

УДК 330.341:338

The article considers industrial activity as the most important factor of economic development. The qualitative change of a modern kind of the industry shall be shown. The evolution of the concept of industrial policy of Ukraine shall be analyzed, the main differences of modern industrial policy from its traditional interpretation shall be determined. Mechanisms for the realization of industrial policy have been established, which include such modern forms as cluster organization of production and public-private partnership.

Keywords: industrial policy of the state, mechanisms of public administration, private-public partnership, competitiveness of industry.

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**SYSTEM APPROACH TO THE
REALIZATION OF UKRAINIAN
INDUSTRIAL POLICY**

Problem statement. One of the most important components of economic development of the country and its largest regions is industrial activity. Industrial activity in the current century will remain the most important factor in economic development, that doesn't contradict the historical stage of the post-industrial paradigm of development. Informatization of industry, the need to adapt it to the changing global situation in the "new economy", the growing share and growth of the importance of intellectual production in the structure of industry - all this qualitatively changes its modern appearance. The main factor is the competitiveness of industry, that largely determines the level of economic development of developed countries.

Analysis of recent research and publications. Problems of development and realization of state industrial policy studied quite widely in the works of both domestic and foreign scientists. Among them are T. Eggertsson, R. Coase, M. Porter, E. Toffler, O. Williamson, V. Alexandrova, Y. Bazhal, M. Kizim, D. Mishchenko and others.

The **purpose** of the article is to try to analyze the system approach to the realization of industrial policy of the state.

Presenting main material. The competitiveness of industry, as well as the economy as a whole, shall be largely determined by structural factors. Last years, the structure of the world's economy has undergone significant changes. The importance of industry in the formation of

GDP of individual countries (GRP of regions) has decreased. This trend, that has long been of developed countries, is becoming increasingly important in Ukraine. At the same time, as a result of the increasing share of the services sector (so-called "tertiarization"), much less attention has been paid to industrial development management. There is a false assumption, in our opinion, that in a knowledge-based economy, the sphere of industrial production no longer plays a particularly important role. Obviously, this situation can be explained on the one hand by higher productivity growth in industry compared to the service sector, on the other - by a significantly increased interdependence between the service sector and industry. Thus, at the beginning of the XXI century, the increased demand for services in industry was caused primarily by the growth of production of business services, which in 2000 amounted to 48.3% of GDP. In addition, industrial production is an important factor in the development of an economy based on knowledge and innovation, as more than 80% of total R&D expenditures shall be made, according to Eurostat Business Statistics, in industries. Thus, in the context of the development of the "new economy", the high importance of its industrial sector remains.

The main tool by which developed countries have changed the appearance of national industry - primarily from the standpoint of solving its structural problems - is the conduct of industrial policy, the so-called "industrial policy". In the West, this term often means government measures to support or develop specific sectors of the economy. However, the very concept of industrial policy remains controversial in Ukraine today. First of all, "industrial policy" and "industrial development policy" shall be treated as synonyms. Strictly from a theoretical point of view, this is not entirely true. The first concept, known as "industrial policy", means not only "sectoral policy", but also the state policy to promote industry out of the structural crisis by:

- 1) overcoming the mismatch between the emerging new technical and economic paradigm of industrial development and the institutional structure of society;
- 2) completion of industrial restructuring within the unity of technological, sectoral and institutional restructuring as the most important stage of cyclical development industry structure.

In a cyclically developing economy, at the stage of overcoming the structural crisis, industrial policy contributes to the formation of a new type of industrial structure, at the stage of economic growth - its development and strengthening, at the stage of stabilization - it aims

to stimulate the potential. Depending on the stage of development, industrial policy provides either support for the structure of the existing industry, or the formation of a new type of industry structure. In the period of modern structural adjustment, the goal of industrial policy is the formation of a competitive industrial complex as a result of the formation of a new type of industrial structure, characterized by the presence of a high-tech core [3].

A system approach to understanding industrial policy also means that the state should not only provide appropriate support to specific economic entities, but also form priorities for industrial potential, priorities for structural change, take into account territorial features of economic development, initiate the formation and development of favorable institutional environment. When developing industrial policy on the basis of a systems approach, special attention should be paid to the mutual consideration of the requirements for other types of public policy and also the requirements of these types of policies for the formation of goals, principles, forms and methods of industrial policy.

