or overcome deep social -economic crisis. With WTO, on the one hand, all the while solved a number of issues, and the other - in the relationship between all created new problems and contradictions. Moreover, the complexity and scale of problems occurring sometimes not inferior to those that have already been resolved in the past. For Ukraine's membership in the WTO constitute a waiver of state subsidies to industry and agriculture, reducing the number and size of customs import restrictions. Today, in terms of socio-economic crisis that exists in Ukraine, observance of these conditions can be fatal. That is, the WTO - it is not only the "pros" but also "minuses" for certain countries.

For example, the liberalization of the agricultural market is obvious removing stress on risky areas of agriculture and large-scale release of land. The positive in this is that these lands vidnovlyuvatymutsya natural ecosystems, but on the other - are apparent loss of biodiversity associated with conventional agriculture. There intensification of agricultural production in developed regions, where the share will be reduced and semi-natural ecosystems.

The WTO Agreement on Agriculture, which regulates trade in agricultural food production and the use of mechanisms of state regulation measures may, in the case of accession to the WTO, lead to the expansion of arable land conducive to

agricultural production regions and to release it in the area of risk farming. Implementation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures regulating the procedures for sanitary and phytosanitary control, may change the structure of exports of agricultural products, as is happening in Ukraine.

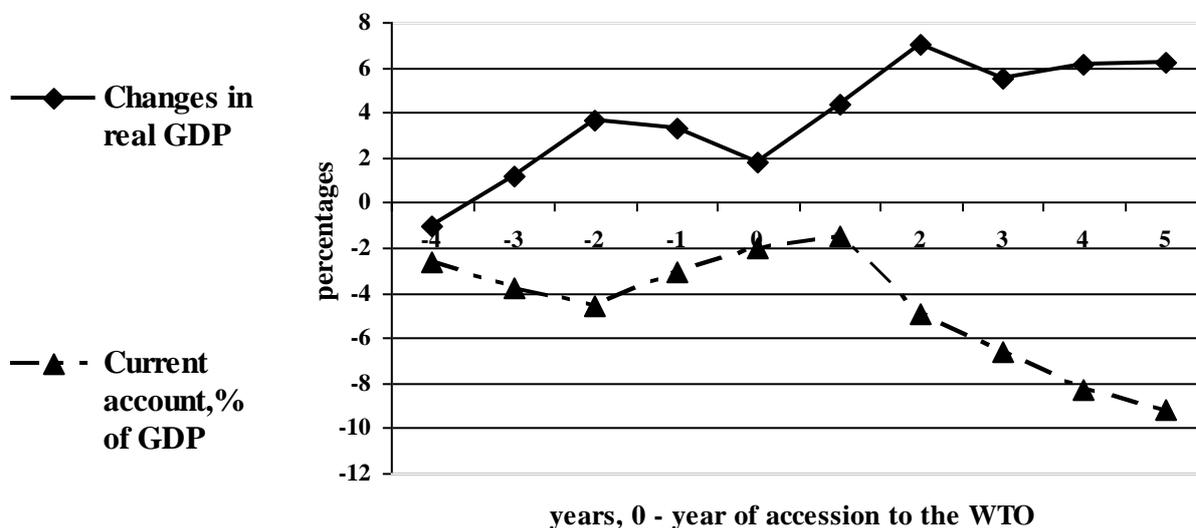
Where entered WTO requirements, for example the alignment of energy prices in the domestic market compared to prevailing international prices, a sharp decline in national agricultural production subsidies, the consequences can be dramatic. Increased unemployment, poverty and quality of life in rural areas - as a result of opening the market to more competitive imported agricultural products. This leads to increased poaching, including "Rural" growing pressures on biological resources of the local population, the expansion of conflicts in the creation of new protected natural areas.

During the preparatory process of Ukraine's accession to the WTO were conducted numerous studies on the benefits to shortcomings accession. Although since joining has been more than eight years, the results of research remain current. The Ministry of Economic Development and Trade of Ukraine forecasted increase in exports of 1 billion. Dollars. USA, and under favorable conditions, to 1.5 billion. Dollars. US, increasing foreign direct investment in the first and second years after accession 1.5-2 times GDP growth by 1.5-2 percentage points due to the above factors and others. [9]

To determine the possible results of Ukraine's membership in the WTO, we have analyzed the dynamics of economic indicators in Eastern Europe - new WTO members such as Poland, Bulgaria, Latvia, Estonia, Lithuania. The choice of countries was based on the history of Ukraine close to economic development. Data for these countries are presented in Table. 3. Given that the country joined the WTO in different years, the table contains the relative periods. According to "zero" year adopted a year of joining the WTO.

Analyzing the practice of accession of new countries to the WTO, including

Ukraine, it is appropriate to note that the entry was characterized by an acceleration in economic growth, while worsening current account (Fig. 4.5). Moreover, the effect of these indicators come with relatively short lag - 1-2 years.



**Fig. 4.5. GDP and account of current operations of the new member-countries of the WTO**

At the same time it should be noted that the countries which carried out this analysis, marked by moderate GDP growth until joining the WTO (no more than 6% per year).

GDP growth in Ukraine to 2008 were significantly higher (Table. 4.3), so no additional economic growth for Ukraine has a clearly defined character. In addition, in 2009 in Ukraine there was a significant decline in GDP, but this was due largely to the global economic crisis (Fig. 4.6).

At the same time there is a significant deterioration in the balance of goods and services through reduced exports, rising investment imports, the loss of domestic producers of the internal market through facilitating access to markets for Ukraine imported goods and services.

That is, it is possible to say that previous predictions and estimates of the Ministry of Economic Development and Trade of Ukraine did not materialize.

Taking into account inflation, WTO accession has not led to a change in trend towards a slowdown that started in the new EU member WTO well before the accession to the WTO. As for Ukraine, since 2009 (the second year of WTO membership) there was a sharp decline in inflation (Fig. 4.8).

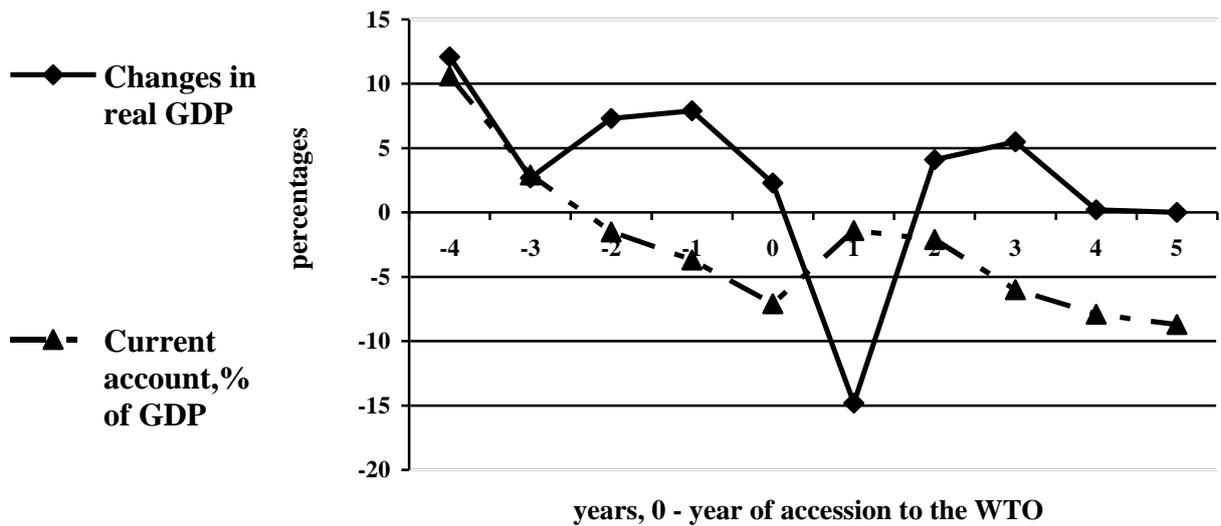


Fig. 4.6. GDP and current account of Ukraine

Table 4.3

**INFLUENCE OF ACCESSION TO WTO ON INDIVIDUAL ECONOMIC INDICATORS**

	<----- years before accession				year of accession to the WTO	years after accession ----->					Average for 4 years		
	-4	-3	-2	-1	0	1	2	3	4	5	before accession	after accession	Changes
<b>Real GDP,% to the last year</b>													
Poland (1.07.95)	-7	2	4,3	5,2	6,8	6	6,8	4,8	4,1	4	1,1	5,4	4,3
Bulgaria (01.12.96)	-8,4	-11,6	-3,7	-1,6	-8	-5,6	4	2,3	5,4	4,1	-6,3	1,5	7,9
Latvia (10.02.99)	-0,9	3,8	8,3	4,7	3,3	6,9	8	6,4	7,5	8,5	4,0	7,2	3,2
Estonia (13.11.99)	4,5	4,4	11,1	4,4	0,3	7,9	6,5	7,2	6,7	7,8	6,1	7,1	1,0
Lithuania (31.05.01)	7	7,3	-1,7	3,9	6,4	6,8	9,7	6,7	6,8	6,5	4,1	7,5	3,4
<i>Average value</i>	-1,0	1,2	3,7	3,3	1,8	4,4	7,0	5,5	6,1	6,2	1,8	5,7	3,9
Ukraine (16.05.08)	2,1	2,7	7,3	7,6	2,3	-14,8	4,1	5,5	0,2	0,0	7,5	-1,3	-8,8
<b>Current account,% of GDP</b>													
Poland (1.07.95)	-0,4	1	-1,3	5,4	0,6	-2,1	-3,7	-4,1	-7,6	-6	1,2	-4,4	-5,6
Bulgaria (01.12.96)	-0,2	-5,8	5,2	2,7	7,3	10,1	-0,5	-5	-5,6	-7,3	0,5	-0,3	-0,7
Latvia (10.02.99)	-0,3	-3,8	-4,7	-9	-9	-4,6	-7,6	-6,7	-8,2	-12,3	-4,5	-6,8	-2,3
Estonia (13.11.99)	-4,2	-8,6	-11,4	-8,7	-4,4	-5,5	-5,6	-10,2	-12,1	-12,7	-8,2	-8,4	-0,1
Lithuania (31.05.01)	-7,9	-11,7	-11	-5,9	-4,7	-5,2	-7	-7,1	-8,1	-7,9	-9,1	-6,9	2,3
<i>Average value</i>	-2,6	-3,8	-4,6	-3,1	-2,0	-1,5	-4,9	-6,6	-8,3	-9,2	-4,0	-5,3	-1,3
Ukraine (16.05.08)	10,6	2,9	-1,5	-3,7	-7,1	-1,4	-2,1	-6,0	-7,9	-8,7	2,1	-4,4	-6,5

<b>Inflation, annual change, %</b>													
Poland (1.07.95)	70,3	43	35,3	32,2	27,9	19,9	14,9	11,8	7,3	10,1	45,2	13,5	-31,7
Bulgaria (01.12.96)	82	72,8	96	62,1	123	1061,2	18,8	2,6	10,4	7,5	78,2	273,3	195,0
Latvia (10.02.99)	25,2	17,6	8,4	4,6	2,4	2,6	2,5	1,9	2,9	6,3	14,0	2,5	-11,5
Estonia (13.11.99)	29	23,1	11,2	8,2	3,3	4	5,8	3,6	1,3	3	17,9	3,7	-14,2
Lithuania (31.05.01)	8,8	5,1	0,7	1	1,3	0,3	-1,2	1,2	2,7	2,5	3,9	0,8	-3,2
<i>Average value</i>	<i>33,3</i>	<i>22,2</i>	<i>13,9</i>	<i>11,5</i>	<i>8,7</i>	<i>6,7</i>	<i>5,5</i>	<i>4,6</i>	<i>3,6</i>	<i>5,5</i>	<i>20,2</i>	<i>5,1</i>	<i>-15,1</i>
Ukraine (16.05.08)	12,3	10,3	11,6	16,6	22,3	12,3	9,1	4,6	-0,2	0,5	12,7	6,5	-6,2
<b>Direct foreign investments on a 1 man, doll. The USA</b>													
Poland (1.07.95)	9	18	45	49	95	116	127	165	188	242	30,0	149,0	119,0
Bulgaria (01.12.96)	5	5	13	11	13	62	66	102	125	102	8,5	88,8	80,3
Latvia (10.02.99)	72	155	214	148	145	174	56	108	129	279	147,3	116,8	-30,5
Estonia (13.11.99)	140	106	190	418	221	283	400	211	664	694	213,3	389,5	176,3
Lithuania (31.05.01)	99	261	138	108	128	211	52	225	0	0	151,5	162,7	11,2
<i>Average value</i>	<i>64,6</i>	<i>109,0</i>	<i>120,0</i>	<i>146,8</i>	<i>120,4</i>	<i>169,2</i>	<i>140,2</i>	<i>162,2</i>	<i>276,5</i>	<i>329,3</i>	<i>110,1</i>	<i>187,0</i>	<i>76,9</i>
Ukraine (16.05.08)	36	166	120	213	236	105	142	157	163	130	134	139	-5

