

Unofficial translation

**ADDRESS
OF THE PRESIDENT OF UKRAINE
TO THE VERKHOVNA RADA OF UKRAINE**

EUROPEAN CHOICE

**CONCEPTUAL GROUNDS OF THE STRATEGY OF ECONOMIC AND SOCIAL
DEVELOPMENT OF UKRAINE FOR 2002-2011**

KYIV 2002

INTRODUCTION

The last decade has turned out to be **crucial** in terms of its social/economic and political consequences. **Ukraine has established itself as an independent state.** However, the process of construction of our home has not come to an end yet. The task is to finally develop the constructed building in terms of new society – economic, social, political and humanitarian spheres, overcome deep deformations that came to life at the initial stage of transformation process.

We are speaking about practical **realization of long-term strategy goals that should provide sound foundations of Ukraine as a highly developed, social, democratic and rural state, ensure its integration into the global economic process as a country with competitive economy, capable to solve most complicated tasks of its development.** The next decade should become crucial in settlement of those very matters; otherwise, Ukraine may shift to the outskirts of global processes.

We should also take into account that the present tools of economic policy that was formed previously is not aimed at ensuring qualitative transformations – innovative development, renovation of manufacturing structure, overcoming deep differentiation of income etc. **Full-scale modernization of the national economy is simply impossible within the framework of the present model of development.** We need profound changes of the mechanism of transformation processes and their system-wide renovation – i.e. deliberate transition to institutional model of market transformations together with elements of effective state regulation.

At the previous stages of reforms we had evidenced a dismantling of the state/administrative system of management (through the mechanisms of liberalization). Now we're setting a new goal – **formation of a strong state, activation of its regulatory function simultaneously with conduct of such a policy that would not only preserve, but considerably strengthen market-oriented vector of development, provide it with more goal-orientation.**

Such accents of the new strategy completely keep within the general context of global development. Now the role and place of state in conduct of transformation processes are being revised everywhere. At the same time, we should take into account other aspects of this problem as well. It took several centuries for developed countries to pass along the way that Ukraine is to pass as soon as possible.

The experience of states that undertook profound transformations shows that real success of transformation processes is possible only when reforms and their results meet the interests and expectations of wide circles of population and therefore obtain sufficient social support. Thus, **during determination of the new strategy we need maximum political consensus, social consolidation and concord with regard to basic aims of this strategy and mechanisms of its realization.** This is also very important in terms of strengthening democratic institutions and consistent development of civic society.

Economic policy of any government and state as a whole has no future without reliance on such a long-term strategy that would take into account, on one hand, objective laws of social progress and, on the other hand – modern social/economic and geopolitical realities, at the same time availing itself of high trust and support of the people. In this regard, economic strategy for the next period should be maximally pragmatic, free from politization of ideological schemes and stereotypes.

It is extremely important to ensure **consistency of new strategy**, its organic connection to positive achievements of previous period, taking into account the fact that **the course of European integration is a natural result of Ukraine's state independence.** It crystallizes from the history of our nation, its mentality and democratic traditions, aspiration of the present generation to see its state as an inalienable component of united Europe. Ukraine's European choice is, at the same time, a movement to the standards of real democracy, information society,

socially-oriented market economy based on supremacy of law and ensuring rights and freedoms of human and citizen.

I. UKRAINE AND THE GLOBAL TENDENCIES OF SOCIAL/ECONOMIC DEVELOPMENT

1. Geopolitical orientation of modern civilization process is determined by its globalization, progressing increase of importance of humanitarian sphere, high information technologies, post-industrial principles of social development, increase of the role of intellectual capital and management, social and humanitarian factors of economic progress, establishment of priority of basics of sustained development promoting not only economic growth, but fair distribution of its results, expansion of people's possibilities and their enrichment as well.

2. Globalization opens for humanity huge possibilities of expansion of exchange of goods, services, information, technologies and capitals, cooperation in humanitarian sphere, spiritual enrichment of personality. At the same time, for a considerable part of humanity, globalization brings substantial threats, making for division of countries into "civilization center" and "peripheral zone", deepening their differentiation in terms of social/economic development.

3. The policy of so-called "overtaking modernization" used (since the 60's) by a considerable number of countries of Latin America, Asia and Africa that spread within the post-Soviet space, including Ukraine, in the 90's, has in fact demonstrated its lack of future. It has not promoted the solution of key problem of modern global process – ensuring sustained development and, on this basis, getting countries closer in terms of life level of population. Nowadays the humanity faces the situation when a considerable number of countries found themselves out of social and economic progress. The situation is worsened by the fact that the last decade saw expansion of poverty zone because of ex-USSR countries. Therefore, the major problem of the 21st century is to overcome global inequality.

All the above represents objective, harsh and not always predictable realities of the modern world that should be taken into account to the maximum extent possible. The world, as it has been before, recognizes only the strong, respects only those capable of self-assertion and protection of own freedom and values.

4. Profound essential contradictions of the present civilization process put forward special requirements to the long-term social/economic strategy of Ukraine. We should take into account the general vector of transformation process, provide it with modern civilized forms, find such ways and mechanisms of entry into the global economy that would allow maximum use of positive consequences of global development while minimizing economic and, especially, social hardships related to adaptation of the national economy to the patterns of global economic system.

5. In the course of determining the state strategy we should take into account the new geopolitical situation that began forming after unprecedented terrorist attacks of September 11. New types of threats and challenges call forth the necessity of establishment of a principally new model of world development and global security. Ukraine should take those processes into account, actively participate in formation of a mechanism of new international anti-terrorist policy.

6. We should also take into account the global tendency of transformation to multi-polar (polycentric) global community with interaction of states and their economies based on regional integration. In this regard, **Ukraine's clear and priority-driven orientation at the integration into the European Union, obtaining status of associated and later on full-ledged membership should be viewed as the basis of the strategy of economic and social development of our state for the next decade and further perspective.** As shows the experience of almost all EU applicant countries, this aim may become additional powerful incentive and catalyst of relevant social/economic and political transformations.

At the same time, priority of Ukraine's integration into the EU should not contradict other strategic goals of foreign policy and economy of the state. All they should be subdued to the strategic goal – the European integration. Development and deepening of mutually beneficial ties with Russia preserve their importance. Great importance will be attached to cooperation with the USA as well. Relations with countries of CIS, Central and South-Eastern Europe and other regions of the world will be actively developing.

II. PRINCIPAL RESULTS OF ECONOMIC AND SOCIAL TRANSFORMATIONS (1991-2001)

1. The period between 1991 and 2001 was marked by **profound change of social/economic relations, establishment of principally new economy**. As a matter of fact, its crucial attributes – financial, monetary, budget, banking, custom and other systems that generally determine economic infrastructure of an independent state – were created from scratch. **The principal foundations of command economy were dismantled** during those years. The breakthrough was especially sensible with regard to reforms of property relations. Now more than 75% of total industrial output is manufactured by non-state enterprises. The process of privatization of construction and transport industries has taken place; trade enterprises are developing on private basis.

Principal, cardinal changes have taken place in the country with active implementation of goals of land reform initiated back in 1994. In its course, 6,400,000 peasants obtained 26,500,000 hectares of agricultural lands free of charge. Another 6,200,000 hectares were given to private hands for private, auxiliary and adjoining farming. Almost all agricultural production is manufactured privately. This most complicated step in the complex of market transformations profoundly changes the system of economic relations not only in the country, but in the whole state as well.

During the 90's **the principal framework of market infrastructure and institutions were formed; foundations of relevant legislative base were approved**. Important steps were taken to liberalize economic ties, in particular, pricing mechanism, monetary and currency markets, markets of goods and services. Those steps resulted in overcoming chronic lack of goods, endless queues that were inalienable attribute of everyday life of every family in the course of 70 years. The character of behaviour of business entities is changing; it becomes increasingly oriented at solvent demand, market opportunities and maximizing of profit.

Economic functions of the state have been profoundly changed. Instead of the system of directive management, new instruments of state macroeconomic regulation have been formed.

Nowadays Ukraine's economy, contrary to systematic closeness natural to the previous period, is generally open. We have a stable national convertible currency and laws regulating foreign economic activities that recently are getting increasingly closer to WTO standards and requirements.

2. The above provides grounds for the following principal conclusion: despite the problems and difficulties **in the course of decade of reforms a fundament of market economy was formed in almost all spheres of Ukraine's economy and a critical mass of market changes has been accumulated**. This opens real perspective of dynamic growth and qualitative growth of national economy, increase of life level of the people. The confidence that there is no alternative to the chosen way of economic reforms is growing within the society.

3. **Overcoming the long-term destructive economic crisis**, rooted in the soviet times, represents an important outcome of the previous stage. During the crisis (1990-1999) GDP shrunk by 59.2%, industrial output – by 48.9%, agricultural output – by 51.5%. Real salary decreased by 3.82 times. The most painful losses took place in the initial stage of transition period – in 1991-1994. during those years GDP decreased by 45.6%, industrial output – by 40.4%, agricultural output – by 32.5%. Monetary and financial systems were completely

unbalanced. The consequences of largest in the world inflation, that amounted to 10,256% in 1993, proved especially painful. State budget deficit was covered by NBU's monetary emission.

It took five years of hard work to gradually bring the Ukrainian economy out of this catastrophic condition. The conducted policy resulted in high rate of economic growth, stability of the national currency, positive changes in population's life support, gradual increase of welfare witnessed in the last two years. **In terms of growth of economic figures in 2000-2001, Ukraine entered the group of world's leading countries.**

4. Transition from command economy that went bankrupt to market economy could not but entail deep decrease of manufacturing output – which was mostly noncompetitive and inefficient. At the same time, we should take into account the complexity of organic combination of realization of system transformation and settlement of the whole complex of problems related to establishment of statehood. **Because of specifics of economic, social/political, humanitarian and ecologic factors, establishment and strengthening of Ukraine's state sovereignty proved more complicated than it seemed earlier.**

We should admit that expectations of foreign assistance were exaggerated. In addition, financial/credit support of the Ukrainian reforms was accompanied by terms and requirements that often were far (and are often far nowadays) from adequate objective conditions and specifics of transformation processes undertaken.

