

THE "TRAP OF BACKWARDNESS" IN UKRAINE: THE PRE-WAR PERIOD AND THE OVERCOMING POSSIBILITIES

Olha Poliakova, Ukraine

Research Center for Industrial Problems of Development
of the National Academy of Sciences of Ukraine, Kharkiv
Sector of Macroeconomic Analysis and Forecasting
polya_o@ukr.net

Viktoriia Shlykova, Ukraine

Research Center for Industrial Problems of Development
of the National Academy of Sciences of Ukraine, Kharkiv
Sector of Macroeconomic Analysis and Forecasting
v.shlykova@ukr.net

ABSTRACT

The large-scale war deepened the trap of backwardness in Ukraine, which had been forming for a long period. The purpose of the study is to determine the structure of the backwardness trap in Ukraine and ways to overcome it. The structure of causality between the formation of the backwardness trap in Ukraine and pathological processes in the economy is developed, and the hierarchical structure of the backwardness trap is proposed. Based on the analysis of processes during the COVID-19 crisis, possible ways to overcome the trap of backwardness during the post-war reconstruction of Ukraine are identified.

Key words: trap of backwardness, pathological processes, Ukraine

АНОТАЦІЯ

Широкомасштабна війна поглибила пастку відсталості в Україні, яка формувалася протягом тривалого періоду. Метою дослідження є визначення структури пастки відсталості в Україні та шляхи її подолання. Розроблено структуру причинно-наслідкових зв'язків формування пастки відсталості в Україні з патологічними процесами в економіці, запропоновано ієрархічну структуру пастки відсталості. На основі аналізу процесів під час кризи COVID-19 виявлено можливі шляхи подолання пастки відсталості під час повоєнної відбудови України.

Ключові слова: пастка відсталості, патологічні процеси, Україна

INTRODUCTION. ВСТУП

At the beginning of the large-scale war the economy of Ukraine was in the trap of backwardness, which was characterized primarily by the inability to grow on the basis of new technologies. At the same time, the crisis caused by COVID-19 prompted the activation of processes that may be useful for overcoming this trap in the future, which determines the relevance of the research problem. Based on this, the purpose of the study was to determine the structure of the backwardness trap in Ukraine and ways to overcome it.

BASIC THEORETICAL AND PRACTICAL PROVISION. ОСНОВНІ ТЕОРЕТИЧНІ ТА ПРАКТИЧНІ ПОЛОЖЕННЯ

In the proposed structure of the backwardness trap, several contours of the positive feedback are distinguished, which determine the self-sustainability of the backwardness trap. The main such contours are:

- consumption contour;
- investment contour;
- innovative contour;
- institutional and investment contour.

These main contours intersect with each other in several elements, which leads to the strengthening of negative tendencies.

According to the theory of pathological processes developed by the RCIPD NAS of Ukraine, crisis phenomena in the country's economy are the result of the development of pathological processes in it [3]. The development and worsening of disparities, imbalances and contradictions deepens the trap of backwardness.

The low technology of existing production and the traditional export-orientation of certain industries lead to the predominance of raw material exports and import dependence of demand (both final and production). This causes an outflow of investments from industries that need modernization for the development of medium or high-tech exports to those in which exports are already established and the efficiency of investments is higher. Thus, a low level of investment and innovation is formed and the increase in the competitiveness of products in the framework of overcoming the trap of backwardness is inhibited.

The negative investment trends in the economy are caused by the lack of own and borrowed funds for development too.

The spread of pathological processes in the real sector of the economy of Ukraine occurs through various channels that form the substructures of the trap on lower level (fig. 1).

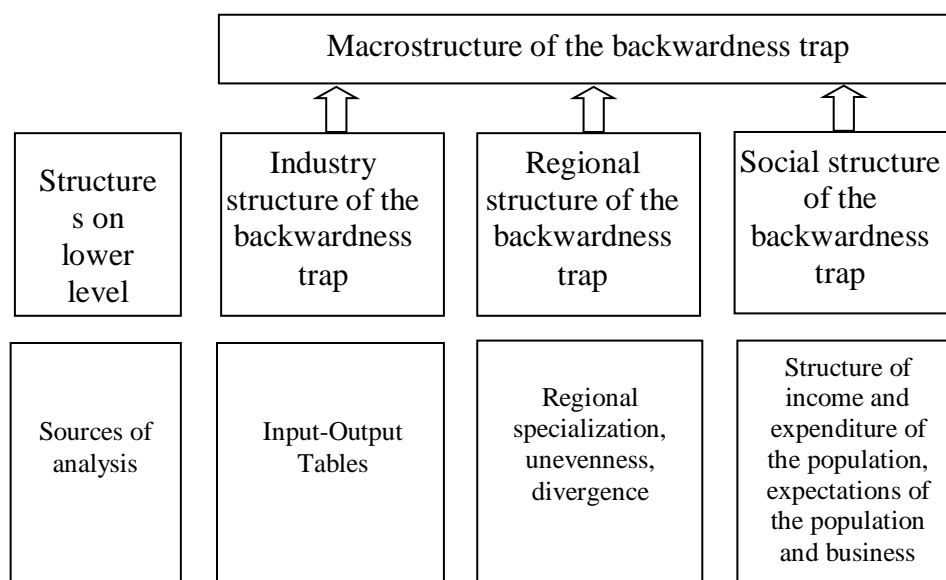


Figure 1. The hierarchy of the backwardness trap structure in Ukraine
Source: developed by the authors

Regional features of the development of certain types of economic activity are mostly determined by the resource potential of the region.