\* *The fall in inflation in Bulgaria since 1998 has been linked to the introduction of the currency board regime since July 1, 1997*

- *calculated by the author on the basis of data: GDP, current account, inflation - IMF, World Economic Outlook Database, September 2005; FDI - UNCTAD.*

*For Ukraine - National Bank of Ukraine [NBU, 2004-2013]; State Statistics Service of Ukraine [Ukrstat, 2004 – 2013].*

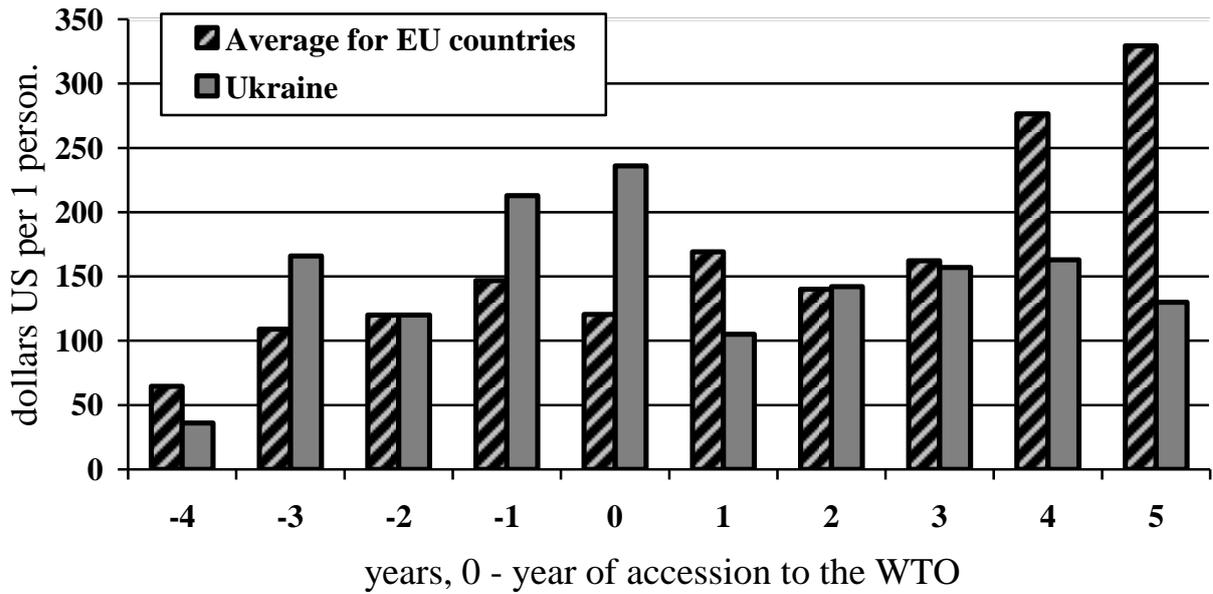


Fig. 4.7. FDI, \$ USA per 1 person.

But to say that the decline of inflation in Ukraine was identified accession to the WTO is not true. Inflation increasingly determined by the development of production, placing money supply, prices for imported energy and more.

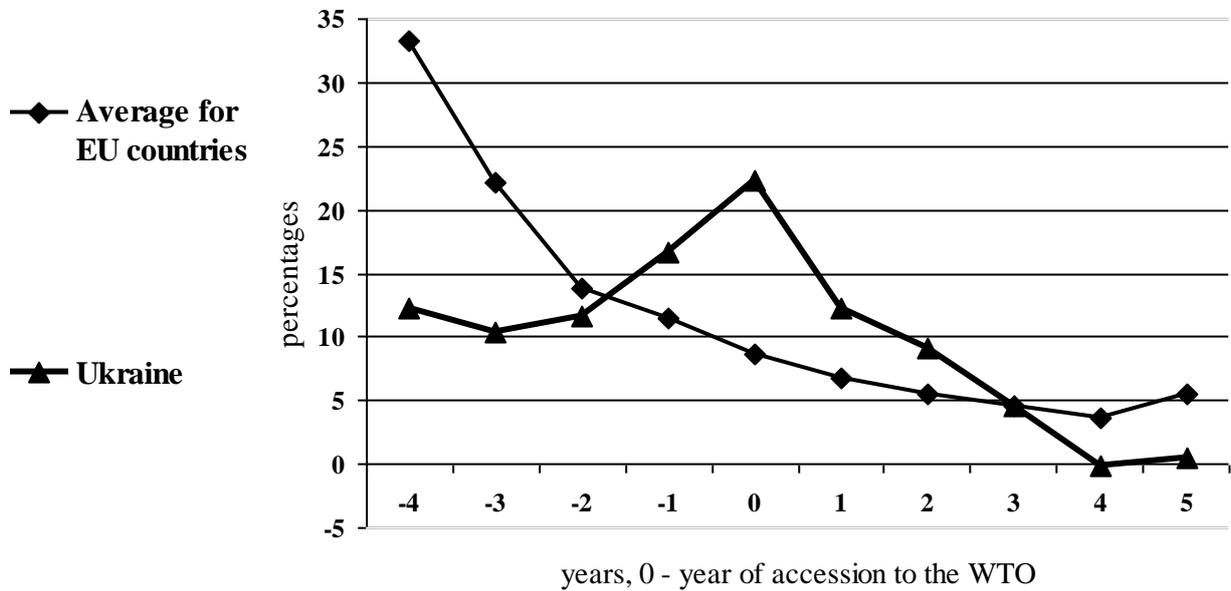


Fig. 4.8. Inflation, annual change

To avoid damage and benefit from the application of the regime of the WTO is required to have a perfect system to protect the interests of domestic producers in foreign trade.

To do this methodological point of view it is necessary to determine a number of engineering calculation of specific indicators. Among them - the level of external protection or compensation payments related to the world market price, the aggregate measure of support, the release rate basis for producers from liability reduction, the threat of causing serious harm, the relationship between loss and gain for the budget and commodity index specific safeguards.

To better protect the interests of producers on domestic and foreign markets provided the use of the WTO regime is required to implement a mechanism that provides for both protectionism and liberalization. And the first and the second term is to improve protection of the interests of its own producers, if the measures are consistent with international practice. This damage will not influence either domestic or foreign partners.

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**CHAPTER 5 IMPLICATION OF THE NATIONAL EXPERIENCE  
ADVANTAGES OF SOCIAL RESOURCES OF THE ECONOMIC  
DEVELOPMENT USAGE TO THE GLOBAL WORLD**

**5.1. Internally displaced persons (IDPs) in Ukraine as a source for the  
economic development of the country**

The attitude of the international community to the current events in Ukraine related to the military conflict in eastern Ukraine is quite ambiguous and contradictory. On the one hand, any military action is dangerous and many efforts are made to terminate military confrontation peacefully and prevent the possibility of spreading risks and dangers to other areas and countries. On the other hand, the negative consequences of any military conflict have a direct injurious effect on the nearby settled countries through increasing the number of refugees in their areas of residence. Over the last five years the growth in the number of forced relocation of people in most parts of the world can be seen. Thus, the annual report of the United Nations High Commissioner for Refugees<sup>1</sup> (UNHCR) on the occasion of the International Refugee Day - June 20, 2016, states that in late 2015 there were around 65.3 million internally displaced people in the world, and only during one year their number increased by 6 million people<sup>2</sup>.

Of the total number of refugees, there were 40.8 million displaced internal migrants who remain within their states. Refugees who left the boundaries of their countries, there were 21.3 million people. In industrialized countries, 3.2 million people. awaiting decisions on asylum petition.

The report "Global Trends" states that more than half of refugees in the world that are run by UNHCR, comes from three countries: Syria (4.9 million), Afghanistan (2.7 million) and Somalia (1.1 million). Ukraine as of 31.12.2016. By

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<sup>1</sup> UNHCR Report "Global Trends" [Electronic resource]. - Access mode: <http://www.unhcr.org/5748413a2d9>

<sup>2</sup> UN: in 2015 the number of internally displaced persons in the world reached a record level [Electronic resource]. - Access mode: [http://unhcr.ru/index.php?id=10&tx\\_ttnews\[tt\\_news\]=584&cHash=2866954b240cec0c2dcdb5752a97130ehttp://unhcr.ru/index.php?Id=10&tx\\_ttnews\[tt\\_news\]=584&cHash=2866954b240cec0c2dcdb5752a9713](http://unhcr.ru/index.php?id=10&tx_ttnews[tt_news]=584&cHash=2866954b240cec0c2dcdb5752a97130ehttp://unhcr.ru/index.php?Id=10&tx_ttnews[tt_news]=584&cHash=2866954b240cec0c2dcdb5752a9713)

the number of IDPs was on the 8th place among countries with the largest number of them (Table 5.1).

*Table 5.1*

***Countries with the highest number of internally displaced persons  
(As of 12.31.2015.)***

Place	Country	Number of IDPs
1	Syria	6 600 000
2	Columbia	6 270 436
3	Iraq	3 290 310
4	Sudan	3 182 286
5	Yemen	2 509 068
6	Nigeria	2 095 812
7	South Sudan	1 696 962
<b>8</b>	<b>Ukraine</b>	<b>1 678 587</b>
9	Democratic Republic of Congo	1 500 000
10	Pakistan	1 459 000

The broad scope of internally displaced persons led to the development of the common approaches to the regulation of these processes. In this regard, the 1998 Guidelines were adopted on the issue of person's movement within the state<sup>3</sup> (hereinafter - Guidelines), which provided the definition of internally displaced persons, review of the broad array of existing international instruments for the protection of fundamental rights and description of State responsibility. Although the recommendation is not binding for the states, they are the minimum standards for working with internally displaced people and are used the increasing the number of states and institutions.

The guidelines are based on the international law, especially such as the International Covenant on Civil and Political Rights, the International Covenant on

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<sup>3</sup> Rukovodyaschye Principles On the issue of intra country SHIFT persons [electronic resource]. - Access: [http://www.un.org.ru/documents/decl\\_conv/conventions/internal\\_displacement\\_principles.shtml](http://www.un.org.ru/documents/decl_conv/conventions/internal_displacement_principles.shtml)

Economic, Social and Cultural Rights, the Convention on the Status of Refugees. They detail the provisions of these acts that meet the specific needs of IDPs, and explain how they must be used under conditions of involuntary internal displacement.

In Ukraine, the implementation of the Guidelines on Internal Displacement in Ukraine started in 2014. Currently, by the number of IDPs Ukraine ranks first in Europe. In Ukraine, as of October 17, 2016 have been registered 1,681,725 internally displaced people, or 1,360,898 families of Donbass and the Crimea<sup>4</sup>. The number of immigrants Ukraine ranks first in Europe and is included in the list of countries - the leaders of the world.

Trends accommodate IDPs in Ukraine coincide with the world: a large part of the IDPs selects the regions close to the previous location, which may indicate to return to the abandoned settlements. According to the Ministry of Social Policy, most IDPs were registered in the Donetsk, Luhansk and Kharkiv regions, m. Kyiv, Zaporizhia, Dnipropetrovsk and Kyiv regions. The magnitude of the problem of internally displaced persons and Ukraine's aspirations to act in accordance with best international standards led to the development and adoption of legal principles to protect the rights and freedoms of internally displaced persons in the present. regulatory framework to protect the rights and freedoms of IDPs and the population of the occupied territories are already quite advanced.

Basic regulations in this area is the Law of Ukraine "On the rights and freedoms of internally displaced persons"<sup>5</sup> and the National Strategy for Human Rights, which was approved by Presidential Decree Ukraine from 25.08.2015 g. №

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<sup>4</sup> Posted 1681725 immigrants [Electronic resource] / Ministry of social policy of Ukraine. – Mode of access: <http://msp.gov.ua/news/11055.html>

<sup>5</sup> The law of Ukraine "On ensuring rights and freedoms of internally displaced persons" [Electronic resource]. – Mode of access: <http://zakon5.rada.gov.ua/laws/show/1706-18/page>

501/2015<sup>6</sup>. One should also note the Cabinet of Ministers № 1074-VIII from 31.03.2016, approving Recommendations of parliamentary hearings on "the State of rights of internally displaced persons and citizens of Ukraine residing on the temporarily occupied territory of Ukraine and on the temporarily uncontrolled territories in a zone of carrying out anti-terrorist operation" . But the last two papers, in spite of its fundamental importance for the solution of problems of higher vocational education should be primarily orienting framework nature and require a further translation to the format of existing regulatory documents and programs.