Lack not only of practical experience, but also of theoretical comprehension of the ways of transition from command economy to market one, became apparent. Often, recommendations of international financial institutions and foreign experts were inadequate, because they did not take into account the specificity of our state and came to application of artificial standard stereotypes, representing mechanical calque of someone's experience. We perceived those recommendations uncritically. This took place because of inexperience of personnel, more precisely – cadre hunger that was especially evident at the beginning of reforms. Hence are numerous mistakes and miscalculations, uncertainty in managerial decision making. They are quite natural. It was extremely difficult or simply impossible to avoid them.

5. Economic crisis and controversies of previous stage of reforms have yet another foundation. Life requires unbiased evaluation of transformational model formed in the first years of transformations. It was virtually impossible to change its direction during the deep economic crisis that itself deforms social/economic and political relations. In terms of economic essence and direction this was a model based on simplified principles of market transformation, recommended from outside, that was mostly implemented throughout many decades in Latin America and Africa without results (or with low efficiency).

The need for critical revision of transformation model with relevant correction of the vector of social transformation came up not only for Ukraine but for other post-soviet countries as well. This model, in fact, came to the logic of one-sided economism without taking into account priorities of institutional transformations, the need for strengthening of capability of the state in the course of reforms, interconnection of economic and non-economic factors of social development, economy and society in general. Hence, a considerable share of existing problems was born by misbalance of economic, social and political factors of social transformations.

6. The introduced model of market transformation did not have necessary social orientation. *"Reforms first, then realization of social development tasks"* formula, chosen at the start of transformation period, turned out not simply wrong, but deeply destructive. In practice, it came to reforms at the expense of social losses. In many cases, even the social values that once were borrowed by the western countries and integrated into the modern civilization processes, were often taken down. Accordingly, economic processes did not promote achievement of determinant goal of transformation process – establishment of middle class as the mainstay of democracy, social and political stabilization within the society and economic progress. There was no establishment of a principally new social infrastructure adapted to market economy. Reforms did not promote overcoming of poverty and deep social division of population that

greatly exceeds relevant figures of developed countries and does not promote establishment of a reliable social and political stability within the society.

7. The fallacy of model of market transformation chosen at the beginning of reforms lay (as it's becoming apparent now) in assessment of Ukraine as a country underdeveloped not only from economic, but from scientific/technological point of view as well, with all inevitable consequences. This erroneous position did not allow us to create necessary conditions for augmenting and strengthening intellectual potential of the society, innovative development of economy, implementation of new high technologies, overcoming structural deformations inherited from command economy. Ultimately, economic dynamics did not gain modern post-industrial orientation that could become a basis of transformation process. In fact, we started moving in the opposite direction – dismantling relevant development potential, introducing standards of countries that now specialize in serving the needs of industrial countries.

8. Because of the mistakes made, first of all, because of low efficiency of the state, establishment of market relations entailed deep deformation processes. Uncivilized forms of capital accumulation and considerable contradictions of privatization process spread, levels of shadowing of economy, corruption, economic crimes, non-banking money turnover grew. Most dangerous are strengthening of positions of oligarch capital, its inosculation with state bureaucracy and tendencies of subduing economy and the state as a whole to corporate interests.

Those and other factors should not be underestimated. Not only they distort the economic system, discredit the policy of reforms, prevent formation of favorable investment climate, but also considerably limit Ukraine's possibilities of integration into the modern civilization process, establishment of high standards of the European Union. We should find political will, intellectual and other resources to overcome such threatening developments.

III. STRATEGIC PRIORITIES

Goals and tasks of new stage of Ukraine's development are much more complicated and wider than those solved in the previous years. This should be a period of **deep qualitative transformations** in all spheres of social life – economic, social, political and spiritual. The most important economic tasks of this stage may be concretized the following way:

Creation of preconditions for Ukraine's full-fledged EU membership

Creation of real preconditions for solving of the main geopolitical task of our state – Ukraine's accession to the European Union – should become the foundation of strategy of economic and social development for the next decade.

We have already completed a certain part of this journey. The Partnership and Cooperation Agreement between Ukraine and the European Union was ratified and entered into force in 1998. The Strategy and the Program of Ukraine's Integration into the EU were approved by Presidential Decrees in 1998 and 2000, respectively. Approval by the European Council of EU's Joint Strategy Towards Ukraine in December 1999 was important for establishment of relations between our state and the European Union. The Fifth EU-Ukraine Summit (Yalta, September 2001) and approval of EU's Action Plan in the Fields of Justice and Home Affairs (December 12, 2001) became principal steps in strengthening and development of strategic partnership.

Such consistent work moves out the whole complex of Ukraine-EU relations **into the field of complex realization of tasks of accession of our country to the EU**. All institutional transformations, policy of economic, social and humanitarian reforms should be aimed at this. We are speaking about such a complex of system transformations that would allow our state to apply for EU associated membership by the end of 2007 and create real (internal) preconditions for Ukraine's accession to the EU by 2011.

Ensuring stable economic growth

Realization of tasks of economic integration depends on progress in the main sphere – **ensuring stable growth and accelerated overcoming of the gap in GDP volumes per capita among Ukraine and EU Member States on this basis.** Recently, this gap grew considerably and now it is several times larger than this of Poland, Czech Republic and Hungary, which are on the verge of EU accession.

In such a situation, we need to **implement a strategy of advanced development** that would ensure annual GDP growth figures in Ukraine that would be 1.5-2 times higher than those of EU states. Such growth should be accompanied by profound qualitative transformations, implementation of stable development tasks that are determined by the global community as a strategy of existence in the 21st century.

Establishment of innovative model of development

Ukraine will be able to take up a proper place in Europe and the world if it **masters innovative way of development, foundations of which should be laid down during the structural transformation of economy.** Only this way we will be able to change raw-material-oriented vector of economic processes that forms itself now spontaneously.

Thus, the foundation of strategic course, its basic principle should be implementation of state policy aimed at introduction of innovative model of structural reconstruction and economic growth, **establishment of Ukraine as a high-technology state.** The present intellectual and scientific/technical potential allows us to count on this. Together with the tasks of European integration, this goal could form a basis not only of state economic strategy, but of political consolidation of the nation as well.

Social re-orientation of economic policy

In the social sphere, our main goal should be goal-oriented **providing reliable perquisites for realization of rights and freedoms of citizens in all forms, establishment of middle class – the basis of political stability and democratization of the society, considerable limitation of threatening differentiation of income of population and elimination of poverty.** We are speaking not only about considerable strengthening of the course of reforms, but also about turning the social factor into an important instrument of acceleration of economic growth, strengthening concord and understanding within the society. Creation of socially oriented market economy of European type in Ukraine represents a decisive factor of increase of social attractiveness of reforms, ensuring broad public support of them and establishment of modern European standards of life quality.

IV. STAGES OF SOCIAL/ECONOMIC TRANSFORMATIONS AND QUANTITATIVE PARAMETERS OF GROWTH

Achievement of goals of Ukraine's European integration, establishment of socially oriented structural/innovative way of development may be conducted only step-by-step.

2002-2004. The first stage. Its main goal is to strengthen competitiveness of the national economy, create favorable conditions for accumulation of investment resources, considerably expand domestic demand and establish reliable stabilization and sustained growth on this basis.

We should take into account that extensive factors that provided economic growth in 2000-2001 (use of deep devaluation of hryvnya in 1997-1999, loading manufacturing capacities that stood idle during the economic crisis, favorable foreign economic conjuncture) are mostly exhausted. In order to prevent new fall of output, we need effective state policy (executive and legislative branches of power) that should provide in 2002-2004 stable annual GDP growth no

less than 5-6%, fixed capital investments no less than 10-12%, inflation – 7-9%, real income of population – 6-7%. During this period, we need to complete formation of basic institutions of market economy and create environment of healthy and effective competition.

In the social sphere, decreasing level of poverty and lowering differentiation of income of population because of strengthening addressness of social support, stimulating advanced rate of growth of salary, represent our main goals. At the same time, the life of people may be considerably improved only if real economy successfully functions and develops.

2005-2011. The second stage. This includes a complex of modernization of enterprises, establishment of principles and mechanisms of structural/innovative model of development and formation of basic grounds of socially oriented market economy. During those years, it is necessary to increase annual GDP growth rate up to 6-6.5%. At the same time, fixed capital investments growth rate should remain high (up to 10-12%). Annual inflation should be lowered to 3-5%. High level of growth of real income of population should remain at 6.5-7% annually.

These forecasts of first and second stages of economic dynamics characterize optimistic variant of development of the Ukrainian economy. According to this scenario, Ukraine will have favorable preconditions for development in the long-term perspective as well.

V. INSTITUTIONAL CHANGES

The new strategy of economic and social development stipulates for **creation of institutional environment that, on one hand, would stimulate business activities, economic growth based on structural/innovative transformations, establishment of modern social infrastructure and mechanisms of social/market economy, and, on the other hand, would promote overcoming controversies between economy and society.** We are speaking about consistent policy of deep democratization of economic processes, establishment of full-fledged institutions of market economy and civil society. At the same time, the strategy of institutional changes should be agreed with the criteria of EU membership established by the European Council (the Copenhagen criteria), which stipulate for:

- Stability of laws and institutional structures that guarantee democracy, supremacy of the law, human rights, respect and protection of rights of national minorities;
- Working market economy and capability to withstand competition and market forces within the EU;
- Ability to undertake obligations resulting from EU membership including recognition of goals of political, economic and currency union.