It should be noted that since the central link of industrial policy is the creation of a modern high-tech, competitive industrial complex and such a policy results in a change in the structure of production, in Ukrainian practice the term "structural policy" is often used as an analogue or synonym of industrial policy. It seems that this use of terms is not correct enough. Industrial policy in the periods between structural crises, as noted earlier, stimulates the expanded reproduction of the existing structure of industry. In principle, it doesn't distinguish this policy from the direction of economic policy as a whole. But in the period of structural changes, industrial policy, in our opinion, acquires the status given to it by the concept of "industrial policy". Obviously, the term "structural policy" during structural adjustment replaces the concept of "industrial policy". It is worth emphasizing once again that structural policy is usually a period of structural crisis due to the need for public policy aimed at promoting the transformation of the sectoral structure. It seems that during the restructuring of industrial policy, in terms of purpose, object, methods of realization – is structural. Thus, there is no need to use a duplicate term, because structural policy dissolves into industrial.

Models such as "tough" and "soft" industrial policy are widely discussed among domestic researchers. "Tough" industrial policy is usually understood as a policy aimed at creating and developing priority sectors of the economy. It involves reliance on budget subsidies and lending to enterprises in priority industries, mechanisms for indirect subsidies to

companies, a protectionist course in foreign trade. In contrast to "tough", "soft" industrial policy is aimed at promoting the competitiveness of national manufacturing companies and supporting investment projects that allow private business to increase efficiency.

There are vertical and horizontal models of industrial policy adopted in the EU countries [5]. The vertical model, which corresponds, in our opinion, to the "rigid model" of industrial policy, assumes the stimulation of specific industries or industries when used as a tool for state support of various benefits. It is believed that this model is most characteristic of underdeveloped countries. The horizontal model and the "soft" industrial policy corresponding to it are focused on creation of opportunities of development of production common to all branches. This model is typical for economically developed countries, including EU countries.

It should be noted that there is an opinion of foreign scholars that the term "industrial policy" in today's conditions is not needed at all. According to them, most industries of developed countries succeeded in the 70 -80 - and the twentieth century, and in today's conditions, when a new technological paradigm is being actively formed, it is advisable to talk only about innovation policy. However, the experience of European countries suggests otherwise. Much attention is paid here to the formation of a common industrial policy within the EU. The main trend of EU industrial policy is characterized by the desire to unify its principles, main goals and objectives. The European Commission's special committees draw up a single document, which must be approved both by the European Parliament itself and by the parliaments of the EU member states. To this end, the EU's industrial base is consolidated through the implementation of specific policies of the EU member states.

This once again confirms the erroneous opinion that in the conditions of Ukraine the best industrial policy is the complete absence of industrial policy. In our opinion, in the domestic economy, where the problems of positive structural changes in industry are not solved, where a significant number of obsolete industries remain and there is an urgent need to support innovative industrial development, industrial policy cannot be abandoned as an independent category of macroeconomic regulation.

For the formation of industrial policy is of fundamental importance to the idea of the end result to be obtained in the process of its implementation. It may be recalled that in Ukraine in 1989-1991 there could be no question of industrial policy itself, as belief in the market as a panacea for all ills prevailed. In 1991-1993, at the state level, the range of industries supported

in priority order was determined at the expense of a special budget fund to support priority industries. Then there was a rejection of the criteria of sectoral selection, and supported commercially efficient projects (funding principle – 4 to 1, ie 20% funded by the state, the rest - commercial structures).

Today, when innovative development is declared a top priority, such a result of the implementation of a competent industrial policy should be the creation of a high-tech, intelligent core industry.

Positive tendencies of improvement of technological structure of the industry start to be shown quite clearly. This is of particular importance for the country, because the anomalous technological diversity that has formed today has led to a huge lag in the economy as a whole from the world's leading countries in technological development. This phenomenon is called the "Dutch disease", the result of which is the redistribution of resources within the economy as a whole from high to low technology. Industrial policy measures, schemes implemented in sectoral sections, will significantly contribute to structural modernization, the formation of modern technological devices and reduce the abnormal technological complexity of the region's economy.