As for the organization of practical activities for the protection of rights, education and solutions to their problems, then here a guideline is a Comprehensive state program of supporting the social adaptation and reintegration of Ukrainian citizens who resettled from the temporarily occupied territory of Ukraine and districts The implementation of the Guiding principles on displacement in Ukraine started in 2014.

The most significant benefits in improving control processes internally displaced persons is the creation in April 2016 of the Ministry of the temporarily occupied territories and internally displaced persons in Ukraine.

As defined in the Statute on the Ministry approved by Resolution of CMU dated from 08.06.2016, № 376, with the ultimate goal of public policy is the reintegration of this territory and its population in a single constitutional space of Ukraine.

The Ministry of the temporarily occupied territories and internally displaced people prepared the Concept of State target restoration and development of peace in the Eastern regions of Ukraine program in order to concentrate financial,

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<sup>6</sup> The national Strategy in the field of human rights [Electronic resource]. – Mode of access: <http://zakon2.rada.gov.ua/laws/show/501/2015>

intellectual and human resources on activities to overcome the consequences of armed conflict <sup>7</sup>.

The concept, approved on August, 31, 2016 at the meeting of the Ukrainian Government, involves actions in three directions: 1) infrastructure and social services; 2) economic recovery; 3) social sustainability, the development of peace and public security.

These days, the Ministry of temporarily occupied territories and internally moved people of Ukraine is developing a draft of state target program of restoration and developing of the peace in the Eastern regions of Ukraine. The opportunity of restoration and development of the victims of armed conflict territories of Donetsk and Lugansk regions, the solution of complex social problems, improve the level of safety and safeguards of life, peace and social cohesion will be provided in its approval and implementation.

Thus, Ukraine being in the difficult conditions of military aggression creates consistently and constructively public policies aimed at the establishment of a national legal framework for addressing domestic problems and it has taken into account the best world achievements in this field. At the same time Ukraine has certain positive features in the development process, the international practice should be taken into account as an example to follow and spread.

It is primarily the uniqueness of the development of the volunteer advancement in Ukraine, and attracting and making use of internally displaced people as a resource of development of territorial communities and country.

The issue of consideration of internally displaced people from the East of Ukraine as a resource for the development of the country, regions and territorial communities is not almost being developed and is illustrated very little in the

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<sup>7</sup> 1 the Cabinet of Ministers of Ukraine supported the Concept of the State target program "Restoration and development of peace in the Eastern regions of Ukraine" [Electronic resource]. – Mode of access: <http://mtot.gov.ua/kabinet-ministriv-ukrayiny-pidtrymav-kontseptsiyu-derzhavnoyi-tsilovoyi-programy-vidnovlennya-ta-rozbudova-myru-u-shidnyh-regionah-ukrayiny/>.

international and national information space. The publication of the common monograph "Internally displaced people: from obstacles to strategies for success" (2016)<sup>8</sup> became the scientific and practical breakthrough in this direction, the authors of which were scientists-immigrants from the city of Donetsk. They are based on the statistical and sociological data, on the results of international and national monitoring studies justify that internally displaced people are large potential for the development of society and regions of resettlement and host communities.

The most active and educated part of the population left the area of temporary occupation. According to the State employment service, the distribution of high professional education (HPE) in education differs from the distribution among the total number of unemployed and is as follows: people with higher education constitute more than 64%, vocational – 22%, with primary and secondary – 14%. At the same time among all the unemployed the share of people with higher education is 44%, with vocational technical training – 35%, with an average is over 20%. The differential is that the proportion of immigrants with higher education is predominant in all regions. Professional structure of the unemployed from the HPE is as follows: more than 57% are experts, professionals, employees, the one third – people with a professional occupation, almost 11% of people are without professional education<sup>9</sup>. Thus, the working-age contingent of HPE is characterized by high educational and professional qualification levels, and the unemployed from among the HPE apply for technology jobs, and positions of professionals that do not always meet the demands of the labour market in the moving territories. More

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<sup>8</sup> Internally displaced persons: from overcoming barriers to success strategies: monograph / O. F. Novikova, I. A. Amose, V. P. Antoniuk, etc.; national Academy of Sciences of Ukraine, Institute of economy of industry. – Kyiv, 2016. – 448 p

<sup>9</sup> For the provision of services by an employment service for internally displaced persons for the period 1 March 2014 to 31 May 2016. [Electronic resource]. – Mode of access: <http://www.dcz.gov.ua/statdatacatalog/document?id=351058>

strained issues occur in the restructuring of Ukraine's economy, which will contribute to the solution of the problem of unemployment, and according to HPE too.

Data about HPE for 2014-2015<sup>10</sup> show that they are younger, the average age of displaced people is almost 10 years less than the population one, and is approximately 33.2 years. At the same time as on 01.01.2015, the average age of residents in general in Ukraine is approximately 42.2.

A significant share of HPEs of working age with high educational and qualification level moved together with the resettlement of educational, medical, financial and banking, managing organizations and institutions, enterprises of small and medium businesses, which positively influenced on the development of host local communities and reduced tensions on the labour market. This effect is primarily associated with the increase in the level of development of human and labour potential of the society, formation and possibilities of realization of entrepreneurial potential, provision of conditions for the development or recovery of small and medium businesses, which promotes the growth of investment resources for the development of society, the expansion of domestic demand as one of the basic factors of economic development.

Realization of human, labor and intellectual potential of professional education in the regions of their permanent placement provides for the community the expansion of the access to a larger volume and a higher level of educational, medical, health, administrative, legal and other services.

If at the beginning of the resettlement, education was focused mainly on the implementation of paternalistic way of solving the problems of life support, after the expiry of two years referred to the identification of opportunities and

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<sup>10</sup> <sup>10</sup>The national system of monitoring the situation inside-SNO displaced. Round 1 [Electronic resource]. – Mode of access: [http://www.iom.org.ua/sites/default/files/iom\\_nms\\_r1\\_ukr.pdf](http://www.iom.org.ua/sites/default/files/iom_nms_r1_ukr.pdf). National system of monitoring of the situation of internally displaced persons. Round 2 [Electronic resource]. – Mode of access: [http://www.iom.org.ua/sites/default/files/iom\\_nms\\_r2\\_ua-v.pdf](http://www.iom.org.ua/sites/default/files/iom_nms_r2_ua-v.pdf).

implementation resources professional education in the development of territorial communities provided the integration of immigrants in their structure. Firstly, it is the mobilization and use of labour, human, entrepreneurial and social potential inherent in professional education.

Depending on the age, educational, professional and qualification characteristics, level of activity of able-bodied of professional education differs as for spheres of influence on the development of society.

Hard-working contingent of migrants has a great impact on economic processes in the region and the areas of resettlement, which affects the state of social and labour relations, the labour market, the levels and quality of life. The implementation of human and labor potential, education, mobilization of entrepreneurial, social and other resources at the same time is accompanied by the growth of volumes in the structure of the community. It is this contingent of immigrants that may facilitate the formation of a system of counteracting social exclusion, to promote tolerance and social relations in the community, the reproduction of social and labor activity, increase of level of social adaptation of migrants and their integration into the community. The main sphere of influence of contingent outside the employment activity is associated with the social protection system, social infrastructure development and creation of conditions for social integration.

Today there are all reasons to talk about the positive effects of professional education on the life of territories of resettlement and host communities that are objectively connected with the processes of adaptation and integration of immigrants to new conditions of social environment. First, it creates additional opportunities for the development or expansion of infrastructure and social spheres of society, the labour market development to provide additional employment, the accumulation of human and social relations between internally displaced people, and among university and community members. The development of social

relations is accompanied by a convergence of interests of migrants and members of local communities.

Functional and hard-working contingent of professional education is crucial in the implementation of integration processes, it provides the effective cooperation of co-existence and possible use of the potential HPEs in the development of local communities. Negative consequences associated with high levels of unemployment or employment that is not similar to the educational and professional level, at the same time, within the community itself create additional competition, which is accompanied by tension in the labor market. The lack of jobs, adequate level of education and qualifications are accompanied by a decrease in the labour activity and employment.

Example of positive impact is the empowerment of formation and development of labor potential of the society, provision of employment for members of the community in the development of social and transport infrastructure, promoting entrepreneurship, which are accompanied by empowerment for functioning of small and medium business, growth conditions for the professional mobility as members of society and displaced people, development of social partnership etc.

In General, the specific characteristics of contemporary migrants in Ukraine are in their active life position in relation to a decent life, high motivation to work, fast adaptation to new conditions, ability to earn income due to the high efficiency and professionalism.

Decentralized management requires the formation of capable territorial communities. This process is extremely slow and inefficient. And the involvement of the HPEs into these purposes does not occur, despite the significant advantages of using their potential. First of all, these levers are not sanctioned by any legislation of a territorial community, or in the method of formation of capable territorial communities. Common interests of territorial communities and the HPEs living is the key to their effective integration to mutually beneficial terms.

Thus, the evidence base of the benefits of the potential of education as a resource is their high educational potential in general and unemployed, in particular, and younger age characteristics. Among the displaced people of Donbas are scientists, teachers, entrepreneurs etc. The banking sector and its workers at the same time have become completely displaced.

Depending on the characteristics of the HPE their interaction and influence on the development of territorial communities and, therefore, a targeted response to their needs occur.

The research on the impact of internally displaced people on the development of territorial communities carried out in Ukraine has identified typical areas of successful interaction, which can be used in other countries with similar problems.

These directions take into account the recommendations of the UNO Guidelines and include the following: ensuring availability of professional education to micro-credit programs for the development or expansion of small and medium business; provision of financing of state programs on social protection, education; formation of a system of multi-channel financial support of integration of higher territorial communities; development of affordable mortgage lending; tax incentives for business entities that employ professional education; development or expansion of the capacity of the social infrastructure of society; ensuring the availability of land, material and technical resources for professional education for entrepreneurial activities; creating a favorable legal basis for the re-registration of small businesses within the boundaries of territorial communities; providing education, voting rights, implementation of the principles of democracy; the inclusion of HPE in the solution of problems related to the implementation of human rights education; raising the professional level, awareness of public and officials in terms of legislation and programs on the institution for their effective implementation and so forth.

The identification of strategic directions of creation of conditions and opportunities for successful collaboration of internally displaced people and

territorial communities requires their further successful implementation. While using and implementing mechanisms for the implementation of these areas the expected results are achieved when HPE becomes a resource of development of territorial communities and the country as a whole.

Mechanisms for the implementation of certain key directions include the following implementation: guaranteeing employment, education, non-discriminatory access to jobs that meet the professional educational level of professional education, for their integration in the territorial community; the creation of conditions for employment of professional education using information and communication and internet technologies; creating conditions for professional training and retraining of professional education; compensation of state expenses of employers on wage while retraining and advanced training for higher vocational education; the development of measures for collecting and collating data on needs and qualification, professional education, monitoring of employment, extension of benefits for employers who take professional education; providing professional education with the social internet for remote training for new occupations and employment opportunities at the national and global labour markets as professionals working with information in a remote way; creation of preferential conditions for implementation of entrepreneurial activity of higher professional education, using innovative and entrepreneurial potential of HPEs; the necessary amendments of the required changes to the law of Ukraine "On concessions" to enable the use of innovative and entrepreneurial capacity of the VPO in the development of territorial communities and the like.

Without changing the system of social relations, the strengthening of democratic governance, civil society development, distribution, social and informational innovation processes of the effective use of HPE as a resource of the development of the country will slow the development strategy of the country's economy. This proposes a number of measures that ensure their implementation. It is the intensification and systematization of work with international donors for the

deployment of infrastructure projects; the creation of public organizations public-private consortium for professional education; creating and maintaining the unified state register of national and international projects to help HPEs; organization of recruitment, professional education for work in local authorities and agencies of local self-government in the Donbas, in particular in the perspective – the liberated temporarily occupied territories; the use of the potential HPE and ensuring their participation in management, in political life, programs of development of companies, entrepreneurship, participation in the initiative groups of local communities; ensuring the inclusion in the composition of the Council of national unity and community representatives from among the HPEs; the formation of the Bank's social initiatives for inclusion of HPE into the life of the community, the Bank cases with technologies of the implementation of social projects, creation of social enterprises; creation of Internet sites to disseminate information about opportunities and implemented practices of integration of HPEs in the local community.

So, internally displaced people in Ukraine are a significant resource for economic development of the country. They are active, enterprising, interested and willing to join in constructive interaction with local communities, authorities, to be a member of the reconstruction and development of peace in the East of Ukraine, and, what is more important, to make Ukraine successful and prosperous.