Increasing capability of the state

During the process of deepening of the reforms, it is **necessary to overcome artificial contraposition of state and market.** We should proceed from the fact that the state represents the main subject of economic growth policy, further democratization of society and deepening of integration processes. Hence is the objective need for considerable strengthening of its capability. At the same time, we should **eliminate its excessive interference into the spheres where should be no such interference.** The logic of work in this direction should be as follows: **not supplanting of already formed market mechanisms, but their supplementing, improvement, strengthening, improvement of effectiveness and efficiency.**

1. At the new stage of development, the decisive task of the state is to create favorable institutional prerequisites for realization of goals of European integration and establishment of socially oriented structural/innovative model of development in Ukraine.

2. **Promotion** (using all present instruments, financial and organizational resources) of **maximal realization of competitive advantages of the Ukrainian economy, strengthening and development of, primarily, science intensive branches of industry that today demonstrate high technology level and competitiveness, thus – readiness to become**

"locomotives" of high-technological growth. Support of such enterprises, creation of maximally favorable conditions for work of national companies within open competitive environment represents the most important task of economic policy of the state.

3. The new strategy of economic and social growth should be **based on national priorities, indicative planning and forecasting.** The state should avert spontaneous changes of market conjuncture, provide sufficient level of own economic security, in particular, reliable stability of monetary/financial environment, regulate basic macroeconomic reproduction proportions.

The system of state statistics requires active development according to the provisions of normative documents of the European Union regarding statistical registration and application of unified statistical methodology of the EU.

4. The need for strengthening of state's regulatory function is connected with the necessity of considerable **strengthening of its influence on development of the social sphere**, processes of change of social structure of the society, overcoming deep differentiation of income and strengthening of positions of the middle class. The state must become a reliable guarantor of constitutional rights and freedoms of citizens.

5. **Ensuring ecological security** as one of inalienable components of national security in general, represents one of principally important functions of the state. The main goal of ecological policy of the state should become drafting and realization of a strategy of rational nature management to ensure sustainable economic and social development.

6. The perspectives of increase of regulatory function of the state should be evaluated in the aspect of yet another key task as well – [I mean] **deepening market transformation of the economy**, creation of necessary legislative base and infrastructure, training of personnel able to work in qualitatively new conditions and overcoming of deformations that took place earlier. We are speaking about promotion of such market economy, in which economic motivation would be based on business interest, and businessmen would become its main driving force.

New stage of administrative reform. Constitutional and judicial reforms

Completion of administrative reform occupies an important place within the complex of tasks, on which depends increase of capability of the state. At the same time, it represents one of crucial factors of ensuring institutional capability of integration of Ukraine into the EU. Previously, attention was focused on dismantling totalitarian system of management and establishment of a system of state regulation that would be adequate to the features of transformation processes. This system cannot be considered structurally completed yet. For a long time it has been and still remains dualistic, eclectically uniting the institutions inherited from the soviet times and new structures that were formed during the years of independence. Now the structural **incompleteness of administrative reform has become the major obstacle on the way of deepening of social/economic and political transformations.**

1. **Creation of effective system of state management that would meet the standards of democratic jural state with socially oriented market economy** represents the main goal of the new stage of administrative reform. This system should be transparent, ensuring supremacy of law, steadfast adherence to constitutional human rights and freedoms, ensuring working mechanisms of civil control of activities of legislative and executive branches of power. In broad sense, we are speaking about subordination of the logic of administrative transformations to the main goals of establishment of civil society in Ukraine. From those very positions, every step and every stage of administrative reform should be evaluated.

2. **Constitutional reform** is an important task of the following period. Together with administrative reform, it should remove the present misbalance among the three branches of power – legislative, executive and judiciary – and ensure their effective cooperation. The

constitutional reform should be based on the implementation of the results of all-Ukrainian referendum (2000).

3. In 2002-2004 **the main principles of judiciary reform should be implemented**. It should not come only to improvement of work of courts and judges, but also promote creation of conditions for improvement of protection of rights and freedoms of human and citizen in broad sense. In order to achieve this, **we need systematic connection and interaction among judiciary, legislative and executive branches of state power**.

4. We need to make **new steps in formation of effective system of executive power** both at the central and local levels. The main goal is to establish such mechanisms that would ensure effectiveness of managerial decisions, division and balancing of authorities and responsibilities of various levels of power and local self-government in the field of state and public services.

5. **Delegation of managerial functions top-down and comprehensive development of local self-government** represent an important direction of new stage of administrative reform. This should be organically approved and connected with administrative/territorial reform to be conducted in 2005-2010.

6. The scope and complexity of the above-mentioned tasks require accelerated formation **and renewal of managerial elite**, involvement of energetic, competent and enterprising personnel of new generation at all levels. In 2002-2004 it is necessary to reform the system of public service and improve the practice of selection, training, re-training and professional development of personnel, improve social and political protection of civil servants, increase public prestige of civil service.

Overcoming corruption and shadowing of economy

Concentration of efforts of all branches and bodies of power and local self-government on the complex of radical economic, legal, organizational and force measures aimed at **decisive limitation of corruption and shadow economic activities** represents one of decisive goals of state policy at the present stage.

We should realize the danger of merging shadow capital with state apparatus, growth of corruption, strengthening of influence of shadow capital on various spheres of public life.

We need an integral intelligent system of actions to eliminate the reasons and prerequisites of these occurrences and processes. At that, we should not use force measures alone – they may have only temporary effect.

The strategic goal is to decrease the level of shadowing of economy considerably by legalization of shadow capitals, forcing them to work for economic growth and increase of national wealth. Creation of favorable climate for development of entrepreneurship, division of power, property and finances, ensuring stability, completeness and coordination of legislative base represent the necessary prerequisites of this. Business entities should have all possibilities for independent legal profitable activities, planning and forecasting the prospects of their development.

In the same context, it is necessary to broaden international cooperation that would prevent use of financial systems for laundering of proceeds from crime.

De-bureaucratization of economy

De-bureaucratization of economy, development and stimulation of business initiative, ensuring real economic freedom represent a pressing requirement of times.

1. Governmental activities in this field should be aimed at **narrowing administrative regulation**, improvement of the mechanisms of registration of business activities and control functions of state authorities, increasing responsibility of public servants for the decisions made and their consequences. The problem of limitation of agential and regional law-making is actual.

At the same time, de-bureaucratization of economy should promote formation of civic/legal institutions and organizations of self-government that would monitor quality and safety of goods, works and services within the consumer market, reform the systems of standardization and certification in accordance with the European norms, improve laws on consumer protection.

2. An important role in overcoming bureaucratization of state apparatus is played by ensuring stable, transparent and clear economic and social policy of the state, introduction of open consultations by executive authorities of representatives of business entities, establishment of cooperation among authorities, mass media and public institutions, distribution of objective knowledge about economic situation in the state, conjuncture processes, legislative and normative base etc.

***Institutionalization of market mechanisms.
Formation of effective competitive environment***

Establishment of a critical mass of market transformations in the economy stipulates for **comprehensive improvement of already working market mechanisms**. This process should be permanent and uninterrupted, coordinated with the needs of business activities. The following factors are most important during the new stage of market reforms:

1. **Development of competition**, strengthening of its influence on pricing, strengthening of state regulation of subjects of natural monopolies, increase of transparency of their activities at the markets of energy carriers, agriculture, transportation, communications, public utilities, placement of state orders, centralized investments etc. The needs for withdrawal of privileges and preferences to certain subjects of business, making the conditions of competition equal at regional and local levels, improvement of legal mechanisms of conscientious competition are becoming more actual. The foundation of investment attractiveness of economy and main factor of its stability are the capability of the state not only to determine, but to guarantee common "rules of game" for all business subject and conduct capable competitive policy.

2. **Deepening of liberalization of all spheres of economic activities according to EU criteria**. Such approach does not contradict the logic of strengthening of state's capability; on the contrary, it organically connects with it. Deep and comprehensive liberalization should become the foundation of investment attractiveness of the Ukrainian economy, its democratization and systematic sanitation. **Transition to more liberal model of economic development should determine the main way of market reforms in the next decade.**

***Improvement of property relations.
Strengthening positions of private property and establishment of corporate management***

1. The key tasks include **improvement of property relations**, ensuring the necessary legal and political support and reliable protection of private property rights that is establishing its positions, creation of favorable conditions for accumulation of national capital, strengthening its competitive positions, formation of effective owner at privatized enterprises. If in the previous decade the main accents in this sphere were made on quantitative transformations, then now, when the critical mass of private property has been formed, provision of real guarantees of its inviolability is brought to the forefront. This includes, inter alia, creation and ensuring effective functioning of the state system of registration of rights of immovable property.

2. **Considerable improvement of corporate management mechanisms**, realization and democratization of stockholder property, improvement of legislation and judicial practice with regard to providing stockholders' rights, first of all, minor ones, represent several of main goals of the next decade.

We need more goal-oriented and effective efforts of the state to protect and realize property rights of citizens, ensure inviolability of their property rights of residence, land plots, stocks and bank deposits.

The state must provide all preconditions for **strengthening of positions of property of consumer's co-operation** that has changed its nature, adapted to market and is preserving its niche in the qualitatively new economic situation.

3. Establishment of modern legal and organizational mechanisms of **protection of intellectual property rights** in 2002-2003 represents one of priorities of institutional policy. It is necessary to promote its commercialization and ensure protection of intellectual property from unfair competition, illegal alienation, fraud and infringement of other rights in the spheres of manufacturing, science, literature and art.

4. It is necessary to increase substantially the effectiveness of work of state enterprises and **use of state corporate rights**. **The state sector of economy should work on the basis of market motivation and profitability**. The government and local executive authorities should optimize volumes and structure of state sector of economy, introduce effective principles of their management, and increase control of financial/business activities of enterprises with a share of state property.

At the same time, it is necessary to proceed from the need for active continuation of privatization, taking into account the decrease of state sector share in the next decade to 8-10%. Further deepening of privatization process, preferences to its investment component, increase of transparency and openness for investors would promote more intensive inflow of capital.