As an example we can cite a serious technological restructuring of the metallurgical complex of the region. There will be a significant increase in capacity for the production of deeper processing products, the share of import-substituting and new industries will increase. Сучасна промислова політика в Україні повинна ґрунтуватися на обліку розуміння нового місця нашої держави у світі, що міняється, реалістичної постановці цілей промислової політики і виробленні нових механізмів її реалізації.

The principal features of modern industrial policy, which, in our opinion, should be taken into account at the state, regional and local levels and which determine the main differences from industrial policy in the traditional sense, are as follows:

- the object of modern industrial policy is not only certain industries, productions, corporations, but also producers of goods and services. It can be not only manufacturing companies, but also individual entrepreneurs and so on;

- the subject of industrial policy is the state of modern type, interpreted as an abstract corporation that has its own legal entity, includes the government apparatus and a set

of citizens that has clearly defined boundaries and exists only on the basis of recognition by other states;

- state industrial policy today is formed as National Industrial policy, when equal participants in its development and implementation are not only the state but also business, as well as scientific and public organizations and institutions. Thus, the term national policy means greater participation in its development and implementation, together with government officials, private business, the expert community, political parties and other civil society institutions [2];

- Increasing blurring of industry boundaries through diversification into new types of goods, intensification of outsourcing activities, as well as cooperation with companies from other industries, has led to the formation of the economy of industries closely related. This reduced the role and importance of sectoral policy, which led to the transition to competition policy, structural policy, which "redesigned" the industry in order to create a competitive industry (from industrial policy to industrial competitiveness policy);

- decisive role in the above-mentioned "redesign" belongs to the formation of a new technological core, convergence of technology associated with the implementation of fundamentally new opportunities through the cross-use of information, bio- and nanotechnology, the growing impact of accelerated technological development on consumption. In conditions when economic growth is identified only with scientific and technological progress and intellectualization of the main factors of production, when the production, distribution and use of knowledge and information are the main conditions for sustainable economic development, the central component of industrial policy is innovation policy, which allows to form a new technological core. This direction of economic activity becomes the most important, because the current domestic accumulation fund cannot perform the function of expanding reproduction on an innovative basis. Suffice it to say that the share of innovative and high-tech products in the accumulation fund of Ukraine is only 3%, while in the USA and the EU it exceeds 50% [1]. This means that in order to move to the policy of internal innovation accumulation, it is necessary to form a state-corporate system of public reproduction that has the necessary economic power and is able to pursue an active innovation policy as a central component of industrial policy.

The success of industrial policy is largely determined by a well-thought-out mechanism for its implementation. It should be noted that this mechanism, as well as the very concept of industrial policy, has undergone significant changes. Back in the 90s of the last century, the basic model of the mechanism of industrial policy implementation in our country was the mechanism of development of knowledge-intensive industries, the mechanism of restructuring of traditional industries and the compensation mechanism. The latter was designed not only to reduce the negative social consequences of the process of transformation of the industrial complex of the territory, but also to solve problems that are common to both traditional and knowledge-intensive industries (problems of structural unemployment, infrastructural support of structural restructuring of industry, increase of "innovation capacity" of an industrial complex and so on).

Changed conditions and new requirements for modern industrial policy necessitate the development of new approaches to the mechanism of its implementation. Among such approaches can be identified as the most significant three:

1. Realization of priority industrial projects of various scales. Within the framework of the project as an instrument of industrial policy it is expedient to combine administrative, financial, structural, technological and market resources. Among such projects there are two types: the first is infrastructure projects, the second type is innovative projects. Innovative projects supported by industrial policy usually pursue three goals. The first is the creation of closed value chains within the domestic economy, at the output of which a competitive knowledge-intensive product shall be created. The second is the integration of domestic companies into global chains with the participation of foreign multinational companies. The third is the formation of transnational companies on the basis of domestic ones.

2. Cluster approach to building industrial policy. An industrial cluster is a group of geographically neighbors and integration-related companies operating in a particular field, competing with each other and at the same time complementing each other, which enhances the competitive advantages of individual companies and the cluster as a whole. Clusters are not an absolute innovation in economic practice, but only in the last decade have they become the object and instrument of state industrial policy. This approach allows us to realize the new role of the private sector, the state, trade associations, research and educational institutions, especially in terms of their participation in the innovation process. The cluster approach is not

only a means of achieving such goals of industrial policy as structural change, modernization of the economy, increasing its competitiveness, strengthening innovation, but also a powerful tool for regional development. It should be borne in mind that, while supporting the development of clusters within the framework of regional industrial policy, it is impossible to copy what is in other regions. Effective clusters are based on regional characteristics, which become sources of competitive advantage.