## **5.2. The implication of the innovative volunteering experience of Ukraine in the world practice**

Volunteerism in Ukraine has its own personal history of establishment and development, but has certain advantages and features on global scale. Flash volunteer activity that has engulfed the whole country took place in late 2013 after the Revolution of dignity and forcefully turned in 2014 due to the military conflict in Donbas. There was a problem mobilizing internal resources of the country and

its regions to ensure self-protection and security to attract social capital citizenship. Volunteerism is a manifestation of such mobilization, constructive self-active population, aimed at solving the problems of armed conflict and its consequences. Localization volunteer assistance fueled an urgent need saving lives of the occupied territories, support Ukrainian army soldiers, help internally displaced persons from the conflict zone, as well as the relocation of the city. Resource mobilization of civil society in Ukraine was implemented because of volunteerism in connection with the external threat of losing territorial integrity of the Ukraine as a country . This factor is not typical for volunteering in other countries. This Ukrainian specifics unique experience of volunteering in armed aggression. Given the presence of many of the world's "hot spots", this specific experience could be a positive contribution to Ukraine in the global processes of volunteering.

The governments of over 80 countries, which includes most developed country in the world recognized and contribute to development in their countries national volunteer movement, seeing it as a valid tool of global society because volunteering is global.

The "Guidelines to support volunteering" adopted by the UN General Assembly, the term "volunteering" refers to "a wide range of activities, including traditional forms of mutual aid and self-help, formal service delivery and other forms of civic participation, undertaken voluntarily for the common public good and where monetary reward is not the principal motivating factor "[71].

According to the Law of Ukraine "On Voluntary Activities" "Volunteer work - voluntary, socially oriented, non-profit activities carried out by volunteers by providing volunteer assistance" [16]. Volunteering - a global process of uniting people who want to contribute to the good of their communities and the world community. Volunteers can be people of any age and any profession from different areas and walks of the life who give of their effort, time and knowledge for the good of others and society as a whole.

Volunteerism "flushed" with unparalleled power and a new quality in the 2013-2015. During the revolutionary and military developments in the country. He continued to gain momentum through a series of capacity of public authorities promptly respond adequately to the challenges to ensure the social, collective and personal safety of people who find themselves on the territory of war. Volunteers have become a living shield that has saved many lives.

Under the conditions prevailing in the country, valuable and important is the work of individual volunteers and entire organizations, foundations, solving the most acute social problems are building the foundation for sustained cooperation and coordination with other volunteer organizations, government agencies, international organizations and others. The process of institutionalization of voluntary movement and can continue to strengthen this social resource for civil society and human needs in general.

In the context of finding ways for further development and institutionalization of volunteering in Ukraine and prospects and ability to attract foreign experience of volunteering. It is important to estimate the dynamics of Ukrainian volunteer activity and its activity compared with the same people from other countries.

Unfortunately, there are few relevant studies. One of the largest and most famous is the ranking CAF WorldGivingIndex - World Ranking charity organization CharitiesAidFoundation calculated based on the data of Gallup. We use data worldwide survey by Gallup, conducted in more than 140 countries, including the results of the section GlobalCivicEngagement. Thus, in the section Gallup sociologists analyzed the answers to three questions regarding the tendency of people to donate their money to charity work in organizations as a volunteer and help those in need. In the calculation of world rankings charity uses the percentage of positive responses to these questions, and the average value per cent as an integral indicator.

Based on reports CAF WorldGivingIndexza 2010-2016<sup>11</sup>. Is possible to follow the dynamics of Ukrainian charitable activity for the relevant period, focusing on the period of the revolution of dignity and further developments related to the aggression of Russia in the Crimea and the Donetsk and Lugansk regions of Ukraine.

Obviously, the figures in charitable activity types used in the construction of CAF WorldGivingIndex, influencing a large number of economic, social, political and other factors, as compared between countries associated with considerable difficulties, which are in the account of the similarities or differences in meaning of key events and processes in each country in various fields. In other words - the key factors that affect the intensity and forms of voluntary activity is different for different countries and diverse manifestations can generally stay out of the study because of their atypical and the lack of comparability with conventional forms of volunteering.

Another objective is to study Ukraine experience gained in volunteering compared with the corresponding international experience and to draw on this experience its innovative component, forms and methods of work, which appeared for the first time and can enrich the global experience volunteering.

More informative is to assess the dynamics of Ukraine in the ranking of CAF WorldGivingIndex during the 2010-2016. However some indicators processes differences charity and volunteer work in Ukraine from global trends can be a difference between the dynamics ratings and percentage.

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<sup>11</sup> World charity rating - [http://www.cafrussia.ru/page/mirovoi\\_reiting\\_blagotvoritelnosti\\_1](http://www.cafrussia.ru/page/mirovoi_reiting_blagotvoritelnosti_1)

Table 5.2

Ukraine's place in the world charity rankings<sup>12</sup>

	Year						
	2010	2011	2012	2013	2014	2015	2016
CAF WorldGivingIndex, rank	150	105	111	102	103	89	106
CAF WorldGivingIndex,%	13	26	21	24	23	29	26
Did charitable cash donation, rank	151	132	130	122	123	47	68
Did charitable cash donation, %	5	11	7	8	9	38	26
Worked as a volunteer, rank	103	28	56	26	43	103	92
Worked as a volunteer ,%	14	30	20	29	26	13	16
They poured out a little help to the unknown person, who demanded, rank	151	118	108	112	118	122	119
They poured out a little help to the unknown person, who demanded, %	19	37	36	36	35	35	36
Countries in the rating	153	153	146	135	135	145	140

One of the features of volunteering in Ukraine in 2014-2015 is that a significant number of initiatives when they occur (and often - and in the process of implementation over time) is informal, which also complicates their study and social impact assessment processes. Many community initiatives that have arisen during the Revolution of dignity and were aimed at helping protesters on Maidan after its completion shifted to support the Armed Forces of Ukraine, the National Guard of Ukraine, volunteer battalion IDPs from Crimea and eastern Ukraine. Such is the story of many of the currently known charities and organizations (eg charitable foundation "Turn alive" [12]), the activities of the fighters ATO care and visits to the zone ATO known in Ukraine showmen (e.g. S. Prytula, A. and O. Mochanova, etc.), musical groups, artists and others. Some of them (especially those for whom volunteering is not dominant, and those who "dot" provides certain benefits) and subsequently operate, remaining in the informal status. Some volunteers provide assistance to an individual, sometimes - without making the active involvement of third-party funds. These are cases, such as helping friends or

<sup>12</sup> It should be noted that the data used to construct a certain rating, the sociologists were collected in the previous year.

relatives involved in the fighting that developed into systematic assistance to individual soldiers or units (parcel delivery from relatives of orders on equipment, food supplies, clothing and household items). Volunteers crucial role in ensuring the combat capability of security forces during the confrontation armed aggression in eastern Ukraine is recognized and representatives of the Armed Forces of Ukraine<sup>13</sup>.

A typical example of volunteering is an activity of the Ukrainian diaspora - Uliana and Mark Suprun that during the Orange Revolution endeavored to deliver information about events in Ukraine political elites and the general public in the United States, actively participated in the revolution of dignity, and now are the founders volunteer project "Protection of the patriots."<sup>14</sup>

Human Rights direction in volunteer activity was aimed mainly at protecting the rights of people caught in difficult living conditions. Thus, lawyers-volunteers tried to resist unlawful actions of the authorities in the legal field during Euromaidan. During the 2014-2015 they helped internally displaced persons (IDPs) to issue the necessary documents, were a part of the negotiating groups involved in the release of hostages and mitigate the conditions of their detention.

The range of services provided by civil society organizations (CSOs) expands in response to the fighting in eastern Ukraine and the emergence of a million refugees and migrants from the Crimea and Donbas. According to the State Emergency Services, its regional headquarters interact with about 90 community, including volunteering, organizations for providing services to citizens who left the zone of ATO (settlement, humanitarian assistance, catering, etc.).

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<sup>13</sup> The head of the General staff special operations of Ukrainian armed forces Colonel S. Krivonos 30.03.2015 during a round table said: "what was created by volunteers, perhaps in the world before such results have not yet been. I will say this: if no volunteers, I don't know how to fight our units. It's the people who constantly (work) in all directions, weapons, food, medical care. Those who work for our army" [15].

<sup>14</sup> Humanitarian initiative of the Ukrainian world Congress "patriot Defence" (<http://patriotdefence.org/>).

Assistance and services needed by those who need them receive from volunteer initiatives and informal groups. Institutionalized CSOs change their missions, expanding its kinds of activities and trying to keep up with the needs of their target groups.

Nowadays the leading challenge for the state and society stands as a responsible, coordinated and effective participation of potential volunteers to solve critical social problems in the country and locally. It is necessary to know the nature and essential characteristics of the volunteer movement in Ukraine, with particular strength evident in the 2014-2015 and appear, but with less intensity, today as well, namely:

- a large share of volunteering is not formal;
- efficiency of volunteer initiatives as a result of the ineffectiveness of public institutions or the limited resources of the state;
- extraordinary initiative and volunteer activities structures independence;
- the establishment of voluntary structures as civil society organizations, professionally meet the specific needs of the population;
- the composition of the leading activists of Ukraine volunteers is unique, because they came not from the formal structures of civil society but from different areas of professional activities, in particular IT technologies, the scope of business and so on.
- today volunteering in Ukraine manifested in non-standard areas for the global practice to respond to problems, creating not only a system of assistance to individuals and entities that need it, but the parallel system design and implementation of solutions to perform the functions of relevant government agencies more effectively, especially in the military sphere.

The results of analysis of the volunteer structures show great potential to intensify and expand their participation in solving the most urgent problems facing the Ukrainian state and society. World experience shows that where volunteers can make their voices heard and participate in decision-making, service delivery

becomes more efficient and equitable [69]. And now it's primarily dependent on government agencies, either such a result will be obtained indeed, or society and most active citizens will ultimately disappoint in politicians and politics and try to become autonomous from them.

Despite the positive recognition of the role of volunteers in solving many social problems (to increase the country's defense charitable assistance to IDPs) it's necessary to solve many other important issues that prevent full realization of domestic capacity volunteerism, namely:

- a significant reduction in donations due to a number of objective and subjective factors;
- legal barriers that impede fair volunteering without disturbing abuses in this area;
- resistance to conservative officials and state structures that limit the impact of volunteering;
- lack of control over further "destiny" of material assistance provided by volunteers;
- lack of adequate coordination between the volunteers themselves and between government agencies and volunteers;
- the lack of effective communication between volunteers and the community;
- decrease in motivation, fatigue, emotional "burnout" of volunteers;
- cases of abuse by volunteers , the pseudo-volunteers' appearance;
- security volunteers.

Solving many of these problems hinder first of all a high level of corruption in state institutions and society, procedures and regulations that do not contribute to the real interest of authorities and individual officials in the effective exercise of their powers and responsibilities, taking initiative in solving tasks facing them. At the same time, a key condition for the success of volunteerism and individual

initiatives are reactive (responsive) government that responds to partner with community volunteers.

The result of these features totality and performance of volunteers is a tremendous vote of confidence from the population. Thus, according to the survey conducted in late 2014 by Kyiv International Institute of Sociology [32]<sup>15</sup>, the volunteers are the most trusted citizens of Ukraine among government and public institutions (7.3 score on a 10-point scale), and the absolute credibility of the ten volunteers has 22.6% of the citizens of Ukraine and only about 5% of the population does not trust the volunteers.

The problems that gave rise to such a mass volunteer movement, eventually somehow lose their sharpness. Volunteers will continue to accumulate fatigue and demotivation and peace will prevail in eastern Ukraine.

Obviously, the objective need in such amount of volunteer agencies and individual volunteers will decrease (especially those who specialize in technical and material support of Ukrainian army). But the state and society would be unreasonable not to use such confidence in the implementation of social change in the potential of volunteers, their managerial abilities, skills, rapid and effective resolution of practical problems. Volunteerism is a manifestation of maturity and responsibility of civil society.

Possible scenarios for the further deployment of volunteers might be:

1. Public involvement. Some volunteers (especially those who are engaged in public activity to engaging in volunteer activities as well as those who have found their calling in this are) will remain public activists and will continue their work in providing assistance, protection rights and represent the interests of certain social groups.

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<sup>15</sup> The survey was conducted by KIIS in order of the "Weekly Mirror" edition and the support of S. Taruta from 6 to 17 December in all regions of Ukraine. This was conducted interviews with 3035 respondents aged over 18 years living in 179 settlements.

2. Business or professional activities. Some volunteers will find a more acceptable part of economic activity in the form of business or wage labor.

3. Joining the executive authorities and local governments. Another part will choose the path of change by joining activities or election to public authorities or local government, implementing lessons learned in public administration. It is this scenario that Ukrainian social activists stress on [48] and a famous American philosopher and sociologist F. Fukuyama in his interview said about the dignity Revolution in Ukraine: "I understand that there is a firm conviction in the civil society that all politicians and the government are bad and we are the only ones who have to keep our purity to look after them. However, with this approach you will never get a successful government. And if there are people who want to change something, they should go into politics and make it yourself. ... People should be prepared to take on this risk, as is required by their generation that they trust. You must understand that if the policy appears, new generation is not likely to change at all. This will lead to another failure "[31].

