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THE FACTORS OF ECONOMIC MECHANISM FOR RECOVERY THE DOMESTIC MARKET OF DONBAS

Problem Statement. The discussions about current state and future of Donbas on the backdrop of the military confrontation in the Ukrainian society expressed different and sometimes contradictory, opinions. Along with understanding the need for a subsequent resumption of the effective functioning of the Donbas sound and appeals for a complete economic blockade of Ukraine uncontrolled part of it. In this opinion often manifested the military-political aspects of the problem, while the economic impact of such a move seriously not taken into account. It does not take into account the role previously played, and again, after the resolution of the conflict, will play Donbas, which earlier formed 25% of the export potential of the country.

Against the background of the controversy about the benefits and problems associated with the beginning of 2016 a free trade regime with the European Union (EU), out of sight remain questions about the status of the domestic market of Ukraine, in particular, its development with the involvement of European investments. And above all – investments in enterprises of Donbas, which, after the resolution of the military-political crisis, on the background of mass unemployment and an ending of the traditional investment from the Russian Federation, will be the most attractive targets for cheap investments. Obviously, it will need to run an effective economic mechanism of recovery of the domestic market of Donbas, which factors are discussed in this article.

Analysis of Researches and Publications. Sources of different relationships to the Donbas, including the requirement of its economic blockade, most fully revealed in his latest works V.P. Gorbulin [1]. Unfortunately, the position of the blockade maintains a certain part of the Ukrainian political class, in particular, the leadership of the Lugansk regional military and civil administration [2]. In [1] carefully analyzed the economic losses of Ukrainian from the blockade of Donbas. However, the lack of a unified state policy in this matter puts the companies in occupied area of Donbas, which operate in the legislative field of Ukraine, in difficult conditions. So, of the 25 largest enterprises in the Luhansk region 17 are located in the occupied territory, which creates difficulties with the organization of production and sales of products, transfer taxes. Despite this, the contributions of these enterprises to the budget of Ukraine at the end of 2015, only in the Luhansk region, will be about 1 billion dollars US. And the loss of these enterprises in the case of the blockade would lead to a

loss of consumer market of the region in a volume of about 20 billion dollars US per annum [2].

In the current situation of Donbas is a clear the need to shape the future economic mechanism of recovery its domestic market on the basis of the country's overall development strategy, some provisions of which are being developed by A. Galchinskiy and V. Geets [3], Y. Zhalilo [4], E. Labinskaya [5]. They note that the strategic goals of the country's economy cannot be achieved without serious foreign investment, the sources of which will expand as Ukraine will move into EU structures. Determined that the priority areas to attract and support strategic investors may be those in which Ukraine has the necessary resource potential and forms a significant market need in the relevant product. It is noted that the highest investment attractiveness has export industry [6], the biggest sectors of which are the most developed precisely in Donbas. At the same time are considered the risks to invest in domestic enterprises. Determined that investors in most cases dismissed what would take on all the risks [7]. It requires the study of the economic factors, management that could ensure effective investment in enterprise of Donbas in order to restore its domestic market.

The objective of the article – the consideration the factors of economic mechanism for recovery of the internal market of Donbas.

Presentation of the Main Material. The starting point of the assessment of the internal market of Donbas is the comparison of its performance for the European Union, Ukraine and the Donbas as part of it. Consider such factors as:

gross domestic product (GDP) per capita, thousand dollars;

the share of wages in production costs – ShW, %;

domestic market share in total volume of the sales – ShDM, %;

the share of small business in GDP of the country and the region – ShSB, %;

the tax burden on labor.

If the gross domestic product (GDP) per capita in the most EU countries ranges from 14 to 30 thousand dollars, in Ukraine this figure with the current rate of the national currency in all forms of the definition will be in the range of 2-3 thousand dollars. In Donbas is expected much lower value of this indicator because of the huge number of unemployed.

The share of wages in the cost structure of production in Ukraine is 6-10 percent, whereas in many European countries – at least 40, and at the same time wage level in Ukraine is also much lower than in the EU [8]. In the structure of sales in Ukraine only 20% of domestic market share, while in the world practice, the ratio is the opposite meaning [9], in Poland, for example, the internal market covers about 60% of sales [10]. The share of the population employed in small and medium business in Ukraine in general up to 30% (including the informal sector), the same level of performance to be expected in the Donbas, as during the occupation of this kind of employment remained the only option for the population is there. In Europe, small and medium-sized enterprises employing more than 50%, in the US – up

to 90% of the population [11]. In Poland, for example, small and medium enterprises produced 48,4% of GDP [10].

