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## STRUCTURAL DISPROPORTION OF INTERNAL MARKET OF UKRAINE: WAYS OF SOLUTION

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*Summary. In this research the problem of development of Ukraine's internal market is investigated. The action of the main economic sectors and their impact on the elimination of structural imbalances in domestic market is analyzed. The*

*external factors of influence on the domestic market of Ukraine are characterized. The basic steps to implement policies to minimize structural imbalances in the domestic market of Ukraine are proposed.*

**Key words:** *internal market, export, import, industry, structural disproportion.*

Problems of economic development of the internal market of Ukraine are the subject of economists' and politicians' researches. Competitiveness and prospects of the state as well as social and economic situation of its citizens depend on the dynamics of development of the internal market and also on structural changes of the inner market and national economy.

For a long time in Ukraine reforms which are objective to remove the structural imbalances at the domestic market and national economy were not carried out. As a result, processes of overcoming of structural imbalances in transition, technological modernization, improvement of fixed assets, forming the basis for effective economic and social changes were significantly slowed. These factors caused the fact that Ukraine's inboard market remained vulnerable to the crisis of 2008–2009, which had a negative impact on almost all subjects involved in it.

Some aspects of Ukraine's internal market development and structural policy were researched by domestic scientists such as S. Bila, V. Geiets, B. Danylyshyn, J. Zhalilo, O. Pustovoi, V. Tochylin and others. They highlight the impact of external economic conditions on the dynamics of the internal market and structural imbalances of the reproductive processes in the Ukrainian economy. However, not enough attention is paid to the existing structural imbalances of the internal market. Under such circumstances, the question of competitive approaches to stimulate supply and demand in the domestic market and offering activities to remove imbalances in the domestic market of Ukraine arises.

The aim of the article is to analyze the main trends of development of the internal market as well as to offer measures to minimize disproportions in the domestic market.

The fundamental principles of the internal policy of Ukraine in the economic sphere is to ensure the competitiveness of the national economy, the development of the internal market, creating favorable conditions for business development, reduction of state intervention in economic activities of the entities, development of competition as a major factor in improving the efficiency of the country. The strategy of economic modernization of the internal market objective requires updating of competitive mechanisms, development of scientifically based and effective in terms of practical implementation protection principles and development of competitive relationships in the country.

The data of the State Statistics Service of Ukraine confirmed that in 2013, under the influence of growing signs of the global financial crisis, a trend to a reduction in composite index of goods and services producing by major economic activities is observed. This decrease was primarily due to a decrease in production in industry, construction and transport.

The index of industrial production for the first half of 2013 compared with the same period in 2012 was 94,7 %. General downward trend of industrial production development was driven by a set of factors that are associated with significant financial problems in several Eurozone countries, Russia and the Middle East, the increasing of recession trends that has affected the dynamics of foreign demand,

and preservation of structural disproportions of the internal market.

However, there are some positive dynamics of economic activities defined by strong domestic demand. High domestic demand, supported by steady growth in real wage growth has provided increasing of retailers. An additional factor in the high rate of its growth was reducing of prices for certain groups of goods and services **which helped to strengthen consumer confidence** of the population.

In 2013 in the retail trade by growing domestic consumer demand and in agriculture there has been a positive trend, but it still can not compensate the reductions in other economy sectors.

For the first half of 2013 retail trade turnover amounted to 397,6 billion grn, which in comparable prices by 11,2 % increase over the same period in 2012. In the first half 2013 through a sales network of enterprises consumer goods were sold worth 192,5 billion grn. In total retail turnover of enterprises trading share of consumer goods decreased by 60 % and amounted 60,6 % for the first half of 2012.

In the first half of 2013 in agriculture the index over the same period in 2012 was 115,4 %. This is the highest growth in agricultural production over the past five years. The index of agricultural companies was 127,5 %, the index of households – 106,4 %. Agriculture sector during this period was determined by steady demand from the public and processing enterprises, financial support of producers by banks, increase in subsidies and compensation for the sold livestock products for processing enterprises.

In a whole, development of the agricultural sector is able to strongly influence on the elimination of distortions in the internal market and economic dynamics of the Ukraine – despite the significant promise of its capitalization and projected long-term trends in raising both the domestic market and foreign markets of agricultural products.

Concerning the external economic influence on the development of the internal market, the volume of exports of goods and services in Ukraine was 37,688,700,000 dollars, imports – 38,486,100,000 dollars over the first half of 2013. The structure of foreign trade of Ukraine compared to the first half of 2012 the share of goods in exports and imports decreased, respectively, it is 81,6 % and 90,8 %. The basis of the commodity structure of Ukrainian exports are ferrous metals and articles thereof – 26,8 % of total exports. A substantive export oriented Ukrainian economy due to pessimistic estimates of world trade conditions leads to a policy of support of export activity and competitiveness of Ukrainian enterprises.

Therefore, we must focus on maximum involvement of internal reserves to enhance the economic growth of the domestic market. Ukraine is opened in terms of economic power. Aggravation of recession for the global economy and increasing volatility in global financial markets associated with the debt problems in developed countries are reflected in the development of the monetary and financial system of Ukraine.