Experience of the volunteers' positive results in the Ministry of Defense of Ukraine is accumulating. It is necessary to spread the practice of joining volunteers for government agencies, including other law enforcement agencies to facilitate communication and coordination between different groups and voluntary organizations. The impact of volunteers in social, cultural norms and values of society is seen as desirable and natural in the report "State of the world of volunteering: Transforming Management" of the UNO volunteer's programme: "Volunteers can edit and create cultural and social norms and values of society. They can expand the parameters of the debate, putting new ideas on the political agenda and challenging the status quo. While it may not always directly affect the people who make decisions or policy results in the short term, it can make a difference and lead to long-term structural social change "[69, p. 32].

This strategy has already been partially implemented by volunteers and government agencies. For example, the project "Volunteer landing", which is the

introduction to the structure of the Ministry of Defense of Ukraine volunteers who have shown their effectiveness, especially for debugging processes and material support to combat abuse in public procurement. Also, movement in this direction can be considered as a vote and the election of T. Rychkova as MPs of Ukraine at the by-election in the Dnieper city on July 17, 2016 (single-mandate constituency №27).

According to sociological research on volunteering in Ukraine made by professionals of the Economic Sociology Institute Sector of Industrial Economics of NAS of Ukraine led by Alexander Pankov in March and June 2016, the main motivational basis for public participation in volunteer movement Ukraine stands willingness to join the human personal solution, liabilities of particular social problem, sense of responsibility, which is embodied in concrete actions, the desire to consolidate the status of socially recognized person whose activity is opti ChNU public good.

Among the factors that most encourage people to participate in volunteer activities since the beginning of the Revolution and until today, the respondents first put faith in their ability to implement crucial changes in the country. Second place went to the factors that inspire citizens to volunteering: the wave of spiritual awakening of the nation, solidarity, trust volunteers, a readiness to help compatriots, as well as the inability and unwillingness of the authorities to take responsibility regarding solving the acute problems.

It becomes important stimulator of volunteer concerned citizens. The activities of volunteer agencies in the period 2014-2015 have been directed almost exclusively to the social group relevant to the events in Eastern Ukraine are internally displaced persons from ATO zone and Crimea, the fighters of volunteer battalions, units of the Armed Forces of Ukraine, who are fighting in the ATO zone, civilians in the occupied territories of Donetsk and Lugansk regions. The result is quite predictable, given that these events and has resulted in the outbreak

of the volunteer movement and to the emergence of those social groups with which volunteers work.

However, the question remains how and in what direction will develop the volunteering with the gradual solution of problems in the East. At the time of the survey almost all experts expressed their willingness to continue their volunteer activities.

Of particular interest in the context of the mobilization potential is the question concerning the vision of the leaders of volunteer organizations and movements possibilities of their participation in the political life of the country. Thus, almost half of the respondents believe that volunteer organizations and movements must become a unifying force – and only out of politics. But the same is, of those who expressed the view that voluntary organizations and movements, under certain conditions, can participate in political life if it contributes to the goals of their activities. About a third of respondents said that volunteer organizations and movements should actively participate in political life. This means that in Ukraine the vast majority of volunteers do not consider themselves apolitical force that should tackle concrete issues of helping those who need it, and not deal with politics. Therefore, the presence of certain political ambitions, combined with the credibility of voluntary organizations and trust form a potential that can be applied under certain sociopolitical conditions and used in the interests of political players. This is not to underestimate.

The results of these studies indicate that the problems associated with the nature of the relationship of voluntary organizations with the state authorities, are a priority. This indicates that systemic changes in the nature of the interaction between government and civil society did not happen, despite the tumultuous events of recent years.

Resource mobilization of voluntary organisations and positive social impact from this possible through the inclusion of representatives of volunteer organizations to government authorities, and also in case of granting privileges,

preferences and improving legislation in the sphere of activities of volunteer organizations. Quite low grade received such systematic factors as the availability of infrastructure to support the volunteer movement (development of volunteerism, information and communication system sites, etc.). That is what is leading practice when it creates the infrastructure that allows civil society to function virtually Autonomous and do not depend on power, the Ukrainian volunteers are actually not perceived as a factor of development.

Therefore, during 2013-2015, the mobilization potential of civil society was very high, although its manifestations here and there were chaotic, not quite coordinated. But gradually begin to happen a certain process of institutionalization of the volunteer movement and its inclusion in social processes on a more permanent basis: those people and structures who try to make their activities a system, acquire formal status, which allows to broaden the possibilities of cooperation with governmental structures and international organizations, to hire employees on a fee basis, and the like.

The mobilization momentum, the volunteer movement provided the social processes of self-organization in Ukraine requires further research, since it is possible that it is a social phenomenon contains the key ingredients sumobot-prescription development in Ukraine is a real democracy and its becoming a real subject of regional political and socio-economic processes.

Active participation of public associations in the recent events in Ukraine, and the status of social resources, which are available for public associations and can be involved in them, demonstrate the significant potential of the growth and expansion of participation of public associations in development and improvement of public relations. However, the lack of effective mechanisms of attraction of these resources can lead to their decline and significantly reduces the potential resource base of reforms, hinders the process of recovery and stabilization in all spheres of life of Ukrainian society in a situation of military conflict. Accordingly, a necessary condition for decentralization and other reforms aimed at democratization of the

Ukrainian society, promoting the participation of citizens in making and implementing management decisions, is the creation in Ukraine of mechanisms aimed at the development and fundraising of public associations, including volunteer organizations and movements.

To attract potential volunteer movement in support of the development of Ukraine, its regions, and also for the preservation of the human potential of the nation is the most appropriate implementation of such complex measures.

*1. For the coordination and harmonization of joint actions there is a need for:*

the creation of a unified information and communication data Bank of voluntary organizations and associations (regional resource centres, joint projects on training and exchange of experience with reputable foreign voluntary movements, information and communication platform in the Internet, etc.);

the establishment of information-communication feedback system in the triad "volunteer state structure – authority";

the establishment of interregional coordination and cooperation between volunteer groups, big business, the state structures relative to material and food supply of the Ukrainian army, soldiers of the ATO and assistance to internally displaced persons;

the establishment of associations, voluntary organizations aimed at solving problems in specific segments (coordination of military and civilian psychologists and volunteer organizations in psychological rehabilitation of soldiers who returned from the ATO zone);

coordination and consistency between Central and local authorities and volunteers who help the ATO participants and IDPs; revitalization of the work of coordination councils at the regional state administrations;

coordination of volunteer organizations and local communities regarding solutions to the pressing social problems of vulnerable groups in the region, territory;

the establishment of regional call centers to identify pseudocraters;

the establishment of a register of volunteer and donor organizations of the Ukrainian Diaspora and organization of work with their representatives to establish delivery to Ukraine international aid and development partnerships foreign volunteers with volunteers of Ukraine.

*2. To promote volunteer activities to the Ministry of information policy of Ukraine, the State Committee for television and radio broadcasting of Ukraine should:*

contribute to the creation of information materials on the coverage of best volunteer practices in the format of social advertising, investigative journalism, thematic programmes;

develop a strategy for an information campaign aimed at attracting to the socialization of internally displaced persons and social rehabilitation of soldiers returning from the ATO zone and the widest possible range of citizens of Ukraine, including volunteers, charitable organizations, and private donors;

to promote examples of design practices of interaction between business, voluntary organisations and government (on the example of Kharkiv region).

to create a system of generation and dissemination of positive information about Ukraine in the information sphere and social networks, so that the state has the responsibility to provide financial, organizational and infrastructure support to this activity through the involvement of civil society resources, volunteer movement.

*3. For the further development of legal and institutional framework for volunteer activities there is a need to:*

to form with the participation of civil society institutions in the Department of communication of Department of information and communication of the Secretariat of the Cabinet of Ministers of Ukraine Advisory body – the Council for the development of volunteer activities, which should include analysis of the

proposals of volunteers by changes in the regulatory framework that would regulate volunteer activities;

develop procedures in the accounting of material values transferred by volunteers, with transparent public control through information systems unclassified positions;

contribute to the creation of information-communication infrastructure of volunteer movement development (regional resource centres, joint projects on training and exchange of experience with reputable foreign voluntary movements, information and communication platform in the Internet;

to develop a system of coordination with volunteers in the temporarily occupied territories; attract private charities and volunteer organizations that have access to the temporarily occupied territory, for the transport of humanitarian aid to the population on behalf of the state.

*4. To promote and attract social resources volunteer structures in the practical activities one should:*

order to facilitate the organization and implementation of scientific studies to assess the status and dynamics of volunteer activities, as well as the attitude of the population to volunteer structures and their activities in Ukraine in General and in individual regions, facilitating publication and dissemination of the results of such research;

provision of methodological, methodical and information and communication support interaction Central and local bodies of Executive power, bodies of local self-government with volunteer structures (concerning cooperation with organizations of volunteers, attracting people to volunteer activities, etc.);

the study of international experience of volunteerism and its adaptation to Ukrainian conditions;

analysis, generalization and introduction in activity of state structures of effective models and approaches used by volunteer organizations, with specific areas of activity, services provided, target groups, etc.;

study the possibility of creating a "symbiotic" structures based on the combination of the system of state institutions, in particular in the field of social work, and volunteer organizations using the strengths of each entity;

facilitating the integration of active and effective volunteers in Public councils at the Executive authorities responsible for the area where they operate;

create, if necessary, additional agencies with the participation of volunteers for targeted reform of relevant structures, enhancing their effectiveness, development strategies;

promote the establishment by local authorities of electronic resources and the social initiatives of the population to identify needs in voluntary work, informing about opportunities to participate in volunteer activities in various areas and the possibility of receiving assistance from volunteer agencies, as well as to facilitate the participation of volunteers in the provision of public services to the population local authorities and public institutions.

Now, the volunteer movement in Ukraine has valuable features, which are the property of the nation, and the dissemination of Ukrainian experience in the global environment, to improve relations in the global civilizational space.

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## **CHAPTER 6. TRENDS AND PROSPECTS OF GLOBAL PROCESSES DEVELOPMENT**

### **6.1. The advanced problems study in global models of the Club of Rome**

The Club of Rome, as an international non-governmental organization, was established in 1968 by Aurelio Peccei in order to attract the attention of the SUS-plista to problems that cannot be addressed by local, issues are considered to be global and required the efforts of all mankind. Still the debate continues about which problems to be considered global and which are universal, what means to solve these problems and whose efforts and how to coordinate their decisions. In accordance with the Charter members of the club of Rome has 100 people from 30 countries. To implement its purpose, to warn mankind about the danger – the club of Rome chose the vehicle of information is the annual conference, which is described as "reports to the club of Rome". These reports are prepared by independent working groups. The funding of these groups comes at the expense of the various funds. The club of Rome orders the subject of the study, which reflects the critical situation that is developing in the world. However, the club of Rome in no way affects the progress and results of the study. After receiving this report, the club of Rome hears and approves it at the annual conference, which engages a broad range of listeners. Later this report for more information-govoruchina in different countries at additional conferences. First aid vid of the club of Rome made its President, Aurelio Peccei in 1972, the first report was "shock therapy". The content of this report has forced humanity to ponder the question that the desire of civilization to basket growth all have negative consequences for the future. In 1974 in a new report to the club of Rome, Eduard Pestel and American mathematician Mihailo Mesarovic submitted its report in which in contrast to the "zero growth" was proposed the model of "organic growth". The concept of "organic growth" was adopted by the Roman club and is still the main concept of the development of the

world. It should be noted that both the concept of "zero growth" and "organic growth" has certain limitations regarding the tasks they solve and the potential solutions to these challenges. The modern "global" diseases of humankind, such as "war" or "the uneven development of the regions of the world" not only affect those local areas in which they occur, but also indirectly on the whole of humanity.

The global balance of power and the interaction of humans with the environment globally affect the development of the world as a whole. Never before had the wrong technological solution did not threaten the lives of millions of people, never before technical progress in one country do not jeopardize the development of entire sectors of the economy to another. A list of such effects, you can continue. This confirms that the scope of activities of mankind brought the world to a new level of existence, where the losses from the adverse effects can exceed the income, that gets a separate country. Balance in social, economic, cultural and environmental spheres, which is achieved by mankind, it is necessary to maintain and develop in the future.