5. The strategy of economic growth and deep technical refit of manufacturing, together with structural reconstruction of the economy, require **concentration and centralization of the national capital**, formation of powerful manufacturing complexes – national and multinational corporations, financial/industrial groups, holdings and creation of a developed network of subsidiaries and small enterprises around them.

State support of small enterprises

The next decade should become a **period of considerable strengthening of positions of small enterprises** that occupy a special place within the economic system; they play important role in increase of productive employment of population and lowering social strain, ensuring economic stability and innovative growth, creation of perquisites for establishment of middle class. The state should ensure stable normative/legal acts for creation and functioning of small enterprises, establishment of effective system of its protection and insurance, regulating taxation mechanisms, accounting and book-keeping, investments and credit servicing, venture financing and leasing, formation of the market of information, consultative, scientific/technological and educational services for small enterprises. The subjects of small entrepreneurship should be safely protected by the state from criminal racket and bureaucratic pressure.

Development of bankruptcy institute and protection of rights of creditors

The mechanism of renewal of solvency of debtor and bankruptcy should become a key one during settlement of issues of indebtedness and financial sanitation of an enterprise, preservation of workplaces and manufacturing potential. Restructuring and elimination of hopeless debtor enterprises this way will promote distribution of resources in favor of viable enterprises.

The task is to form a legal environment that would **effectively protect creditors and owners** (investors) from risks of loss of control over property due to unfair application of bankruptcy procedures. The state should activate its participation in the procedures of bankruptcy of those enterprises, which belong to the state, form a town, have strategic importance for economy and national security, are ecologically dangerous or form natural monopoly, in order to restore their solvency or effectively liquidate them. At the same time, it is necessary to activate the efforts of law enforcement agencies to detect crimes related to fictitious bankruptcies and prevent them.

V. STRATEGY OF MACROECONOMIC POLICY

The main goal of the strategy of macroeconomic policy is to provide conditions for a stable long-term growth that would promote structural/innovative and social reorientation of economy, formation of favorable investment environment. This requires **preservation of the principle of priority of macroeconomic stabilization**. We also need to take into account the feedback – dependency of macroeconomic balance on results of the policy of economic growth. The experience of previous decade shows that reliable financial/budgetary and monetary stabilization is impossible without a stable real sector of the economy; otherwise it may be only short-lived.

Transformation of budgetary resources into a factor of effective socially oriented economic growth.

Lowering tax burden

1. Ensuring reorientation of budgetary mechanism, turning it into an effective tool of socially/economic strategy represents one of key tasks of the Government. Chronic imbalance and low efficiency of state funds, which exist during economic growth as well, are caused by systematic mistakes of budgetary policy and its purely fiscal orientation.

2. The logic of formation of state finances used until now by the Cabinet of Ministers and the Verkhovna Rada requires changes as well. We should proceed from the fact that **primary strengthening finances of business entities, other legal entities and households represents the basis of solving social problems of the state and the main prerequisite of social and structural/innovative reorientation of the economy**. The practice of previous years has proved that any actions of legal, economic or administrative character or actions of "concord" will not bring desirable results without this.

3. We need closer coordination of our national tax legislation with that of the European Union. **We should decisively lower tax burden, increase protection of taxpayers, maximally simplify taxation procedure, introduce tax incentives of innovative activity and capital accumulation**. At the same time, strict control of use of state funds that would comply with the principles and norms of financial control within EU countries, should be introduced.

Limitation of public debts

1. Successful settlement of the whole complex of tasks of economic and social strategy greatly depends on further **limitation of debt dependency of the state, especially of foreign one**. At that, adherence to zero-deficit state budget principle becomes crucial in the next decade. At the same time, the Government together with the Verkhovna Rada and the NBU should elaborate coordinated strategy of the state with regard to foreign loans. It is necessary to prohibit by the law use of such loans for funding of day-to-day budgetary expenses, stipulate for change of relations with the IMF after the end of Extended Funding Program, limiting it to consultative agreements only.

2. It is necessary to make additional steps aimed at ensuring reliable balance of currency market, **considerable growth of gold and foreign exchange reserves of the state**, improvement of the structure of the balance of payment and foreign trade, creation of conditions for return of national capital from abroad, promotion of direct foreign investments, including those into privatization objects, establishment of effective system of insurance from investment risks etc. It is important to provide maximum transparency of the field of management of state debt, establishment of mechanisms that would render its criminalization impossible.

Increase of reliability of monetary stabilization

1. The experience of reforms reaffirms that the recent policy of monetary stabilization was correct, and convinces of the need for its extension into the next period. **A strong currency should become determinant attribute of the national market, weighty factor of its investment attractiveness, capable mean of increase of competitiveness of national manufacturer and modernization of the economy, stop of capital outflow, preservation and accumulation of income of population.**

2. The currency policy needs further improvement. Starting from 2003, there should be a policy of floating rate that is determined by interaction of market factors free from administrative limitations. Such currency regime balances real demand on foreign currency and its proposal, countervails trade balance and promotes economic growth.

3. In long-term prospective, monetary/credit and currency policy should be determined by the need for **establishment of close currency cooperation with the European Central Bank and gradual introduction of accession criteria for joining the EU Currency Union.**

VII. STRATEGY OF DEVELOPMENT OF DOMESTIC MARKET AND REAL SECTOR OF ECONOMY

Establishment of internal market, which, in fact, did not exist when Ukraine was a part of united economy of the USSR, represents an important result of the previous stage of reforms. In 1990 only 17.9% of all goods manufactured in our republic were consumed domestically. In 2001 77% of all goods sold in retail shops were domestically made (including 93.7% of foodstuff and 62.2% of nonfoods).

At the same time, quantitative and qualitative parameters of domestic market do not meet the requirements of economic growth policy yet. The Ukrainian economy remains oriented at priority servicing of external demand, thereby becoming too vulnerable and dependant on global economic conjuncture, almost excluding possibilities for sustainable development. Here we can see the results of large share of export of intermediate consummation with low value added.

Removing those and other shortcomings represents urgent task of the Government together with realization of a combined model of economic growth with balance of its internal and external components with advanced growth of domestic consummation and increase of its share within GDP structure. We should take into account that Ukraine has a possibility of increase of manufacturing of high-technology production because of broad implementation of innovations, ecologically clean and alternative technologies, basing on own scientific/technical and cadre potential, on capabilities of the national industry, deepening its cooperation with industries of other countries and development of joint enterprises together with foreign investors.

Mechanisms of protection of domestic market

1. Within the context of new strategy, the need for **broader introduction of generally accepted international mechanisms of protection of domestic market and regulation of foreign economic activity** is evident. This relates, primarily, to ensuring foreign trade regime aimed at creation of equal conditions of business for national and foreign manufacturers and their effective protection from unfair competition.

2. It is necessary **to ensure effective import policy with use of WTO procedures.** Rates of import duties and excise duties, standard and technical regulations, mechanisms of quoting and import licensing etc. must be applied according to the rules and obligations that Ukraine undertook during the process of accession to this Organization.

Modernization of industry

1. Ukraine belongs to industrially developed countries of the world; it has one of the biggest and diversified industrial complexes in Europe. The branches of industry include basic branches – ferrous and non-ferrous metallurgy, chemistry and petrochemistry, machine- and instrument-making, light and processing industries. High-technology industries include aerospace, shipbuilding, military industry, heavy and agricultural machine building, machine tool industry, electrical, instrument-making, communication equipment, informatics and complicated equipment, medical equipment, radio, electronics, car manufacturing and others. Their arsenal includes all known basic technologies used in global industry – related to material manufacturing, processing, stocking up, metal processing, thermal, assembly, plating etc.

Commercial manufacturing of principally new models of AN-70, AN-140, AN-38 and other types of aircraft that are rightly considered most promising models of the 21st century, realization of unique international Sea Launch and Global Star programs with use of national Zenith and Cyclone launch vehicles, are convincing proofs of high-technology and competitive capabilities of the Ukrainian industry. Ukraine possesses knowledge of 17 out of 22 basic technologies of the space industry. In industrial complex alone there are 500 construction/technology and scientific organizations with more than 65.000 scientific staff; 7.700 of them are candidates and doctors of science. Applied science actively interacts with the scientific organizations of the National Academy of Science of Ukraine and the Ministry of Education and Science.

2. The previous years should be viewed not only as a period of deep economic crisis, but as a period of structural and technological upgrade of existing enterprises, deep reforms of property relations, change of management, establishment of new systematic, including horizontal, ties, growth of industrial, trade and financial capital, development of new industrial markets and adaptation to the conditions of market conjuncture as well. This process is still incomplete, but **a considerable number of the Ukrainian enterprises overcome the crisis, while preserving quite weighty competitive potential.** This is shown, inter alia, by the dynamics of growth of output in high-technology branches and rates of growth of export of their production in the last two years.

3. The most vulnerable place of the Ukrainian economy is the structure of industrial complex. Its deformation, high level of monopolization of manufacturing are inherited from previous administrative system. During the years of reforms, the situation not only became better, but became even more complicated. From 1991 to 2000 the share of fuel and resource industries grew from 17.3% to 59.2%, or in 3.42 times, while the share of machine-building and metal processing shrunk almost twice – from 26.3% to 13.2% and the share of socially oriented industries (light, food) more than 1.9 times – from 36.7% to 19%. Radical change of those very unfavorable disproportions represents one of crucial tasks of industrial policy of the state that should become the main instrument of mobilization and concentration of resource and institutional factors of increase of competitiveness and structural/innovative renovation of the Ukrainian economy, increase of its social orientation.