At relatively low wages in Ukraine total tax burden before 2016 amounted to 69% of payroll. It is the largest tax burden on wages in Europe, where in most countries it is between 35 and 50% [12]. However, by reducing the rate of the single social contribution in accordance with the tax legislation in 2016 should expect a significant reduction in the tax burden on wages in Ukraine.

Let the tax burden beyond further consideration, because of the legislative nature of its formation and, most likely, unchanged for a certain period, and remain other four considered indicators in a comparable form of the diagram in Fig. 1.

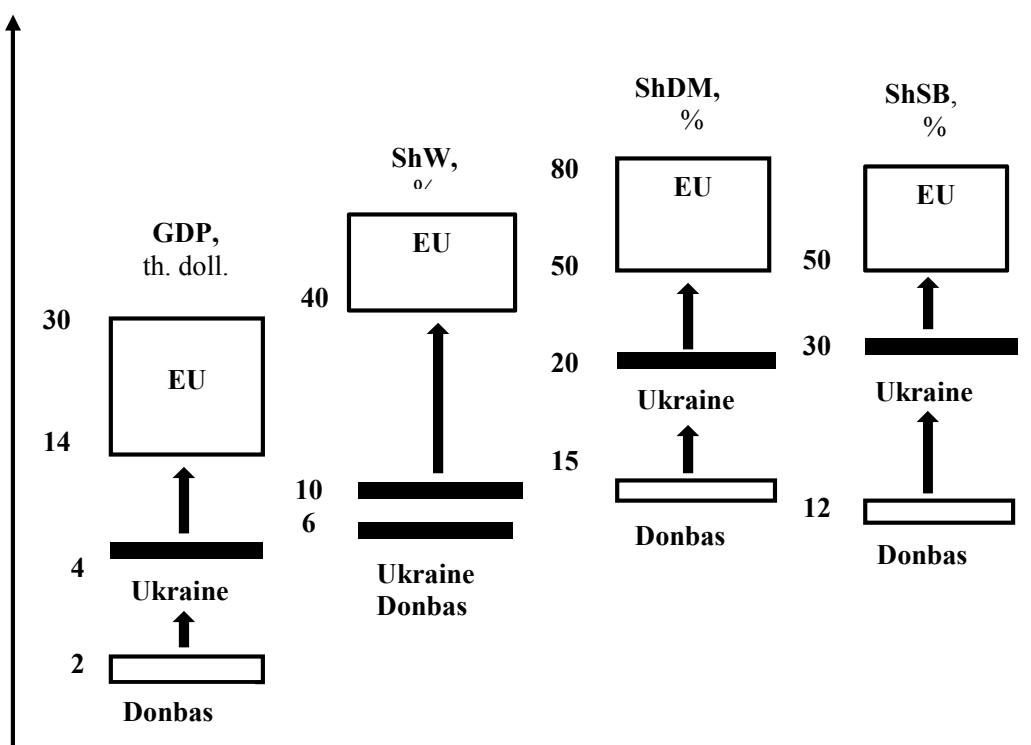


Fig. 1. A comparison of the socio-economic indicators of countries Of European Union (EU), Ukraine and the Donbas

It is obvious certain correlation between considered rates. Higher levels of any of them correspond to larger values of others. The indicator for the European Union is higher than for Ukraine in general, and for Donbas, including. The arrows in Fig. 1 show the required direction of changing the values of economic indicators for Ukraine and the Donbas, but the questions arises: how to run a mechanism for increasing the values of these indicators, with some indicators should begin as prevent inflationary process?

Obviously, the start-up of the domestic market requires a systematic effect on the shift on values in Fig. 1 in side of the bands specific to the EU. Is it possible to improve the existing structure of strong performance by anyone of the main chains? It is clear that a small share

of wages in the cost of production in Ukraine is due to low wages that determines the generally low income levels, and this in turn is reflected in the low share of the domestic market. The average salary in Ukraine is about 4000 UAH, but this figure is calculated taking into account the very high (up to 100 thousand UAH) salary of senior executives of enterprises, banks and other organizations that share in the number of workers is insignificant. Therefore, the "median" salary, that is the salary of the average Ukrainian, about 30% lower. Namely, the median wage determines solvency of the population in the domestic market, in particular – respect to domestic products, while paying of segment of the population with the biggest income designed for the purchase of im-

ported luxury items, expensive cars, foreign real estate, and so on.