3. Private-Public Partnership (PPP). Cooperation between the state and the private sector has a long history, however, special attention is paid to the development of PPP in our country today. Perhaps the emergence of the two most important economic forces - the state and private business necessitates closer cooperation. Such trends in cooperation determine the development of the modern economy. In the theory of competitive advantage, traditional competition has been replaced by so-called co-competition, in the theory of economic power - more and more importance is attached to the justification of various alliances, partnerships, and so on. This situation has led to a very special quality of interaction between business and government, which is now called a partnership. It goes beyond the simple use by government agencies of the opportunities of entrepreneurs to achieve socially significant goals.

At the same time, it should be borne in mind that today a single definition, and consequently an understanding of the PPP, even in those countries where it is developing quite successfully, has not yet developed. In each country there is a certain specificity in the interpretation of this concept. The variety of types, forms and areas of application of the PPP make it a universal mechanism for solving a number of long-term challenges - from the creation and development of infrastructure to the development and adaptation of new promising technologies. But the basic provisions for the formation of the concept of partnership, its principles and characteristics, in relation to our country, can be formulated as follows:

- The concept of public-private partnership defines the development of contractual relations governing their cooperation for the provision of public services, the creation or modernization of infrastructure, the development of other areas affecting national interests.

- The basic principle of the PPP concept is that the state determines what services and infrastructure it needs, and private investors make proposals that should best meet the requirements of the state.

- The main feature of the PPP is participation in the public-private cooperation chain to create added value. The process of creating added value is largely focused on the degree of redistribution of tasks and risks between public and private partners. At the same time there is a synergetic potential of partnership due to acceptance by each partner of those tasks and responsibilities which it can provide with the best quality and efficiency.

It is necessary to emphasize one very important point, which must be taken into account when forming the concept of PPP development in our country. All over the world, relations between the state and private business did not develop spontaneously, but were inscribed in the general processes of decentralization of economic power. They conditioned the transfer of a number of public powers from the central to the local level, combined with the partial privatization of some functions of the state.

It is essential to clarify the fundamental provisions of the formation of the concept of PPP development is to clarify the contribution of partners. The main contribution of business is financial resources, professional experience, effective management, flexibility and efficiency in decision-making, the ability to innovate and so on. Participation of the business sector in joint projects is accompanied by the introduction of more efficient methods of work, improvement of equipment and technology, development of new forms of organization of production, establishment of effective cooperation with suppliers and contractors [4].

On the part of the state, PPP projects implement the authority of the owner, the ability to provide tax and other benefits, guarantees, as well as the ability to obtain certain amounts of financial resources. Within the framework of the PPP, the state gets a more favorable opportunity to perform its main functions of control, management of public interests. In addition, the inevitable business risks are redistributed towards business. The state retains the main levers of regulation and control, including tariff policy, safety control, environmental control, quality control of customer service.

The development of relations between the state and private business shall be characterized by the fact that they can be successfully implemented not only at the state level, but also extend to the lower levels of the public system - at the regional level and at the local level. This is due to the redistribution of financial flows in favor of specific areas, as well as the feasibility of expanding the range of individuals and organizations interested in implementing relevant programs.

Today, the implementation of projects involving the state and private business is primarily through government targeted programs, which are used as a mechanism of direct investment by the state. However, already in Ukraine there are opportunities for more effective development of PPP.

Conclusions. In addition to the noted models of the mechanism of industrial policy realization, it should be borne in mind that in today's world it is becoming increasingly important to pay attention to creating conditions for economic self-development mechanisms, increasing the importance of knowledge management and concepts of innovation as a central element of industrial policy. This approach allows to use the accumulated knowledge potential for the formation of the intellectual core of industry and its structure, which will be adequate to the technological, sectoral and institutional structures of developed countries. And this is an important condition for the demand for products in the domestic and world markets.

However, a necessary condition for the successful conduct of industrial policy is the high efficiency of the state itself, the availability of state bodies of the necessary set of tools for the implementation of industrial policy and a sufficient amount of financial resources. The current situation in our country allows the state to actively pursue industrial policy.

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