Interest in issues of global development of mankind can be considered a pragmatic desire regarding balance and development of mechanisms to further harmonious global development. The terms "nuclear age" dictate the need for new thinking in the global development of mankind, which would take into account the situation in the world, in connection with the rapid development of scientific and technological progress and the relationship between countries that do not allow any country to be completely isolated from the outside world. The strategy of "isolation", which imitate the leadership of individual States can't solve long-term challenges facing the development of mankind. Most often, the strategy of "isolation" leads to "freezes" the development of a particular country, but does not solve such issues, which are considered to be global, namely:

One of the main ideas of the report "Revision of the international order" (1976) there is the idea of interdependence, the idea that the indissoluble connection between acts and the Affairs of all people on Earth do not allow to act

only for their own benefit. The main objective of the global community, the authors called decent life and moderate wealth for all citizens of the world. The authors of the report, in the 70-ies of the average income of the most wealthy sections of the world population was thirteen times above the average income of the poorest; the gap between the highest incomes most developed countries and lowest in the most backward turned out to be many times more.

To bring the average income level on a global scale, the report authors recommended that developed and developing countries to adopt different, the annual growth rate of income per capita, namely that with the growth of income in developing countries by 5% per year, developed countries remained at the same level.

This requires a fundamental restructuring of power structures in the world and in all fields (technical, economic, political, military), a new practice of international relations, institutional activities, market system and many more. However, the development of global regulation in the 70-ies of the last century has stalled, as evidenced by the fate of the report of Jan Tinbergen, "Review of international order."

First reports of the club of Rome sparked heated debate among social scientists and among politicians. Economists believed that the technological revolution not only accelerates consumption of irreplaceable resources and environmental pollution, but also contributes to the development of new resources, introduction of resource-saving and environmentally friendly technologies.

Under the influence of the critics of the predictions of global environmental catastrophe, the developers of subsequent reports to the club of Rome began to focus not on the description of impending threats, and the analysis of ways to prevent them.

In its latest publication "2052 - a Global forecast for the next forty years", the club of Rome takes a bold stand on the future, but this position does not give optimism. Sixty-six scientists and economists, who are forecast the future development of mankind, I believe that the current economic development is slowing.

**The Club of Rome main reports regarding the development models of the world**

(compiled, processed and scientific sources)

Year	The title of the report	Developers	Summary and conclusions
1972	The limits of growth	D. Meadows and others	<p>Taking as an example developed computer model it was shown the infidelity of the modern aspirations of the civilization to grow in all primarily to the expansion of industrial production. The main disadvantage of the presented predictive model of human development is that computer modeling has its limitations and cannot take into account all factors of human development, as well as to the model laid only those factors which in the opinion of the authors that had a significant importance. The report proposed the idea of "zero growth" [1].</p>
1974	Humanity is at a turning point	E. Pestel, M. Mesarovich	<p>A different model of world development was proposed, which was based on the proposed Mesarovich in the late 60-ies of the last century the theory of multilevel hierarchical systems. Model of world development had a hierarchical structure, where each level of the hierarchy reflects the evolution of the world system in the context formed by a specific set of laws and principles. Among these levels, the following: geophysical, ecological, technological, economic, institutional, socio-political, cultural values and a level human biology [2].</p> <p>Model mesarovicha-Pestel had more than 200 thousand mathematical equations, and it described the 10 subsystems – regions of the world and used more different information. The authors of this model was intended not only to more adequately describe the situation of world development, and policies to provide a reliable tool for decision-making.</p> <p>In response to criticism of the idea of the preliminary report "zero growth" Pestel and Mesarovic proposed the concept of "organic growth", according to which every region of the world should do their personal function like a living cell of the body.</p> <p>By "organic growth," the authors of the concept understand the system development of the world. When no subsystem can not change to the detriment of the other subsystem and the progress of one of the subsystems is possible only upon the progressive processes in other subsystems. Such development requires harmonious coordination.</p>

1976	The revision of the international order	Jan Tinbergen and others	In this report the program of comprehensive measures for quality enhancement of supranational global governance was developed. The developers of the report proposed the creation of several new world organizations: the world Bank, which would have the right to carry out international taxation and dispose of collected funds; Agency of mineral resources, responsible use of mineral resources on a global scale; international Agency responsible for the development and dissemination of technology, and so on.
1976	Beyond the century of useless money expenditure	D. Harbor and others	This report reflects the results of the study of natural resources of the planet. Project Manager English physicist, Nobel prize Winner D. Harbor. The purpose of the fourth report was to study the scientific and technical potential of the world and the possibilities of its use for the resolution of energy, raw materials and food problems.
1977	Goals for mankind	E. Laszlo and others	<p>The General position of the club of Rome on account of the prospects of solving the social global challenges expressed in the title of the book And Pechchei "Human qualities" (1977). The founder of the club of Rome believed that success is possible, primarily by changing the qualities of the person, by educating the "new humanism", which includes the global, the love of justice and rejection of violence.</p> <p>Report written under the guidance of the American philosopher, member of the research Institute of the UN E. Laszlo, is devoted to the analysis of "world Atlas of contemporary purposes", addressed at two levels – national and transnational. The report describes in detail the objectives of various countries, multinational corporations, United Nations, International labour organization, the world Council of churches and the Roman Catholic Church.</p>
1978	Energy: a countdown	T. Monbrial	The main conclusion of the report contains a proviso for the "second energy crisis", "energy catastrophe", in which people can become "the victims of energy drama."
1979	There is no limit to learning	John. Botkin, E. Elmandjra, M. Malta	The report was devoted to prospects of development of mass education is able to significantly reduce the gap in the level of culture of people from different social groups and countries.
1980	Third world: three-quarters of the world	M. Gerni	The report focuses on the problem of food in countries that are developing. The report is directed to these countries for self-sustainment through the reorganization of agriculture.

1980	The dialogue on wealth and welfare	O. Jiriani	The report investigates current economic trends and draws attention to the modern economic system. Requested to revise the terms "wealth" and "welfare", to think about new ways of consumption and to create a new concept of economy, which would represent a synthesis of economy and ecology that would allow a new way to accumulate wealth of mankind.
1980	To effective societies. Pointers to the future.	B. Havrylyshyn	The report considers the performance criteria of the societies, their values, economic system, political governance and the evolution of the social system. Also addressed the situation of nation-States and different paths to a common destiny. Reviewed the performance indicators system which consists of economic, social and political indicators.
1981	The imperatives of cooperation between the North and the South	J.Saint-Jour	The report focuses on the global emergence of social problems associated mainly with the contradictions between the developed countries of the "rich North" and "poor South".
1982	Microelectronics and society	G. Friedrichs, A. Schaff	The report contains a significant amount of factual material examines the impact of computerization and the invasion of microprocessors in people's lives. The authors drew attention to the double results of the microelectronic revolution, which on the one hand increases productivity and promotes effective exchange of information, and with another – leads to massive layoffs of workers, strengthening control over the person that helps robotics last.
1984	The third world is able to feed itself	G. Lenoir	The report considers the issues on the relation of the food problem to the third world countries.
1986	The future of the oceans	E. Mann-Borgese	The report is on the future of the oceans and its role in human life.
1988	Rhe revolution of barefoot	B.Schneider	The report examines the results and prospects of development in the "third world" of small informal businesses aimed at meeting the needs of local residents.
1988	Beyond the growth	E. Pestel	The report considers that the "strategy of survival" of mankind in the system of interdependent development of various parts of the world system, whereby it is possible to achieve balanced development of all mankind. It is important to note that both models and "global imbalances" and "organic growth" - implied the rejection of spontaneous self-development in favour of conscious control.
1989	The limits of emptiness	O. Jarini, V. Siel	

1989	Africa, which has won the hunger	A. Lemma, P. Malaska	
1991	The first global revolution	A. King, B. Schneider	Summarizing his 25-year activity of the Council of the club of Rome refers to the changes that occurred during this time. The new economic situation in the result of the confrontation between East and West, after the creation of new units and the emergence of new geostrategic forces, the new priorities in the traditional set of global problems: development, population, environment, resources, energy, technology, Finance.
1994	The ability to manage	I.Dror	The report examines the efficiency of public administration. The authors believe that the global factors reduce the ability to effectively manage their countries.
1995	The scandal and the shame: poverty and underdevelopment	B.Schneider	
1995	To take nature into account: national income that contributes to life	V. Van Diren	
1997	Factor four: doubling wealth, two-fold saving of resources	E. Weizsecker, E. Lovins, L. Lovins	The authors of the report, analyzing the development of resource-saving technologies, came to the conclusion that instead of a global catastrophe by 2050 we can expect simultaneous stabilization of population and industrial production while reducing the level of environmental pollution.
1997	The limits of social cohesion: conflict and understanding in a pluralistic society	P. Berger	
1998	How do we need to work	O. Jarini, P. Liedtke	
1998	The management of the seas as a global resource	E. Mann-Borgese	The report examines the global importance of the oceans as a resource of mankind.

1999	Online: hypothetical society	J.L. Cebrian	
2000	The humanity wins	G. Mont	
2001	Information society and the demographic revolution	S. Kapitsa	The paper briefly describes the growth pattern of mankind and justified the importance of this to anthropology, history, Economics and security development. The basis of the research consists of a quantitative description of mankind as a dynamic system.
2002	Art makes you think	F. Fester	
2003	The double helix of learning and work	O. Jatini, M. Malitsa	
2004	Limits of growth - 30 years later	D. Meadows and others	The report recognized mechanism of previously constructed models of the world. But the methodology of global modeling is recognized as lawful.
2005	The limits of privatization	E. Weitzsecker	
2012	2052: a Global forecast for the next forty years	J. Randers	<p>The author suggests that humanity is on the path of destruction. 2052 g will be marked by slow economic growth in developed countries, sustained unemployment, social conflicts, growing inequality - all of those problems that arise in the management of the economy, not aiming for growth. All this will occur against the background of climate, which is constantly getting worse with increasingly extreme weather phenomena (droughts, floods, wildfires, steadily rising sea level, etc.). In addition, these phenomena will occur spontaneously in an unpredictable manner, and after a while they become so extreme that they begin to pose a threat.</p> <p>The report States that the population will increase and will peak in 2042 - 8.1 billion to the Global GDP will grow and will peak after 2052, but much slower than expected, as the performance of Mature economies increases a little. Peak energy consumption on the planet will be in 2040, the maximum level of emission of carbon dioxide for 2020-2030 CO2 Concentration in the atmosphere will increase, and the average temperature on the planet will exceed the dangerous level of 2 degrees in 2050 the US Economy will experience an unprecedented stagnation. The growth of the economies of China, Brazil, Russia, India and South Africa will continue. However 3 billion people on the planet live in extreme poverty.</p>

In its latest publication "2052 - a Global forecast for the next forty years", the Club of Rome takes a bold stand on the future, but this position does not give optimism. Sixty-six scientists and economists, who are forecast the future development of mankind, I believe that the current economic development is slowing.

Already in the 1972 report from the club of Rome warned that the world's future will depend on future energy use. In contrast to the current belief, assumptions 70s was based on the fact that the fossil fuels: oil, gas and coal has to end soon and humanity to experience an energy crash. After the publication of the report in 72-m, these predictions seemed to come true. The oil crisis of 1973 and the crisis of 1979/80 led to a sharp rise in prices, and industrialized countries, as a result, survived the recession. But people were more creative than expected in the report of 1972. The oil crisis of the 1970s led to the development and exploitation of previously unknown sources of fossil fuel, such as hydrocarbon production, at the expense of deepwater drilling.

The 1972 report showed that it is difficult to foresee political developments, such as, for example, the collapse of the Soviet Union. A look back at the weather in 1972 and shows how it is difficult to make reliable predictions for complex scenarios of human development. Regarding the development of political action in the world, the club of Rome forecasts in the future developments of the influence of power from USA to China. The undemocratic structure of the Chinese is to China's advantage because the government can pursue its policy easier and faster than in a democracy. However, the report does not say whether China can maintain this advantage for a long time. The club of Rome excludes military confrontation between Washington and Beijing.

As for the economic future, from the future the most affected small and medium-sized companies in the U.S. and other industrialized countries because it is the least innovative sector. The club believes that until 2052, China will reach per capita income of the population in two-thirds of the United States.

The Club of Rome also failed to predict the pressure of modernization, which led to structural changes away from heavy industry towards a society with advanced technology and service economy: the rise of the era of computers in the 1980s, Internet in the 90s and advances in energy and environment and nanotechnology.

The reports of the Club of Rome, which were dedicated to the social and global problems, are unable to play the same symbolic role in the development of global studies as the reports on the protection of the environment.

A new model of forecasting become more sophisticated and complex. However, there is still the problem that they fail to take into account: the degree of influence that have these projections by themselves. If people accept the idea that the change in policy and behavior will improve their lives, they, most likely, will start to operate. The Secretary-General of the club of Rome, Ian Johnson stated that "business as usual" is not an option if people want to leave to future generations a planet where you can still live.