4. Modernization of industry should unite instruments of effective state regulation and market mechanisms of self-regulation, orient itself at achievement of high level of employment, maximum realization of own investment capabilities and broadest involvement of foreign capital and high technologies possible. The main mechanisms of modernization should be:

- deepening of institutional transformations aimed at formation of dynamic and competitive private sector within the industrial complex, improvement of the system of corporate management;
- improvement of forecasting and state programming, realization of state purpose-oriented programs;
- active protection of interests of domestic manufacturers at domestic and external markets;

- fiscal (tax) stimulation of innovation and export of high-tech production;
 - application of favorable customs regimes of import of technological equipment;
 - development of mechanisms of state long-term crediting;
 - improvement of system of state orders and purchases;
 - maximum utilization of investment instruments of privatization;
 - state promotion of financial leasing development;
 - application of additional incentives for the development of small and medium businesses, venture investment (including external one);
 - promotion of comprehensive development of joint and foreign enterprises, production of cooperation with enterprises of the EU member states, Russia and other states in technological renovation of the leading branches of the Ukrainian economy.
5. Priorities of the policy for industrial modernization should be the following:
- state promotion of the development of science intensive industries and branches which are based on use of information and communication technology;
 - development of manufacturing of products and systems of machines which will ensure introduction of energy and resource saving technology, complex technical and technological re-equipment of production, mass replacement and re-equipment of major funds;
 - manufacturing of import-replacing production;
 - mastering of system of machines for the development of agroindustrial complex;
 - extension of export base, including that of high technology and goods with high processing level;
 - closure, sanitation and re-profiling of ineffective industries.

Formation of the domestic market of high technology

Formation of an effective domestic market of high technology should become an important factor of scientific and technical, as well as innovation progress. This process, requiring active stimulation and protection on the part of the state, envisages:

- carrying out of the policy of modernization and technical re-equipment of the operating enterprises;
- realization of the state program for resource and energy saving;
- technological re-equipment of the energy facilities, including coal mines;
- satisfaction of increasing solvent demand for the means of technical and technological modernization of the agroindustrial complex;
- technical re-equipment of the Armed Forces of Ukraine and law-enforcement bodies;
- satisfaction of the solvent domestic demand in the field of up-to-date information services (information science, telecommunications, sound and video recording, financial services, electronic communication, etc.);
- realization of the state program for production of medicaments and medical equipment;
- technical and technological re-equipment of the training process at secondary and higher educational institutions, its informational security;
- informatization of the accounting system;
- renovation of domestic appliances of long-term use.

Ukraine has sufficient capacities for developing the domestic market of high technology, the needs of which may be satisfied (in case if respective policy of the Government is in place) at the expense of national production. At the same time export potential of high-tech and science intensive production – especially to the markets of CIS and developing countries – is preserved and may be increased. The Government should urgently define measures for stimulating export of high-tech domestic production and ensure their implementation.

Development of telecommunications and information infrastructure

1. Priority tasks of the state policy in the field of information and telecommunication infrastructure are the following: **ensuring advance rates of developing the infrastructure of communication, increasing investment attractiveness of the informatization spheres**, significantly improving national telecommunication network, postal communication, first of all on the basis of modern national technology, its integration into global information structures, including Internet, creating favorable conditions for ensuring access to the world's information resources for wide public.

2. To **accelerate Ukraine's integration into the world's information space** we should define and implement measures as regards in-depth computerization, in the first place of educational institutions, and encouragement of their access to national and world's resources. Such processes, as informatization of state authorities, financial sector of the economy, money turnover and accounting, transition to electronic circulation of documents, computerization of archiving and statistical information and improvement of interaction between state institutions and population via electronic channels, require significant acceleration.

The urgent task lies in harmonizing national legislation in the field of communication with legal norms accepted by the EU member states.

Technical re-equipment of the Armed Forces on the base of national industry

Taking into account modern systems of collective security and methods of conducting military operations, the Armed Forces of Ukraine are in need of significant re-equipment. This work should be based on **systemic restructuring of defense and industrial complex**, oriented at creation and organization of output of competitive military and civil production both for domestic needs and for sale at external markets. At the same time, it is necessary to extend and develop mutually beneficial military and technical cooperation with other countries.

Realization of such policy envisages clear determination of priorities in production of armaments and development of their export.

Deepening of reforms in the agrarian sector of the economy

1. Ukraine has **substantial capacities for the development of agroindustrial complex, its transformation into high-performance exportable sector of economy and ensuring food security of the state**. In particular, our state has almost a one-third share in chernozem reserves and 27% in arable land reserves in Europe (in Ukraine per capita share of arable land is 0.66 hectare and in Europe this index is 0.25 hectare in total).

During the years of independence in-depth structural reforms have been carried out in the countryside, land and property relations have been radically rebuilt and organizational and legal structures of market orientation have been created on the basis of private land ownership, individual, family and collective forms of labor organization. **The agroindustrial complex becomes a center of increased economic activity and leader in carrying out reforms; its investment attractiveness is increasing**. The state's economy more and more addresses the needs of rural areas and their population. These processes of special significance require permanent state support and stimulation. Ukraine is interested in intensifying cooperation with the EU states as regards modernization and development of the agroindustrial complex and its integration into the European agroindustrial space.

2. **In the next decade it is necessary to complete the land reform and on this basis to carry out radical reorganization of economic, as well as financial and credit relations in the rural areas.** This work includes establishment of a full-fledged land market, modern land-lease and mortgage relations, introduction of economic incentives for effective use and protection of lands and application of mechanisms for protection of national agrarian market allowed by the WTO standards.

3. Having made a step toward introduction of private ownership for land it is necessary to fix instruments for **financial recovery of the field**, effective diversified procedures for rendering credit services to the rural areas, creation of specialized bank and alternative non-bank credit institutions, mechanisms of financial guarantees for the return of credits by manufacturers of agricultural production, insurance of financial risks.

4. **Technical and technological modernization of the agroindustrial complex** should be viewed as one of the most important state priorities in the agrarian policy. This task requires complex resolution at the state level. It is necessary to proceed from the fact that in some years the equipment in the countryside will become unserviceable. It is necessary to create modern market system of logistical support for agricultural production and purposefully improve practice of leasing of agricultural equipment. Introduction of private ownership for land creates favorable conditions for this.

5. Of the same urgency is **institutional security of reforms, establishment of effective mechanisms for protection of land ownership, creation of up-to-date market infrastructure in the countryside** (setting up of wholesale markets, firms, development of exchange sale), **stimulation of agricultural cooperation, development of private and private-cooperative enterprises in the field of agricultural service, processing and sale of production.**

6. Special attention should be paid to **the problem of social rearrangement of rural areas**, where production and social spheres are closely interrelated. Having passed the most difficult part of the road in reforming land relations and production sphere of the agroindustrial complex, we have done practically nothing in social arrangement of the countryside. Repairing the omission, we should always remember that this is done primarily for the people, state and for the prospect. Profoundly reformed agrarian sector may and must become an exclusively important source of capital accumulation, a basis for expanding domestic market, formation of the middle class and intensification of political and social stability.

Energy strategy

1. **In-depth qualitative transformations in the energy sector of the economy** are among strategic tasks for the next decade. This issue, being one of the most difficult in the economic policy, largely defines national security of a state. Ukraine satisfies its needs in natural energy resources at the expense of its own mining approximately for 45%. In the majority of countries of the world the energy self-sufficiency level is the same or even lower. The problem is different, i.e. inadmissibly low efficiency of use of energy carriers and absence of diversification of sources of their import. Efficiency of use of fuel and energy resources is low. GDP power intensity in Ukraine is too much higher than in economically developed states. This is a result of deformed structure of production and energy consumption, use of out-dated energy productive stock, slow application of energy-saving technology and a number of other reasons.

Ukraine is facing a **necessity of elaborating a new energy strategy**, which should be realized by means of such instruments as Complex State Program for Energy-Saving and Program of State Support for the Development of Non-traditional and Recyclable Energy Sources and Small Hydro and Heat Power Engineering. Before 2010 it is necessary to ensure

saving of traditional fuel and energy resources on the level of 12-15% from their general consumption. Among these instruments, there is also *Oil and Gas of Ukraine before 2010* National Program, aimed at increasing the volumes of prospected reserves of oil and gas condensate.

2. Coal is the only energy carrier, which is potentially sufficient in Ukraine for full satisfaction of its own needs. This is an important factor of safeguarding energy security of the state. The task lies in **significantly changing the consumption balance of energy carriers, reducing both absolute turnover and share of natural gas consumption with the simultaneous increase of these indices in respect of coal.** *Ukrainian Coal* Program approved by the Government envisages:

- re-equipment of perspective coal mines with reliable and highly productive equipment;
- liquidation of non-perspective coal-mining enterprises and readjustment of potentially perspective ones;
- denationalization of property of coal-mining enterprises in accordance with special rules of cost estimation taking into account their profitability and investment attractiveness.

This Program is intended to bring volumes of coal mining to 110 mln. tons in 2010. At the same time the Government should realize complex measures **relating to the reconstruction of thermoelectric power stations, adaptation of their equipment to operation on low-quality coal and implementation of up-to-date technology in heat and power engineering which would allow to manage with domestic fuel base.**

Ukraine has necessary technical and technological capacities for successful resolution of this task. All this will make it possible not only to really ensure the state's energy independence but also to open up prospects for the development of coal industry, utilize more production capacities of the domestic machine-building, ferrous and non-ferrous metallurgy, chemical industry, instrument-making and construction industries, and considerably reduce needs in natural gas import. It is also necessary to take into account foreign investors' interest in such policy, as well as ecological aspect of its implementation.

3. **Nuclear power engineering** should also be a subject of paramount attention. It is necessary to ensure putting into operation of power units at Khmel'nitska and Rivnenska NPPs, modernization of the existing power units with the aim of increasing their reliability and safety, and creation of a complete cycle of nuclear fuel production.

4. Realization of the Complex State Program for Energy Saving for the Period until 2010, which was elaborated in 1996, is a task of strategic significance. The energy saving potential substantiated by the Program is estimated at approximately 86 mln. tons of equivalent fuel. Owing to only this it is possible to almost double the state's provision of its own energy resources. **Realization of the state program for energy saving may become one of the key factors of overall technological re-equipment of the Ukrainian economy.** The main objective of the intended transformations is bringing Ukrainian economy's power intensity in compliance with the EU states' indices.