Year 2012 was marked with unstable dynamics of the global economy - with some recovery in the beginning of the year and subsequent inhibition of growth. Depression of the world economy led to a decrease in demand in the international markets of the main export products of Ukraine. Terms of trade worsened by the use of protectionist measures in the countries – trade partners.

The policy of modernization, which was still focused on institutional changes and preparation of regulatory and legal framework for the necessary reforms, should become focused more on the task of providing strong structural changes. Export-oriented economic model is increasingly faltering due to the instability of traditional export markets. We need new incentives for domestic reinvestment in sectors with high added value, such as investment attracting, the introduction of import substitution policies, changings in the structure of export products for deep processing and the use of new technological solutions.

Negative trend for the development of the internal market is the fact that 2614.9 million dollars were invested into the economy of Ukraine in the first half of 2013 (equity) that is 0,8 times less than in the corresponding period of 2012 (U.S. \$ 3,224,200,000). Investments came from 138 countries.

Improving investment climate and economic reforms should lay the foundations of a new national economic development models that meet the competitive challenges of the peculiarities of the post-crisis world. And the 2013–2014 could be crucial in terms of the objectives of reform and development. Thus, the government has implemented some measures to improve the investment climate and business environment, including business deregulation. Proof of reforms is positive assessment of foreign experts.

In this manner Ukraine in the Global Competitiveness Index rating for the 2012–2013 biennium has improved its position by nine points and ranked 73 among 144 countries surveyed. The position of Ukraine increased for the second year in a row (after falling 17 points in 2009–2010) [13] and reached the pre-crisis level. In terms of “Domestic market size in-

dex” in 2007–2008 Ukraine took 27th place (among 131), in 2008–2009 – 29th place (among 134), in 2009–2010 – 29th place (among 133), in 2010–2011 – 28th (among 139), in 2011–2012 – 37th (among 142). Also Ukraine is still in the group of countries that have not reached the average level of competitiveness, and falls far from developed countries.

Reform strategy for the development of the internal market of Ukraine needs to have clarified priorities based on both the global challenges and the features of the current stage of development of the Ukrainian economy and society, including the specific expectations of citizens and economic actors. Imperatives of economic development of Ukraine should be the restoration of positive economic growth and elimination of the structural distortions in the internal market. The predicted slow pace of the global recovery does not give reason to expect a quick recovery for the economic growth of the domestic market in Ukraine by external factors.

To eliminate disproportions on the internal market the following measures should be applied:

1. Creation of the institutional environment for competition development between domestic producers and importers:

- reforming of the legal system – the adoption of the Law “About the development of national production” and the program “Development of the internal market”;

- performing the tasks of “The state program of intensification of economic development for 2013–2014”;

- improving the regulatory, security and trade efficiency of non-tariff restrictions on imported goods into the domestic market products that pose a threat to domestic producers by applying anti-dumping measures on foreign producers that sell their products at a price lower compared to its value in the domestic market and increase the level of use responsibility of conformity assessment certification of imported products, the requirements of technical regulations and other relevant documents;

- increasing the insurance of the state authorities in the safety of domestic products that are traded on the internal market in particular by: the adoption of legislation in the sphere of regulation in accordance with requirements of WTO and EU; creation of regulatory system infrastructure, its human and technical support; introduction of the quality control system of production through certification of enterprises that would provide a priority control over the quality of production and processing of raw materials;

- Establishment of an effective system of state and public market supervision over the quality of goods

that are traded on the domestic market through: expansion of a network of laboratories that monitor the quality of consumer goods, increasing the level of legal responsibility of manufacturers, suppliers and distributors for the quality of products, which are sold in domestic market.

2. Increasing of the level of price and non-price competitiveness of local end-use products that are traded on the domestic market:

- creating of favourable economic conditions for the modernization of local enterprises that sell their products on the local market through exemption from VAT of imported technological equipment, improving the legal and regulatory rules for the leasing market, development of transparent legal and regulatory rules for land acquisition for industrial construction;

- implementation of a cost-based rates and prices of monopolies products by limiting legislative opportunities of monopolies;

- state support in the formation of a network of information and marketing centers with free access to information about the level of prices in commodity markets, the quality characteristics of the products and its compliance to the requirements of mandatory standards for all market participants.

3. Improving of the mechanism of market concentration of local products at the internal market:

- expanding the sources of investment of national enterprises through the improvement of activity of investment fiscal agents in the inboard market;

- reducing the investors’ costs at the entrance to and exit from the market through: legally regulated maximum price of the services and re-ownership of registered securities; reducing of costs for the procedure of bankruptcy and liquidation.

4. The decrease of the inflation costs of social welfare in the domestic market:

- creating of favorable economic conditions for developing market infrastructure, especially for service providers and sales institutions, the formation of wholesale markets for public participation at the national and local levels;

- formation of the mechanism of stimulation of inflation expectations of participants of the internal market through the gradual introduction of inflation targeting monetary regime.

5. Formation of target sectorial programs of the domestic market using national products with high quality features.

6. Determination of the priorities of the central and local governments to improve the institutional, organizational and economic principles of the internal market operation.

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