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## **6.2. The global challenges of the fourth industrial revolution**

In the last decade the world development was held under the kerosene-scrap of globalization. Economy in the world, establishing closer ugama communication contributed to the fact that not only economic and political but also socio – cultural development in different countries has demonstrated the interdependence.

It should be noted that the process of globalization generates a contrast evaluation in developed countries and developing countries. First of all, he positively supported, but in others it raises concerns. All of these approaches relate to the fact that the benefits of globalization in different ways divided between the

States and the speed of globalization proceeded much faster in the industrialized countries.

Significant differences in means are supported by the data that the richest 358 people in the world owns the capital, which is equal to the capital of 2.5 billion ordinary people in the world, accounting for nearly 50 percent of the population.

In this regard, the main negative factors that will contribute to conflicts in different countries are as follows [1]:

1. The flatness property of the benefits of globalization.
2. Centralization of management of economic development of the developing countries from the countries – leaders.
3. The possibility of destabilization of economy of the separate countries in case of crisis state in the other state in connection with a substantial dependence of the economies of different countries.

According to some experts, significant negative results will be felt by developing countries, due to the fact that the vast majority of them are suppliers of raw materials or intermediate products and they depend directly on the state of the markets of the countries in which the supply of raw materials.

In addition to these, there are also specific problems for third world countries:

1. The growing gap with the developed countries in the field of technology.
2. The division of the population of society into several layers or groups, conflicting and very different financial situation, value positions and interests.
3. The increase in low income people.
4. The increase dependence of the economies of developed countries.
5. The increase of debt from loans, which slows down the development of the debtor country.

Currently, among the scholars there are two points of view on the prospects of the international economy. The first relates to the deepening of globalization.

The other is associated with the division of the economic system in tough combo units and regional education..

In accordance with the position of Director of economic programs of the Center. A. V. Yurchishin of the Razumkov both these trends of the economic relations will develop and vzaimoponimanie. At the same time, they noted that begin to develop processes that can be attributed neither to the globalisation nor the formation of regional unions. We are talking about the formation of a free trade area between the EU and America. The scientist rightly notes that the tendency for the organization of such a free trade zone can't be fully attributed to the category of regionalization.

Indeed, in the case of successful implementation of such ideas will be created, if not the largest in terms of population, but prevalent in terms of economy and influence on global processes in the free trade zone. This is confirmed by the fact that now the aggregate GDP of the US and EU together is 33 trillion dollars or 46% of the world total economy. This only confirms the trend towards increasing globalization of the world community.

According to V. Yurchishin mainstream (eng. mainstream — mainstream, that is the prevailing direction in any field (scientific, cultural etc.) of this century is the global extension and interpenetration of economies, even in spite of strengthening opponents of globalization and the spread of protectionism at the level of countries and blocs. Share his view that economic regionalization does not have a decisive influence on the international economy and can not come to replace globalization [2].

Many researchers agree that the emergence of global problems is in the middle of the 20th century. It was at this time there are two process communicating with the causes of the current global problems. The first process is characterized by globalization of socio-economic and political life in the framework of a single world economy. The second process is based on the dissemination of scientific and technical revolution (str), which, on the one hand, increases human capabilities, and

with another – generates a lot of problems. With the integration of these processes, local problems become global. This is particularly evident on the example of phenomena related to the migration process, when the developed countries, a wave of migrants particularly from countries that are developing.

In the world of 2013 there will be more than 230 million international migrants and over 700 million internal migrants. If you talk about the number of persons indirectly involved, or are under the influence of migration processes, for example, are recipients of remittances, involvement in technology transfer or skills of migrants, the coverage of migration in the world is much more [3].

About the consequences of scientific and technological revolution was celebrated at the 46th world Economic Forum in the Swiss city of Davos (20 - 23 January 2016).

The greatest attention was attracted by the report of the famous Swiss economist Klaus Martin Schwab, who is the founder and President of the world Economic Forum (WEF), which was previously published in Foreign Affairs magazine (USA). The main problem of the report is that the consequences of the “Fourth industrial revolution”. It should be noted that the WEF is held annually for 45 years, its mission is to improve

the state of the global economy through a combination of public and private cooperation. In the report, Klaus Schwab, noted that humanity has come to deploy a new technological revolution which can completely change the world and affect all of humanity.

The first industrial revolution was marked by the transition from manual labor to machine and lasted many decades. During the first industrial revolution due to the water and a few occurred the mechanization of production. This process began with the discovery of the steam engine in the seventeenth century, further development occurred through the transition from manufactures to factories during the XVIII–XIX centuries.

The industrial revolution has carried out an impact not only on the development of science and technology, labor productivity growth, but urbanization, the emergence of new specialties and also was accompanied by high rates of economic growth that has led to increased living standards.

The main engine of the second industrial revolution was electricity, which contributed to the creation of mass production. Thanks to electrification and the introduction of line production in the twentieth century began production of cars, boilers, hydraulic presses and other equipment that gave the opportunity for further growth of labor productivity and change approaches to managing businesses. The concept of the second industrial revolution introduced the works of David Landis [4].

In the beginning of XXI century, increasingly began to emerge in publications associated with the problems of the third industrial revolution, the focus of which were electronics, information technology, which contributed to manufacturing automation. “ That is the third industrial revolution is primarily associated with computers and the whole digital era, which the Economist magazine in 2013 called the new industrial era. Industry 3.0 was based on three principles [5]:

- 1) the Main source of the profit is moved from the directly productive sector in R&D (Research & Development) centers, development and design. A classic example is the uneven distribution of value added in the chain of design – creating and marketing compilation.

- 2) the Growth of labor productivity and, as a consequence, the reduction of workers engaged in physical labor in production.

- 3) the Traditional centralized business models are replaced with horizontal patterns of interaction.

It should be noted that currently not all attributes of the third industrial revolution is widespread throughout the world. At the same time, in the depths of the third industrial revolution was born the fourth industrial revolution, the

hallmark of which is the fusion of technology and the disappearance of boundaries between physical, digital and biological activities.

The fourth industrial revolution or "industry 4.0", received its name in 2011 as a result of the initiative German businessmen, politicians and scientists, who have identified her as a tool to improve the competitiveness of the manufacturing industry in Germany, what can be achieved through enhanced integration "cyberfish systems" (CPS), biotechnology, artificial intelligence, 3D printers in manufacturing processes. All the main production stages are performed without human participation. The German concept of "Industry 4.0" has emerged as the West, which would allow to revive German industry, despite the global transfer of production to Asia and other developing countries.

According to the consulting firm Strategy& German industry by 2020 has planned to invest annually € 40 billion in the industrial Internet infrastructure, which is 28.6% of the total amount of European investments in the fourth industrial revolution, which is expected to be 140 billion euros per year. Now the degree of involvement of large companies in Germany is a significant amount. So of the 278 surveyed companies reported 131 that is already working on technology for the fourth industrial revolution.

K. Schwab identifies three reasons that prove that today's changes in technology, cannot be considered a simple continuation of the third industrial revolution, and fall into the fourth revolution: the speed of implementing changes, their scale and systemic impact.

Summarizing the factors prompting the development of the Fourth revolution, Klaus Schwab highlighted a few major ones. The first they attributed the development of methods of data collection and analysis. For this there are several methods: Big Data (from eng. large amounts of data), they are connected with the problem of storing and processing huge volumes of data; Data Science (science of information), involves the study of problems of analysis and processing and presentation of data in digital form. Combines the methods of data processing

in large volumes, statistical methods, data mining methods and application of artificial intelligence to work with data and design methods and database development [6]. The following method is Machine Learning (with eng. – machine learning), a broad subfield of artificial intelligence, the mathematical discipline that uses the areas of mathematical statistics, numerical methods, optimization, probability theory, discrete analysis [7].

As for the method of Deep Learning (with eng. – deep learning), it is a kind of machine learning based on neural networks. It contributes to the improvement of algorithms such as speech recognition, computer vision and natural language processing. This is one of the most popular areas in computer science [8].

The second factor of the fourth industrial revolution is the Internet of Things. The number of things connected to the Internet, has a steady tendency to growth. This applies to additive production technology or three-dimensional printing (3d printing), which applies not only to Board games. For example, the American private space company SpaceX, for example, prints of certain parts of their engines out of metal and they completed a flight into space and successfully returned.

In the world there are many examples of practical uses of 3D printing [9].

Japanese company Fasotec offers prospective parents models of unborn babies, made with real fruit images obtained using magnetic resonance imaging. The finished model consists of two materials, the figures of the fetus, made of white and transparent photopolymer material that mimics the shape of mother's womb.

The possibility of 3d printing of weapons, even a simple FDM printers allow you to create a fully plastic guns.

Some consumable materials for 3d printing, primarily soft photopolymers are used for the manufacture of clothing and even lingerie using the method of laser sintering of nylon. This design by Continuum Fashion is designed to demonstrate the possibilities of 3d printing for fashion designers: the company not only created

the prototype of clothing, but also offer ready-made products on sale on the website Shapeways.

Implemented printing meat using a 3d printer. An example of this is the culinary printer Foodini – a common and practical device that uses spruzeva extrusion. Moreover, printing is possible not only meat, but any spreadable product - dough, cheese, tomato puree. However, Foodini does not act as heat treatment.

Vessels, tissues, whole organs - several companies are developing production of organic imitators, which are completely similar to natural tissues. A team of American scientists found that it is possible to print living tissue, cartilage and bone, they have to replace injured or diseased organs.

Now printed body parts have been only laboratory animal studies, but the results are positive: the resulting structures are the correct size, force and function for use on patients who suffer from military trauma. This work is funded by the armed forces Institute of regenerative medicine, United States. In a situation when is not always enough donors, the 3D bio-printer for replication of complex tissues and organs – is the hope for surgeons. Replication (FR. *replique* — again, I know Latin. *replico* also English. *replication*) — in various fields of science and technology term that means the process of making copies.

At the same time, the researchers noted that today's printers are not yet developed enough to play for implantation of a structure of sufficient size or power [10].

Promising research towards the use of 3D printing in prosthetics. So, the Swedish company Arcam creates installation for electron-beam melting for manufacturing a monolithic metal products, including titanium. Titanium orthopedic prosthetics are in high demand, it is enough to note that according to statistics their number exceeds thirty thousand copies.

Another important area of application of 3d printing research companies for the production of drugs, often in combination with tissue engineering. Thus, the

company Organovo is conducting research to create an artificial human liver tissues for testing new drugs for their toxicity.

Dutch designer Joris Laarman created the invention of a device for 3d printing metal. Moreover, this technology does not require the use of expensive powders, vacuum chambers and lasers. The device allows you to create a design image by drawing the metal through the air.

Overall information technology over the past years show a very high degree of dissemination and use. Data published by ITU (telecommunication standardization Sector), showed that over the last 15 years, there has been accelerating growth of information and communication technologies (ICT), which contribute to the further development of socio-economic development. The number of contracts for mobile communications in the world is over 7 billion, while in 2000, there were 738 million. Currently, the global number of Internet users is 3.2 billion, of which two billion live in developing countries [11].

Statistics ITU are considered the most reliable and objective in the world about the state of the global ICT industry. Information and communication technology is a General concept describing the various devices, mechanisms, methods, algorithms of information processing. They are used extensively by leading intergovernmental agencies, financial institutions and analysts from the private sector around the world.

Technology and high-speed Internet contribute to the achievement of 17 global goals developed by the United Nations to ensure sustainable development in the future. Tall speed connection to the Internet of things stimulates global economic activity and allows you to gradually abandon fossil fuels. Modern technologies allow to significantly reduce the amount of waste, and means to produce products (services) on the basis of energy conservation. Thanks to the Internet is possible with online learning, the establishment of high-speed communication and exchange of knowledge and experience [12].

Between 2000 and 2015, the proportion of Internet users increased almost seven times, from 6.5 to 43 percent of the world population. The proportion of households with Internet access increased from 18 percent in 2005 to 46 percent in 2015 році. Over the past four years the highest growth level of household access to the Internet in Africa (annual growth rate was 27%). In 2015, 69 percent of the world's population is covered by mobile broadband third generation (2011, only 45 percent of the population).

As for Ukraine, the number of Internet users according to independent experts at the end of 2015 amounted to approximately 58%. According to the materials of the Cabinet of Ministers of Ukraine, which were provided to the participants of the parliamentary hearings, about 17% of Internet users have purchased goods through the Internet, and more than a third of Ukrainians - social media users have purchased goods online via social networks.

In the materials indicated that 61% of the total volume of transactions via payment cards in Ukraine amounted to non-cash payments [13].

Prospects for the Fourth industrial revolution have been assessed differently by the participants of the 46th world Economic Forum. Thus, the survey of 800 leaders of technology companies about what technologies will be in high demand up to 2025, has identified the following: "smart clothes", robots-pharmacists, 3-d printing, Autonomous vehicles. In addition, 45% of respondents do not exclude the existence by 2025 in some of the boards of Directors of artificial intelligence.