5. **Deepening of market transformations in fuel and energy sphere**, creation of transparent effective energy market, formation of balanced inter-industry prices on its basis, flexible combination of instruments of state and cooperative management and establishment of high-performance integrated fuel and energy companies should become main directions of energy consumption development.

6. An urgent problem for the nearest future and prospect is **speeding up of integration processes oriented at merger of energy potentials of Eurasian states and reinforcement of Ukraine's role as an energy transit state.**

Use of geostrategic potential

The fact that Ukraine by its transit potential takes up one of the first places in Europe predetermines particular significance of elaborating and **implementing efficient transport**

policy. Chief directions of such policy should lie in accelerated development of transport infrastructure, creation of national network of international transport corridors in accordance with international standards and integration of such network into transport systems of Europe and Asia, the Baltic and Black Seas regions. Top-priority importance is attached to the realization of the projects, which are to ensure Ukraine's participation in forming international transport and communication networks, *inter alia* in supplying Caspian energy resources to the domestic and international markets. Complicated large-scale tasks relate to modernization of managing transport systems, and that will allow deepening compatibility with EU countries' networks.

Increasing investment attractiveness of transport infrastructure should be promoted by creation of legal and organizational base for restructuring of road industry and privatization of transport sector in accordance with the Partnership and Cooperation Agreement between Ukraine and the EU.

Financing of the mentioned works should be carried out with application of fiscal stimuli, as well as by means of concluding concessionary agreements, placing of purpose-oriented emissive securities at the domestic and international share markets, creating international financial and industrial groups, applying leasing mechanisms, attracting investments by private investors (including foreign investors) and international financial institutions.

Modernization of tourist and recreational sphere

Ukraine has substantial possibilities for **the dynamic development of tourist and recreational field and extension of international cooperation in this sphere.** However, the available potential is being insufficiently realized; we still do not have a full-fledged, adapted to the market conditions state policy for developing domestic tourism and increasing its economic efficiency and cognitive value. This field, new for us, lacks qualified personnel; the state has almost lost control over the development of the field and regulation of its activities.

The forthcoming decade should become a period of radical turn in attitude toward tourism and recreational field and its problems, transition to the market conditions in managing this sphere with due account of the experience of states, which are world leaders in this field.

VIII. INVESTMENT AND STRUCTURAL- INNOVATION POLICY

Judging by the practice of the previous years we got convinced that structural-innovation policy may not be carried out exclusively by means of market instruments, they should be organically combined with administrative methods and mechanisms. **Stimulation of scientific and technological development and realization of structural-innovation strategy tasks is to become one of the determinant goals of the Government, Verkhovna Rada, and local executive and representative authorities.**

Formation of investment potential

Successful realization of structural-innovation strategy tasks will to a decisive extent depend upon establishment of efficient system of mobilizing investment resources and managing them. During the previous years under conditions of economic crisis it was impossible to resolve this key problem. Crisis processes and inflation led to misbalance of optimum correlations between national savings and investments into the national economy: every year a substantial part of savings remained unconverted into investments. As a result, possibilities for building up investment potential of the national economy were not used in full measure. Such negative factors were in particular experienced:

- low efficiency of bank and credit system, its actual incapacity for accumulating sufficiently high investment potential of the population, absence of a developed network of institutional investors (pension funds and insurance companies);
- ineffective and unsystematic use of amortization funds;
- low-level capitalization of enterprises' profits and absence of economic (tax) stimuli of its growth;
- use of investment potential of privatization mainly for budget consumption purposes;
- waste of investment budget resources (overall more than 180 state purpose-oriented programs were approved);
- absence of the necessary system for insurance of investment risks, undeveloped share market, mortgage relations, leasing and other financing institutes;
- significant volume of shadow business as a main source of illegal accumulation and export of capital.

Elimination of these omissions within the shortest term possible (during one or two years) and **establishment of efficient system of capital resources mobilization and their management** can really ensure substantial raise of domestic investment potential of the Ukrainian economy and its increase in 1.5-2 times by the end of the first stage of structural-innovation strategy realization. At the same time, it is necessary to ensure reliable protection of investors' rights.

1. In formation of investment potential a particular place is taken by the **restoration of the state's investment potential**, annual allocation of centralized capital investments in the amount of not less than 1.5-2% of GDP, allotment of budget funds to finance state purpose-oriented programs and their use only on competitive basis through the crediting mechanisms of the State Bank for Reconstruction and Development. Beginning from 2003 a development budget making a part of the State Program for Economic and Social Development should be submitted alongside with a draft State Budget.

2. The economy has been suffering from substantial losses caused by misuse of amortization charges. In 1997-2000 almost a half of free-of-tax sums were allocated not for investments, but for replenishment of circulating assets of enterprises. This obliges the Government to **reform the amortization system** with the aim of its liberalization and significant extension of enterprises' right in forming and using own amortization funds and in selecting a method of charge and terms of effective use of permanent assets.

3. To stimulate capitalization of profits of enterprises and organizations the state is to **introduce tax stimulation of investment process, including innovation one.**

4. A necessary condition for realizing tasks of economic and social development is **substantial increase of direct foreign investments**. It is estimated that work efficiency at enterprises with foreign capital is several times higher as compared with other enterprises. Foreign sector of the Ukrainian economy actively influences its technological renovation.

Simultaneously, high and strict competition at the world capital market should be taken into consideration. To intensify inflow of foreign investments it is necessary to utilize additional macroeconomic, administrative and legal incentives and mechanisms, which would comply with Ukraine's long-term national interests and would not contradict priority of national capital development.

Development of financial infrastructure and financial mediation

1. One of top-priority tasks for the next decade is substantial consolidation of the banking system, bridging the gap between commercial banks and real economy and engagement of banks into realization of a new economic strategy. This requires the role of the National Bank of Ukraine (NBU) to be reinforced and significantly increases requirements to the Bank. The Government and NBU are to ensure implementation of the **Complex Program for Reforming**

National Banking System in Accordance with the EU Standards. Paramount attention should be focused on safeguarding stability and reliability of the banking system, reinforcing its concentration, promoting active attraction of foreign capital, including that of the EU member states, into the banking sphere and significantly extending mechanisms of long-term crediting and instruments of banking services. What we need is sufficient and reliable legal base for the activities of banking institutions, increase of competition between them and improvement of mechanisms of banking supervision.

2. The existing situation urgently requires accelerated establishment and extension of the share market, increasing its role in attraction of investments and redistribution of capital in the national economy, ensuring advance development of the secondary market and market of corporate securities, developing emission of mid and long-term purpose-oriented investment securities.

3. We are in need of urgent effective actions aimed at promoting the development of market of insurance services. First and foremost, it means creation of a national system of insurance services capable of ensuring reliable protection of long-term investment resources for the development of economy and of being a real factor of stability and incentive for the development of entrepreneurship.

State scientific and technical and innovation policy

Ukraine is one of the countries with high scientific potential. First of all, these are worldwide-recognized scientific schools, substantial and often unique achievements in different spheres, such as development of new materials, biotechnology, radio electronics, cryogenics, nuclear physics, electric welding, information science, telecommunications and connection. The state, its political leadership, legislative and executive authorities should create such conditions which would ensure not only increase of this potential, but first of all its maximum efficiency. The state should become a direct conductor of innovation development, customer and organizer of research and development activities in the most up-to-date directions of scientific and technical progress.

1. It is necessary to drastically improve financing of scientific activities by means of both increase of budget expenditures (within the limits of not less than 1.5-1.7% of GDP at the first stage and up to 2.0-2.5% at the second stage) and attraction of off-budget appropriations. Fundamental science is in need of top-priority state support, as it is a basis for creation of own high technology and an important factor of renovating scientific potential. It is necessary to strengthen legal foundations for the activities of the National Academy of Sciences of Ukraine and reinforce its role in coordinating fundamental scientific research, as well as in elaborating and carrying out state policy in this field.

2. At the present stage the problem of strengthening material and technical basis of scientific institutions, their equipping with computers, modern equipment and devices and creating properly equipped regional and inter-branch centers of joint use acquires more urgency. It is necessary to increase the commercialization level of scientific research results, reduce innovation risks of high-tech enterprises and venture capital with the help of special funds and put in place government contracts for putting into production priority innovations.

3. Institutional security of the state scientific and technical, as well as innovation policies is an urgent task, including:

- improvement of the effective legal base for scientific and technical and research activities, as well as financial and organizational support for the science and elaboration of a new base;
- creation of up-to-date patent and informational base with query and search device and application of the world's achievements of international science in patent technology;
- elaboration of a state policy of privatization of scientific and technological institutions;

- improvement of standardization and certification systems, as well as a state statistic system of scientific and technical progress, its approach to the European standards;
- application of stimulation system, in particular by means of tax preferences for cooperation between science and production, as well as mechanisms of regional support for scientific and technical activities and innovation redistribution of manpower;
- development and deepening of international cooperation in innovation sphere, its information and consulting security, transfer of technology, in the first place with EU countries and Russia.

4. Legal base relating to innovation activities, international scientific and technical cooperation, regulation of innovation market, intellectual property estimation, export and import of products manufactured with use of intellectual property and tax, credit and insurance stimulation of innovation enterprises and organizations should also be improved and extended.

5. All necessary actions should be taken to **preserve staff potential of the scientific and technical sphere**, to encourage youth to participate in scientific and scientific-technological activities, in particular by means of employment by scientific organizations of additional specialists trained under government contracts. It is necessary to introduce special grants for young scientists, create specialized councils for defending Ph.D. and doctoral theses in modern professions and more widely practice training of highly qualified staff at foreign educational institutions.

6. It is also time to **reinforce engineering system**, which preserves its potential and is a basic resource of the Ukrainian economy in its transition to the innovation stage of development. This envisages increasing prestige of work in engineering and its payment level, restoration of system of re-training and advanced training of engineers on modern basis.