In turn, the disproportionality and heterogeneity of economic development leads to the heterogeneity of population employment, the emergence of large differences and gaps by income and social groups. The manifestation of this is the level of poverty, inequality, pessimistic attitudes of the population, social tension, which do not contribute to getting out of the trap of backwardness. Thus, a poverty trap is formed inside the backwardness trap, which deepens it.

Regional disparities and sectoral features also result in imbalances in the field of education and science, which provokes the migration of the most active part of the population and deepens existing social disparities.

RESEARCH RESULTS AND THEIR EVALUATION. РЕЗУЛЬТАТИ ДОСЛІДЖЕНЬ ТА ЇХ ОЦІНКА

In the situation at the end of 2021, the imbalances and disparities of Ukrainian real sector were in the worst condition.

Imbalances of demand and supply and the trade balance have developed for a long time because of the export or import orientation of the industry. Only agriculture and the food industry were located mainly in the zones of sustainable growth.

In all considered types of economic activity, with the exception of the extraction of non-energy minerals, the imbalance of savings and investments was in the pre-crisis zone, and for the vast majority, the adequacy of investments was also pre-crisis. At the same time, the debt load and creditworthiness were in the zone of sustainable growth, with the exception of the engineering industries, which were in the zone of unsustainable growth.

Thus, on the eve of 2022, the state of the real sector did not contribute to the search for ways or the implementation of any measures to get out of the trap of backwardness.

The military aggression against Ukraine fundamentally changed the conditions of the functioning of the economy in all spheres and in all directions. This also affected the resulting indicators of imbalances and disparities in the real sector of the economy.

The latest available data on the index of industrial production for 2022 [4] shows that none of the considered industries demonstrated even sustainable production. In general in 2022, the index of industrial production amounted to 63,1% by 2021.

Large-scale attacks on the energy sector of the country's economy, which took place in the fall and winter of 2022, led to the loss, according to rough estimates, of about 30% of the energy infrastructure, which led to massive planned and emergency blackouts.

According to traditional export positions for the economy of Ukraine, there was a sharp decline. Export volumes of ferrous metals, plants oils experienced the most significant decline.

Thus, the development of the real sector of Ukraine during at least the last decade was accompanied by the formation of significant continuous disparities and imbalances in the real sector. Particularly negative for getting out of the trap of backwardness are disproportions in the investment, which are in a pre-crisis state for almost all industries.

The raw material orientation of Ukrainian exports, together with the foreign trade imbalance in the industries of the largest export, led to a lack of incentives for technological renewal and innovative development in the real sector.

During the military aggression, all imbalances and disproportions worsened due to the drop in production, exports and deterioration of financial results. The investment imbalance cannot be corrected.

However, the COVID-19 pandemic has defined, at least in the short term, a new global order and paradigm that will define social, political, geopolitical and economic relations [2]. Let's consider the trends in certain spheres of activity that arose as a result of the pandemic and opened up additional opportunities for development in Ukraine and the world.

Digital technologies have proven to be promising organizational solutions, opening up new opportunities for managing the epidemiological process and increasing the adaptability of health care systems to increased workload.

Digital technologies have shown a powerful impact on the education system. The use of digital technologies in education was institutionalized, which changed the paradigm of the entire education system [1].

In recent years, the education system of Ukraine had to respond quickly and actively to the challenges posed not only by the pandemic of the COVID-19 virus, but also by war. Ultimately, the integration of digital technologies into teaching and learning has opened up significant potential for educational institutions [5].

Digital technologies are also affecting agricultural operations, they can revolutionize the way agriculture is conducted in developed countries, reducing dependence on pesticides and significantly reducing water consumption [1].

The global development of the economy is currently taking place as part of the transition to the industrial revolution, which has also received the name "Industry 4.0". This applies to a large extent to all sectors of the economy, including the agricultural sector. In order to remain competitive on foreign and domestic markets, agribusiness cannot stand aside from such changes and must adopt them [6].

The pandemic has created favorable conditions for the development of digital marketing. The role of online sales in the functioning of domestic and foreign enterprises in the pandemic has grown due to the reduction of offline sales [7]. The results of the marketing research in Ukraine at the end of 2020 show that 53,1% of respondents began to use the services of online stores more often this year. In 2020, 28,9% of respondents ordered a product for the first time via the Internet.

The EVO group of companies estimated the total amount of physical goods and services purchased by Ukrainians on the Internet in 2020 at 107 billion hryvnias, which is 41% more than in 2019. The number of online payments increased by at least 50% [8].

The volumes of postal and courier services demonstrated positive dynamics due to the growth of online shopping. In the period 2019-2021, about 80% of the volumes of postal and courier services provided were the services of the national post office [4], but now other companies are developing more actively.

CONCLUSION. ВИСНОВКИ

Thus, along with the catastrophic consequences of the COVID-19 crisis and military aggression for the country's economy, counteracting the two crises led to positive developments in increasing the level of digitalization of services, the development of remote work, remote, dual and informal education, online trade and targeted delivery of goods, expansion of the geographical boundaries of domestic markets and the production network of some enterprises, diversification of sales markets and suppliers. The loss of the old fixed assets opens up opportunities to restore the economy on new technological bases. Forced measures to restore the country's economy let us to overcome the trap not in a gradual, endogenous way, but by disaggregating the structure of the trap.

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