Overall, the fourth industrial revolution will affect business in four main areas: the expectations of consumers, improvement of products and goods, joint innovation and organizational forms. Klaus Schwab believes that the transition from simple digital technology that took place during the third industrial revolution, innovation based on combinations of different technologies for the fourth industrial revolution, is causing businesses to rethink their attitude to the system of work organization and management based on modern technologies.

Futurists forecast suggests that in the future technological innovation will contribute to revolutionary changes in the supply and productivity. For example, the cost of transport and communications will fall sharply, it will boost logistics efficiency and use of global networks, at the same time, the projected significant decline in the value of trade. This is due, primarily, with the rapid growth of sales of goods via the Internet.

Now functionally this process consists of the following: the operator of the call center takes the order, which is transmitted to the warehouse, in the future, the goods delivered to the courier responsible for delivery to customer. Moreover, there is now a significant number of companies that carry out testing of the robots, which completely automatiseret the process of completing the purchase of the goods and its delivery to the consumer (even drones).

Internet Commerce has become a significant element of any economy, as evidenced by a significant increase in the number of transactions in this area, so it increasingly affects the global economy.

According to evaluations by foreign experts of the Agency eMarketer's in 2013, the foreign trade reached 1,251 trillion dollars, having increased in comparison with the previous year by 18.3 %, slightly below the growth rate in 2012. In 2014, the turnover of online shopping was about \$ 1.5 trillion, and in 2017 an increase of up to 2.1 trillion dollars. On the one hand, consumers are looking for better deals, and with another – e-Commerce mainly allows companies to have lower costs than in the ordinary course of trade.

This is achieved primarily due to savings on purchase or lease of the premises and the cost of labor. The benefits of the Internet as a distribution channel are highly appreciated by entrepreneurs all over the world [14].

E-Commerce has appeared in Ukraine recently, but due to the growing demand for its services among all kinds of economic activities is developing most rapidly. Over the past 10 years, the number of online stores has increased about 60

times, and the turnover of online trading reached \$ 2 billion. USA. And fast-growing audience of customers who were purchasing goods online [15].

Although when comparing normal retail to trade on the Internet the volume of the latter is much inferior. Only 1.5-1.6% of the total retail sales made Internet trading at the end of 2013. This figure is significantly lower than in Russia, where it approaches 2%. The global average figure is 6.5% and in the United States was 10.1%. Experts predict the penetration of Internet Commerce in Ukraine will reach by 2016 is 4.5% , which is about 5.65 billion USD. USA.

Now in Ukraine there are about 8 thousand online stores trading, of which only three hundred turnover is very, very significant. Most often, these stores sell a variety of products of wide assortment. But the small market participants are not always able to invest in professional marketing, logistics, and infrastructure. Large stores e - commerce usually sells electronics and appliances, but many seek to expand the position and range - clothing, children goods, furniture, goods for tourism and leisure, cosmetics and watches. [16].

Factors that influenced the growth of online sales:

1. Loyal price policy, sales, discount system.
2. Ease of purchase – you can buy anytime, even at night.
3. The possibility of shipment of goods to the most remote regions of the country.
4. The use of multiple types of payments – Bank transfer, cash or prepayment.

Significant place in the development of the electronic economy is integration in the Internet environment of the financial system. We expanded the provision of services through the Internet financial institutions. The use of Internet banking has several advantages: ability to contact the Bank in any place where there is access to a computer; the service is available 7 days a week, 24 hours a day; transactions (operations) are executed and confirmed almost instantaneously, the processing

time is approximately equal to the processing time at an ATM. Develops the integration of insurance activities in the digital economy [15].

As for transport, in his system around the world hundreds of millions of people (taxi drivers, public transportation drivers, truckers). There is a danger in the future significant reductions in their jobs. Now, Google is implementing the testing of unmanned vehicles. In case of successful testing, the artificial intelligence can quickly replace human labor [12].

In a study conducted by PricewaterhouseCoopers States that the global market volume for services using unmanned aerial vehicles (drones ) is greater than 127 billion dollars. The greatest of their application is observed in the energy sector and the oil and gas sector, as well as in road and rail transport with a total value of services 45, \$ 2 billion in agriculture - 32, \$ 4 billion on transportation, \$ 13 billion, security - 10 billion dollars.

Also characterized by the most favourable opportunities regarding the use of aircraft in the media and entertainment industry, in the insurance business in the telecommunications sector and in the mining industry [17].

Experts say that in the future, the functioning of entire companies, which will not work any handyman. All Assembly will hold a special work, using RFID tags, to track inventory of raw materials is a global artificial intelligence. RFID is a modern identification technology that provides significantly more opportunities compared to traditional marking systems. The most common RFID tags, including barcodes are the labels self-glued. But if the bar code information is stored in graphical form, the label information is written and read using radio waves.

Another important point of the fourth technological revolution will be the fact that any, even the most complex production will be possible as soon as possible to repurpose for individual client and his needs [12].

Meanwhile, the number of positive reviews the Fourth industrial revolution (Industry 4.0) is approximately equal to the number of negative. Negative effects of the revolution, according to Joe Biden, is that the digital revolution could destroy

the middle class in developed countries, and its replacement works can be accompanied by social newdomainname, even in the case of payment of financial assistance.

Inequality in socio-economic sphere significantly affects all of society. New industrial revolution gives a significant chance for development of workers of intellectual labor (the inventors) and investors. There will be increased demand for highly skilled workers and, consequently, the reduced demand for low skilled work. Futurologists have long considered the problem of excess human labor due to its displacement machines. Despite this problem, industry 4.0 only reinforces these trends, which will lead to alisanne middle class.

The occurrence of such events has an objective justification, because according to forecasts, in 20 years 47% of jobs in the global world of automation subject, will relieve millions of workers of operation and are projected to create adequate jobs [18].

In the conditions of constant growth of the world's total population, this problem will only get worse. Currently, the world population is 7.4 billion people, and the annual growth is 1.2 %. According to calculations of the developer of a mathematical model of global population growth, academician S. P. Kapitsa, about 2135, a stabilization of the world population with a total population of 14 billion people [19].

Moreover, economists predict that even a significant number of senior staff need to change the qualification and to seek other work due to the fact that their place will be occupied by an artificial intelligence that can take more practical decisions in favor of companies and their shareholders.

The most popular will be the creative professionals (data analysts) and service workers (sales representatives). Sophisticated means of electronic communication will make it unnecessary offices and headquarters of companies. Already a significant distribution gain coworking – (from the English. Co-working, "collaboration") in the broadest sense— an approach to the organization of the

work of people with different employment in a common space; in a narrow — like space, collective office (of engagement for older factories and even a cafe).

Experts cite an example of a company Buffer, which allowed employees to work remotely or from co-working spaces, which will be paid by the employer [12].

The influence of the achievements of the fourth industrial revolution to the labour market is estimated by international organizations and experts in different ways, although there are similar predictions. So, the most radical was the international labour organization, which envisages, by 2020, the growth in the number of unemployed around the world at 11 million people].

While the experts from the world economic forum (2016) commented that the use of robots and new automated production will lead to the release of 5 million jobs until 2020. As stated in the report of the Future of Jobs published 18 January 2016 in the next five years, the influence of the fourth industrial revolution to the labour market will be devastating. The proliferation of robots and artificial intelligence will lead to a loss of 7.1 million jobs and bring in return only 2 million new positions. The study was conducted in 15 countries that cover 65% of the total workforce in the world [18].

Now there is a trend, which in the future will only increase, due to the fact that employers refrain from recruiting employees on a permanent job, replacing them with freelancers, thus saving on social costs (health insurance, social packages, training) and maintenance of offices. Workers, in turn, also start to give preference to freelancing, which allows them to use the remote, establish schedules of works to choose specific projects.

Thus, the fourth industrial revolution has great potential to increase the level of living of the population in the world. In the future, technological innovation will promote the long-term effectiveness and productivity. The growth of the economy associated with the creation of new markets is projected to significantly increase the efficiency of logistics and global networks and reduce the cost of transport,

communications and trade. However, a new revolution will deepen the stratification of the population in connection with the reduction of labour markets as a result of the robotization of production processes.

To neutralize the negative consequences "of the Industry - 4" it was proposed to change the education system and career guidance, continuing to support the benefits of working in a time of change, of investing in infrastructure, creating businesses and jobs where they do not exist, but there are most in need and most importantly - to change the tax laws to promote management in the creation of jobs [20].

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## Что такое бизнес-ассамблея Европы (ЕВА)?

Европейская бизнес-ассамблея (ЕВА) является международной неправительственной организацией, добровольной ассоциацией политических, научных и деловых лидеров со всего мира, инструментом для диалога с участием разных культур.

**Миссия ЕВА:** деловая глобализация членов сообщества, продвижение их достижений и инновационных методов в области экономики, науки, образования и медицины, содействие социальному прогрессу.

**Основной приоритет** - развитие индустрии MICE (бизнес-туризм) в сегменте элитного рынка.

ЕВА имеет специальный консультативный статус в Экономическом и Социальном Совете ООН (UNECOSOC был создан в 1945 году как один из шести основных органов ООН).

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### **Основные направления деятельности:**

- Организация глобальных встреч на высшем уровне и конференций, направленных на улучшение возможностей региональных лидеров по созданию сетей.

- Продвижение достижений региональных лидеров в периодических изданиях, в веб-ресурсах, мировых СМИ.

- Разработка и внедрение программ обучения руководителей.

Что такое саммит ЕВА и почему вы должны участвовать в них? Саммиты, организованные ЕВА в сотрудничестве с региональными партнерами, являются постоянной интерактивной платформой для международного экономического, академического и межкультурного сотрудничества.

С 2000 года более 10 000 делегатов из 56 стран посетили форум ЕВА, сотни инновационных проектов были представлены, специализированные рабочие совещания для обмена опытом и проведены переговоры, а также сетевые мероприятия для ректоров высших учебных заведений. Это VIP-платформа для презентации ваших идей и инноваций для бизнеса и научных сообществ, возможность открыть себе мир, найти инвесторов и партнеров, путь к глобальному признанию профессиональных достижений. Главный саммит года - ежегодная Ассамблея ЕВА - традиционно проводится в Оксфорде в последние дни декабря и подводит итоги заключительного года.

Другие встречи на высшем уровне, конференции и посещения проводятся в разных странах мира на самых престижных деловых и выставочных площадках в сотрудничестве с деловыми партнерами. Каждый участник проектов и программ ЕВА может инициировать мероприятие по организации ЕВА в своей стране. Вот как мы реализуем один из основных принципов деятельности: мы представляем лучших из лучших и лучших представляем их страны.

Кто может участвовать в проектах и программах ЕВА? Любой человек, кто преуспел в любой профессиональной деятельности, Тот, Кто считает, что у меня есть что сказать современникам и потомкам, независимо от этнической, расовой, религиозной или социальной принадлежности, может стать проектов и программ участников ЕВА.

#### ***Что такое церемония Сократа?***

Церемония Сократа является ключевым моментом программ саммита; это формальная процедура в честь лидеров в области науки, промышленности, бизнеса и медицины, обладающих профессиональными и интеллектуальными достижениями в современном мире. ЕВА Профессор J. Netting, генеральный директор ЕВА, проводит церемонию вместе с членами Совета, а в случае церемоний посещения - общественными деятелями и представителями средств массовой информации в принимающей стране. Лидеры, кандидатуры которых утверждены Советом директоров, получают награды ЕВА в различных категориях, соответствующих их сфере деятельности.

#### ***Какова процедура конкурсного отбора наград?***

Процедура выдвижения кандидатур для участия в проектах ЕВА  
Этап 1 – Отборочный

Исследование рынка и первоначальная идентификация потенциальных кандидатов проводятся экспертами и исследовательским центром. Среди сотрудников - специалисты по маркетингу и журналисты. Всего насчитывается 35 сотрудников.

***Источники исследований:*** статистические данные, информация о ранжирующих агентствах, рекомендации от деловых партнеров, статьи в прессе и другие базы данных.

***Цель исследования:*** определить бизнес-деятельность и лидерский потенциал региональных компаний, которые демонстрируют положительную динамику, положительную репутацию и участие в благотворительных и социально ответственных проектах.

***Критерии исследования:*** деятельность номинантов на национальных и / или международных рынках, экономическая эффективность, социальная ответственность и другие критерии.

***Результаты исследований:*** сегментированный рейтинг лидерского потенциала региональных и / или международных компаний в следующих областях:

- Регионы и развитие города

- Образование и наука
- Медицина

# **UKRAINE IN THE GLOBAL ECONOMY**

**MONOGRAPH**

**Kyiv 2017**