7. Key components of innovation development are the following: **integration of science and production**, consolidation of industrial, banking and trade capital into powerful structures capable of producing high-tech competitive goods and services. Respectively, organizational basis for realization of innovation policy should consist in creation of financial-industrial groups, including transnational ones, as well as horizontal and vertical holding companies, scientific and technical centers, stations and parks. In perspective they are to become a pivot of scientific-technological and innovation processes. Some of these structures may be formed and developed through mechanisms of free economic zones.

At the same time, the Government has to urgently determine and take specific measures aimed at supporting venture firms and small innovation enterprises.

Restructuring of state enterprises

In the context of economic strategy, realization of the complex program of restructuring of state enterprises and their adaptation to market conditions during 2002-2004 is becoming especially urgent. This program provides for:

- efficient feeding of production facilities and decommissioning of those which are unproductive from the point of view of their competitiveness;
- transfer of housing facilities of enterprises to communal ownership;
- transition to world standards of accounting and estimation of main production funds in accordance with their real market value;
- significant improvement of management and corporate management.

Development of human potential is a basis of strategy for structural-innovation development

Comprehensive development of human potential is the main imperative for modern civilization progress. This is the chief component of national prosperity and a driving force of

public progression and a determinant criterion for estimating its level. World practices proved that investment into human capital are the most effective ones. It is this factor that conditions a new quality of economic growth, which has been established in the developed countries in the recent decades. In Western Europe this component provides for about 75 per cent of national prosperity growth.

1. A basic prerequisite for the development and growth of human capital in Ukraine lies in elaborating and implementing **a large-scale long-term strategy for overall modernization of education system, its approach to the EU standards, needs of internal development of the state and society, market economy.** In this determinant sphere of modern civilization progress our positions are substantial enough and they should be maintained and strengthened. Young people must have equal and still wider opportunities to receive quality education, including higher education, irrespective of income and material status of their families. It is necessary to create such environment where each person's position and social status would be primarily determined by the education level, acquired knowledge and capability for their practical use.

2. Rapid rate of structural transformations in modern economy and ageing of knowledge acquired in the process of initial professional and educational training condition the necessity for **introducing a system of continuous and life-long education on the basis of interconnection of its general secondary, professional-technical and higher branches,** optimizing re-training and professional development system and integrated syllabi and curricula.

3. In 2003-2004 it is necessary to implement **purpose-oriented program for informatization of educational institutions** and computerization of rural schools. We should promote democratization of educational process, development of non-state educational institutions network with common standards of education quality and formation of competitive environment at the market of educational services. We are facing a necessity of implementing mechanisms of preferential crediting for students for the period of their studies at higher school, creating a state fund for promoting gifted youth in receiving higher education abroad. Permanent attention of the state and government should be focused on increasing teacher's social status and public prestige of this profession.

IX. REVENUE STRATEGY AND MAIN TASKS OF SOCIAL POLICY

Ukrainian economy's transition to growth compels us to urgently **re-build the social sphere** and above all to significantly increase population's prosperity and overcome deep drop in living standards resulting from a long and deep economic crisis. In the broad sense, it concerns the state's ability for using new economic conditions and results of stabilization and growth to ensure noticeable turn in satisfying life necessities of population.

New accents of revenue policy

1. The existing model of economic policy is mainly oriented at protection of socially vulnerable layers of society; at the same time the idea of the new strategy envisages drastic correction of revenue policy, i.e. **shifting main accents of social policy in the first place to the working part of population.** The present depreciation of manpower cost, as well as insufficient volume of social expenditures considerably hinders development of the domestic market and dynamics of economic processes. Stimulating function of wages and its influence on the development of production has been almost lost; scientific and technical progress has been brought to a minimum. Economy based on a low cost of manpower does not ensure high standards of consumption and processes of manpower accumulation and qualitative replenishment. Such conditions also restrain the development of housing and social spheres, in particular formation of insurance funds and resources of pension security and education.

2. **State stimulation of accelerated increase of wages** is acquiring pivotal importance in the process of revenue policy implementation. Hence the urgent necessity for implementation (from 2003) of a new social standard obligatory for all sectors of economy, i.e. minimum per hour salary regulated by the state.

3. Revenue policy shall not leave place for reviving wage-leveling. The existing disproportions should be eliminated not by means of artificial restriction of the upper limit of revenue of prosperous population, but, to the contrary, by means of their legalization and extension of the layer of private owners (including private landowners) who are actively engaged in entrepreneurship and gain profits by it. **Encouraging people to become private owners and effective protection of such ownership are among main priorities of the revenue policy.** At the same time, it should be taken into account that people with medium or high income will further be able to pay a substantial part of healthcare and educational services and social insurance.

4. A matter of vital importance is ensuring **advance development of social institutes** (education, medicine, culture) and respective **growth of social investments** immediately directed at human development. In the nearest years it is necessary to reinforce addressee foundations of supporting families with low income, thus replacing the existing socially unfair and extremely ineffective system of privileges, subventions and compensations.

Reinforcing middle class positions

A matter of great political, economic and social importance is **reinforcing positions of middle class, which in the next decade should make up 45-50% of total population, at the same time reducing a number of people with revenue which is less than a living wage.**

Formation of middle class envisages **transition to a new model of consumption**, that is such norms which will ensure adequate living standards and stimulate development of the domestic market, as well as working and entrepreneurship activity of population. First and foremost, this includes quality accommodation, high provision with goods of long-term use, availability of car, accessibility of quality medical and consumer services, education, etc.

Formation of middle class will be taking place at the expense of increasing a stable share of owners of immovable property, land and stock, speeding up development of small and medium business and farms, reinforcing legislative protection of intellectual property and on this basis strengthening social positions and revenues of scientific and technical, cultural and educational workers, specialists of medium structural units of management, financiers and managers.

Productive employment policy

At the stage of economic growth implementation of regulating measures aimed at **elimination of latent unemployment and implementation of productive employment policy** is getting particularly important. Efforts of state authorities and especially of the Government should be focused on introducing effective incentives for creation of new jobs, ensuring employment guarantees in the process of privatization and restructuring of enterprises, supporting entrepreneurship and self-employment of population, extending practices of public works and increasing flexibility of labor market.

Pension reform

The next decade should become a period of **implementation of a full-scale pension reform**, gradual approach of minimum pensions to the living wage and step-by-step elimination of limitations of their maximum amount. At the same time it should be taken into consideration that implementation of pension reform at the level of modern world standards is possible only

under condition of resolving a basic problem, that is substantial increase of wages and other revenues of population. These problems are closely interrelated and they may be resolved only as a single whole.

Healthcare system reform

1. The objective of in-depth transformations in this field lies in improving state of health of population on the basis of **ensuring accessibility of quality medical aid**, creating legal, economic and organizational conditions for rendering medical services, re-orienting state healthcare service to prevention of diseases, first of all infective ones, reducing risks related to pollution and negative influence of environment, in particular resulting from Chornobyl disaster.

2. What we need is elaboration and **implementation of mechanisms for multichannel financing of the medical sphere** and ensuring guided development of paid medical services, introduction of state social medical insurance and optimum correlation between provision of medical services and freedom of their choice. At the same time it is necessary to ensure accessibility of medical aid for socially unprotected population by means of legislative determination of guaranteed level of free medical services.

Housing policies

1. Nowadays our agenda includes **radical reorganization of housing policies**, development of house-building mainly at the expense of population's means, mortgage crediting, etc. At the same time, we should preserve the system of providing accommodation for the least protected groups of population, which will be financed by state and local budgets. Special attention should be paid to stimulating private building in the countryside, providing accommodation for servicemen and supporting house-building for youth. Active housing policies, transition to large-scale house-building is a key factor of general enhancement of economy, intensification of the domestic market development and reinforcement of its social orientation.

2. **Carrying out of housing and communal reform in 2003-2004** is to be viewed as an important element of housing policies. Its objective is to overpass monopolism and form effective competitive environment in this field.

X. FOREIGN ECONOMIC STRATEGY

A key task of the foreign economic strategy is to ensure optimum parameters of the Ukrainian economy's openness in conformity with world standards and criteria; observance of such criteria will promote economic security of the state and ensure closer amalgamation of domestic and foreign economic policies. This work should not hamper Ukraine's integration into the world's economic space and deepening of its cooperation with other states.

Practical steps in European integration

According to Copenhagen criteria creation in 2002-2011 of necessary prerequisites for Ukraine's acquiring the EU full-fledged membership envisages such consistent steps:

- **2002-2003 – Ukraine's acquiring WTO membership.** It should be viewed as one of the main priorities of Ukraine's foreign economic policy, systemic factor of national economy development, increasing its competitiveness, liberalization of foreign trade and creation of favorable environment for foreign investment attraction;
- **2003-2004 – carrying out negotiation process and signature of Agreement on Association between Ukraine and the EU.** Replacing the Partnership and Cooperation

Treaty by a European Agreement on Association between Ukraine and the EU will define a new format of relations, which would correspond to Ukraine's long-term interests, and its approaching the ultimate goal, it being creation of prerequisites for acquiring full-fledged EU membership;

- **2003-2004 – carrying out negotiation process concerning creation of a free trade area between Ukraine and the EU**, which would envisage functioning of market institutes, safeguarding of legal norms in business sphere, stable and non-discriminatory legal framework, clearly defined ownership rights, application of relevant rules of goods origin, proper organization of border infrastructure, etc.;
- **2002-2007 – bringing Ukrainian legislation in conformity with the EU requirements in priority spheres;**
- **2004-2007 – accomplishing procedures necessary for the entry into force of the Agreement on Association between Ukraine and the EU.** Having acquired such associated status, Ukraine will be able to be better informed on internal transformations in the European Union, informally participate in negotiations concerning different issues of all-European scale and significance and get greater facilitated access to the EU financial resources;
- **2005-2007 – carrying out negotiation process and creation of Customs Union between Ukraine and the EU**, the aim of which is going to be gradual elimination of customs, legal and technological obstacles in this field;
- **2007-2011 – complete implementation of the Agreement on Association between Ukraine and the EU and of Copenhagen criteria for the EU membership;**
- **2011 – creation of real prerequisites for Ukraine's accession to the EU.**

Optimization of economic relations with the Russian Federation

Economic relations with Russia are in **organic agreement with the Eurointegrational course of our state**. These strategic relations should be based on the **principles of good-neighborliness, partnership, equality and mutual benefit**. Russia is our biggest trade partner, and Ukraine is the main trade and economic partner of the Russian Federation. In its turn Ukraine remains one of the biggest consumers of Russian energy carriers, it controls land, sea and air communications in the south-western direction, having vital importance for Russia.