However, we cannot get a definite answer to the question: low wages in Ukraine – it is a consequence or a cause of the weak domestic market? It is understood that the mechanical increase in wages without an increase in sales volumes in the domestic market – a direct path to inflation. On the other hand, increasing the volume of sales on the domestic market is impossible without major investments in companies, whose products are not intended for export, but for internal consumption. Unfortunately, the benefits of the Association of Ukraine with the EU by the new investment opportunities of the European capital in the development of the domestic market of Ukraine, still remains out of focus.

About the role that EU could play in this direction can be seen on the example of Eastern European countries. For example, Slovakia, which had earlier approximately equal to Ukraine its socio-economic indicators, after spending several years in the EU as a result of the extensive investment program increased its GDP per capita up to 23 thousand dollars. Also, Poland, which

had a much worse initial conditions than Ukraine, becoming in 2004 a full member of the European Union, through the German investment became sixth economics in the European Union (EU) [10]. Similar processes are common to other Eastern European countries included in the EU, so we can expect decisive for Ukraine could become a serious investment from Europe to the development of the domestic market of Ukraine, and especially the Donbas.

The fact of last massive investment of Russian capital into Donbas is a testament to its high investment attractiveness. Thus, the first and largest facility of Russian investment in the Luhansk region was Lisichansk refinery. In 2010-2011, under the control of Russian business moved Alchevsk Metallurgical Plant, a Russian company then bought Luhansk locomotive Plant, major Russian capital invested in Stakhanov Wagon Works and other businesses. Termination of Russian investment prepares the base for the arrival of investment from the EU.

It becomes evident next shown in Fig. 2 chain of factors of recovery the internal Donbas market.

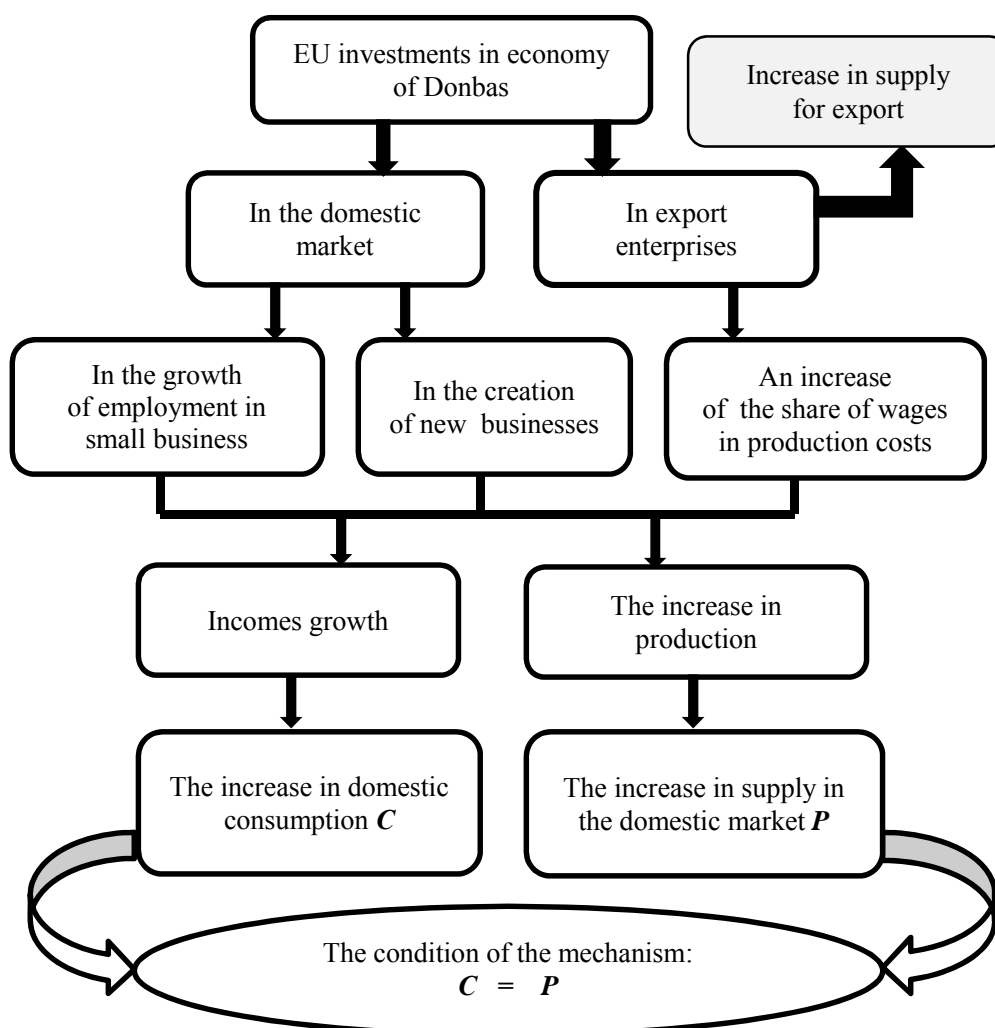


Fig. 2. The chain of the factors of economic mechanism of recovery the internal market of Donbas

The central point of this mechanism is additional investment in the economy of Donbas aimed to increase wages in the sphere of production of domestic consumption.

That would increase of purchasing power of the population did not stimulate growth in consumer prices, it is necessary to control a proportional growth of wage in the production of items of domestic consumption and the growth of share of the domestic market in total sales. This would support a dynamic balance between the growth of purchasing power in the domestic market C and additional products in this same market P , i. e. $C = P$.

The launch of this mechanism requires the concerted action of a legislative nature, governmental decisions and decisive action with regard to the business increase hourly rates of wages, salaries, additional payments from profits on the background of falling tax burden on labor, the introduction of a progressive scale of taxation of high incomes.

Conclusion. Non-inflationary economic mechanism of recovery the internal market of Donbas should be based on attracting foreign investment in additional production volume in the domestic market, balanced with an increase in purchasing power of population of region.

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Колосов А. М. Чинники економічного механізму відновлення внутрішнього ринку Донбасу

Наведено порівняльний аналіз економічних показників Європейського Союзу, України та Донбасу, як її частини. Показано, що підвищення рівня оплати праці, частки заробітної плати в собівартості продукції, частини внутрішнього ринку в загальному обсязі продажів, розвиток малого бізнесу в Україні та Донбасі можливі тільки на основі значних європейських інвестицій, але не тільки в експортні підприємства, але й в розвиток внутрішнього ринку для виробництва продукції внутрішнього споживання. Це неминує має стати фактором поступального підвищення заробітної плати та інших доходів громадян. Центральним моментом запуску даного механізму, що виключає інфляційні процеси, є забезпечення динамічної рівноваги між обсягом додаткової продукції, що надходить на внутрішній ринок, і зростанням оплати праці у сфері виробництва продукції внутрішнього споживання.

Ключові слова: Донбас, Україна, Європейський Союз, економічний механізм, чинник, рівень оплати праці, частка заробітної плати в собівартості продукції, частка внутрішнього ринку, зайнятість у малому бізнесі, інвестиції, внутрішній ринок, обсяг пропозиції, обсяг споживання.

Колосов А. Н. Факторы экономического механизма восстановления внутреннего рынка Донбасса

Приводится сравнительный анализ экономических показателей Европейского Союза, Украины и Донбасса, как ее части. Показано, что повышение уровня оплаты труда, доли заработной платы в себестоимости продукции, части внутреннего рынка в общем объеме продаж, развитие малого бизнеса в Украине и Донбассе возможны только на основе значительных европейских инвестиций, но не только в экспортные предприятия, но и в развитие внутреннего рынка для производства продукции внутреннего потребления. Это неизбежно должно стать фактором поступательного повышения заработной платы и других доходов граждан. Центральным моментом запуска данного механизма, исключая инфляционные процессы, является обеспечение динамического равновесия между объемом поступающей на внутренний рынок дополнительной продукции и возрастанием оплаты труда в сфере производства продукции внутреннего потребления.

Ключевые слова: Донбасс, Украина, Европейский Союз, экономический механизм, фактор, уровень оплаты труда, доля заработной платы в себестоимости продукции, доля внутреннего рынка, занятость в малом бизнесе, инвестиции, внутренний рынок, объем предложения, объем потребления.

Kolosov A. M. The Factors of Economic Mechanism for Recovery the Domestic Market of Donbas

The comparative analysis of the economic indicators of the European Union, Ukraine and the Donbas as part of it. It is shown that an increase in the level of wages, the wage share in the cost of production, the share of the domestic market in total sales, small business development in Ukraine and Donbas are possible only on the basis of significant European investment, but not only in the export enterprises, but also in the development of the internal market for the production of domestic consumption. It must inevitably be a factor in the progressive increase in wages and other incomes. The central point of the launch of this mechanism, excluding inflation, is to provide a dynamic balance between the volume coming to the domestic market additional products and an internal consumption.

Keywords: Donbas, Ukraine, European Union, economic mechanism, factors, level of wages, wage share in the cost of production, share of the domestic market in total sales, small business development, investment, domestic market, volume of supply, volume of consumption.

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