Both states face a common task of focusing their efforts on **practical implementation of the arrangements reached, bringing their cooperation at the level of real strategic partnership and filling the adopted political documents with real content**.

According to Ukraine's national interests and its economic security, priority directions of strategic partnership with the Russian Federation in the economic sphere for the next decade should be the following:

- cooperation in energy sphere (development of common energy system, joint use of oil-processing and other plants of fuel and energy complex);
- scientific and technical, and innovation cooperation;
- development of transport network in Ukraine in the interests of both states;
- investment cooperation, development of common production structures, cooperative and technological links, formation of joint production and financial groups
- development of military and technical cooperation;
- development of share markets and mutual investment processes;
- expansion of the mutual manpower market;
- joint development of regions where interests of both states are represented, mutually beneficial use of common areas of economic activities and development of contact territories;
- cooperation in combating shadow economy and illegal migration.

Cooperation with other countries of the world

Ukraine is also interested in **further liberalization of foreign economic ties with other CIS member countries**. A determinant direction of cooperation with them is **formation of a free trade area**; that would favor intensification of economic relations, active exchange of capital, goods, services and manpower.

Foreign economic strategy of the new stage should be subordinated to the idea of European integration, use of such its forms and mechanisms which would allow more fully and effectively utilize the potential of Ukraine's relations with the **developed countries of the world, first and foremost with the USA**, especially in the field of technology transfer, attraction of direct investment and introduction of modern management and marketing systems.

The strategic partnership between Ukraine and the Republic Poland which at present already can be ranked as European fundamental values of modern will be intensified.

Much more dynamism should be attached to foreign economic ties with the countries of Central and South-Eastern Europe, for which Ukraine may become a perspective and attractive partner, in particular in transit transportation, agroindustrial production, machine-building, tourist and recreational sphere.

Economic relations with the developing countries require substantial restructuring. Foreign economic activity at the markets of Asian, African and Latin American countries should have purposeful, systemic and dynamic character, it should be harmonized with Ukraine's strategy of economic growth and course towards European integration.

Euro-Atlantic integration

The interest of national security and the present international situation demand an essential deepening of relations between Ukraine and the NATO.

One of the most important priorities of foreign policy of Ukraine should become intensification of the Euro-Atlantic dimension of Ukraine's foreign policy, its clear orientation on the full-fledged Euro-Atlantic integration and reforming of military potential of the country according to the European standards.

We have to be ready to move into the NATO as far as the member-states would be ready for it, and to do our utmost in order to make the interests of Ukraine coinciding with the NATO's one concerning this question.

It will guarantee an active participation of Ukraine in the further formation of the European policy in the sphere of security, taking into account the interests of our state in the process of the Euro-Atlantic integration.

New approaches in relations with international financial institutions

Processes of internationalization and globalization of economic life and open character of the Ukrainian economy call forth the necessity of **continuing and deepening cooperation with international financial institutions on the basis of existing principles of international law and respect for mutual interests and positions**. Center of gravity in relations with IMF will be gradually **shifted into the field of non-credit relations**, coordination of the main parameters of macroeconomic policy with trends and forecasts of the world's economic situation development, with dynamics and directions of world's financial and investment flows. In accordance with IMF statutory provisions coordination in the sphere of monetary policy will be continued.

XI. CARRYING OUT ACTIVE STATE REGIONAL POLICY

Ukraine's integration into the European structures requires elaboration and implementation of such model of relations with regions and their management, which would be in line with principles of the EU regional policy and favor establishment of new forms of cooperation in the "center – regions" format, as well as generally recognized practice of internal inter-regional cooperation and international cooperation of territories.

The aim of the state regional policy as a component of the strategy for economic and social development of Ukraine is **creation of conditions for balanced dynamic development of territories and elimination of major regional disproportions.**

1. State regional policy in 2002-2011 is to ensure:

- formation of optimum high-performance structure of regional economies, which would ensure complex development of regions on the basis of natural resource, production and economic, scientific and technical, as well as human potential, available infrastructure, historic and cultural heritage and traditions, at the same time taking advantages and opportunities of geopolitical situation of regions;
- introduction of system of strategic budget planning and financial leveling with application of objective criteria, social standards guaranteed by the state, norms of minimum budget security and legislatively determined list of tasks of regional importance;
- use of contractual basis in determining joint actions of central and local executive authorities and local self-government bodies for stimulating regional development, in particular of depressive territories;
- resolution of common regional and inter-regional problems of development by means of consolidation of financial resources of local executive authorities and local self-government bodies;
- comprehensive development of territories with a special economic status (territories of priority development and special (free) economic zones) by means of attracting investments into priority fields of production to preserve available jobs and create new ones, overcoming consequences of ecological and man-caused disasters, introducing new technology, intensifying foreign economic ties, increasing production of high-quality goods and services and creating up-to-date production, transport and market infrastructure;
- raise of regions' role in foreign economic cooperation, regions' active joining international organizations and groups and intensification of inter-regional and cross-border cooperation;
- improvement of system of state strategic programming of regional development and substantiation of strategy for the development of certain regions;
- decentralization of power, delimitation of functions and powers of central and local executive authorities and local self-government bodies with broadening of powers of local executive authorities and local self-government bodies;
- formation of infrastructure of regional development support through creation of social institutes, in particular regional development agencies which would become conductors of effective state regional policy and own policy for the development of certain regions;
- raise of regions' role in realizing state ecological policy;
- adaptation of national legislation on regional policies to norms and standards of the European Union.

2. State regional policy will be carried out in close connection with administrative reform and reforming of administrative-territorial system. Basic directions of reforming of administrative-territorial system is bringing it in conformity with the Constitution, improving network of village and town councils and regulating system of settlements, determining their limits, elaborating and implementing general scheme for planning of territories, enlarging rural territorial communities, creating a system of economically and financially self-sufficient

communities, introducing standards of the European Union relating to administrative-territorial system, improving organization of local executive authorities and local self-government bodies and creating legal foundations for administrative-territorial system of Ukraine as a sovereign state.

XII. ECONOMIC SECURITY AND ECOLOGICAL SAFETY

1. At the preliminary stage creation of foundations for independence and statehood of Ukraine, its establishment as a full-fledged member of the international community and normalization of its relations with neighboring countries **displaces possible threats to our statehood into the field of economic security.**

Key tasks in this sphere should be the following:

- final overcoming of consequences of the economic crisis, ensuring stable development and subduing it to the objectives of innovation and social development of the state;
- significantly reinforcing financial security, top-priority strengthening financial potential of the real sector of economy, economic subjects, home economies, ensuring balanced development of budget sphere, internal and external protectability of the national currency, interests of investors and financial market, implementing weighed policy of internal and external loans of the state, improving the investment climate to the maximum;
- creating reliable guarantees of technological and man-caused security, renovating production equipment, the wearing out level of which is next to critical, ensuring accident-free operation at facilities with an increased danger, resolving problems of utilization of waste, introducing effective technology for their recycling;
- increasing energy security, implementing active policies for energy saving and development of own energy potential, diversification of markets and creating conditions for real competition in the sphere of energy supply;
- resolving a number of problems which are decisive for food security of state, inadmissibility of expansion of low-quality imported products and foodstuffs which may be manufactured by the national agroindustrial complex in necessary volumes.

2. At all levels – national, regional and facility level – the most acute current and perspective issues of **ecological safety and environmental protection** should be consistently resolved. It is necessary to develop and improve legal base in accordance with the EU standards, use effective economic instruments (step-by-step introduction of paid utilization of natural resources) to renew and effectively utilize natural resources.

The most important priorities include:

- safeguarding ecological safety of nuclear facilities and radiation protection of population and environment, minimizing influence of the disaster at Chornobyl NPP;
- improving ecological state of rivers, in particular the Dnipro basin, and quality of drinking water;
- stabilizing and improving ecological situation in cities and industrial centers of Donetsk-Pridniprovya region;
- building new capacities and reconstructing the old ones of communal cleaning sewerage facilities;
- preventing pollution of the Black and Azov Seas, improving their ecological state;
- forming a balanced system of natural resources utilization and ecologization of technology in the field of industry, power engineering, construction, agriculture and transport;
- increasing population's life security in seismically dangerous areas;
- preserving biological and landscape diversity, developing natural reserves.

The essence of conceptual fundamentals of the strategy for economic and social development of Ukraine for 2002-2011 lies in determining clearly outlined tasks of launching the economy to the trajectory of stable growth by means reinforcing efficiency of the state and further deepening of market reforms and establishing socially oriented structural-innovation model of development. Realization of these tasks should create real prerequisites for Ukraine's acquiring first the EU associated membership and then a full-fledged one.

On the basis of these conceptual fundamentals the Strategy for Economic and Social Development of Ukraine for 2002-2011 will be elaborated; it will reflect not only general prospect of the Ukrainian economy, but also tasks for the development of respective fields and regions of our state.

The "European Choice" conceptual fundamentals of the strategy for economic and social development of Ukraine for 2002-2011 are elaborated at the initiative and with direct participation of L.D.Kuchma, the President of Ukraine, by the working group consisting of such members:

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Material and propositions of the ministries and governmental agencies, regional state administrations, scientific developments of the scientific agencies of the NAS of Ukraine, other research institutes, chairs of higher educational institutions on respective issues, analytical material of the World Bank, certain foreign experts and consultants were used to prepare the text of the Conceptual fundamentals.

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