

The economic growth of the ukrainian economy: the role of natural resource potential

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Abstract – Natural resource use gives rise to public and private goods and services in national economy. Decision making in large corporations involved in the extraction and processing of natural resources in Ukraine, based on generation of profit, is the legitimate possibility of transferring responsibility and payment for environmental pollution and depletion of natural resources on the state. And the lack of «fair» money value of natural resources and ecological damage results in excessive production of private welfare with a minimum production of public welfare. As a result disproportions accumulate that endanger a possibility of long-term economic growth.

Key words – natural resource, potential, economic growth, welfare, model

I. Introduction

Global ecological challenges force societies to develop and to implement principal new approaches in order to provide growth of economy. Principles of sustainable development declared in 1992 in Rio de Janeiro were aimed at harmonic adoption to balanced nature management and maximization of satisfaction of needs of contemporary and future generation and resulted in certain positive changes. Participation and access to ecological information and justice, as obligatory components of viable society should be considered as the most successful principles realized for now. At the same time, specialists recognize that along with successful realization of politics of sustainable development, a number of problems arise, that are related to low temps of economic growth, intensification of poverty, increase in ecological problems, accelerated extinction of species, famine and the rate of spread of diseases. The data reported on the conference Rio+20 proved inefficiency of application of the principles of sustainable development, low level of coordination, sequence and consistency of actions of separate individuals and society as a whole [1]. These problems concern the development of the Ukrainian economy, too.

II. Page Setup

Economy of Ukraine is affected by negative consequences of global financial economic crisis of 2008. In these conditions, solutions of the problem of rational management of natural resources at simultaneous economic growth are considered separately. This situation is related to the fact that in Ukraine, the main emphasis in the management of natural resource potential is done on the establishment of property rights and legal regimes that guarantee excess of rent for individual agents.

Maximization of added value is provided by means of elimination of a wide range of consumers out of the process of management of natural resources (often by illegitimate methods), corruption and bureaucratic schemes of obtaining rights to use natural resources. Small business, which displays the interests of the majority of the population of Ukraine becomes unprofitable, that intensifies the poverty of the national economy. Decision making in large corporations involved in the extraction and processing of natural resources in Ukraine, based on generation of profit, is the legitimate possibility of transferring responsibility and payment for environmental pollution and depletion of natural resources on state. And the lack of «fair» money value of natural resources and ecological damage results in excessive production of private welfare with a minimum production of public welfare. As a result disproportions accumulate that endanger a possibility of long-term economic growth.

Contemporary paradigm of development is supplemented by ecological economy that tries to overcome disadvantages of neoclassical economy. The main ideas generated within the limits of ecological economy are as follows. The first trajectory is oriented to law of property that can be established on the market of externalities. The problem of limitation of economic growth as a result of environment pollution is got over by pollutants and recipients through trade by laws, that exclude necessity of state interference (model of R. Coase). The result is the principle «polluter pays» and the trade of marketable pollution is permitted. The second trajectory of ecological economy is approach of balance materials, which characterize the limits of development by entropy. In this sense pollution of environment and depletion of resource potential are not only the results of market refusal, but also an inevitable phenomenon conditioned by laws of thermodynamics that force government to fix acceptable levels of pollution from the position of social and private criterions [2].

Disciplinary sphere of ecological economy is aimed at three main purposes: first, estimating and ensuring, that the scale of people activity is ecologically viable; second, ensuring that distribution of resources is equitable within the boundaries of the current generation, between future generations and between species; and third, the effective assignation of market and non-market resources with account of the limits of development. Natural capital, human capital and interdependent artificial capital are interdependent and largely complementary [3]. The conception of sustainable ecological economy is linked with elasticity of the natural and artificial capital and with human resources. This means that the production of welfare requires a rigorous combination of resources, the substitution of which results in a welfare that cannot be compared with other ones with respect to consumer characteristics. Therefore, sustainable development of Ukrainian economy can be achieved through the development of natural resource potential.

At the same time, revealed positive dynamics of growth of the economic, social and ecological components can be

considered in terms of "price" paid by society for satisfaction of its own requirements. From this position, the GDP growth as an indicator of social wellbeing, can not get a positive evaluation. With the growth of the absolute volume of consumption of natural resources and the gradual depletion of the natural resource potential, society pays not only to the ecological costs associated with the implementation of measures for rational environmental management, protection and reproduction of natural resource potential, but also the ecological costs aimed at the intensification of extraction, processing and consumption of natural resources, obtaining of ownership and control over limited natural resources in order to receive an excess of rent or to prevent and to eliminate the negative effects of depletion of natural resource potential, which results in complication of conditions of personal and professional business activity.

Consumer awareness of the importance of integrating ecological, economic and social factors explains the emergence of markets for environmentally friendly products, where the level of satisfaction from the direct consumption is not lower than the level of satisfaction of knowing that production and consumption of the product or service does not damage or even improves the environment. According to estimate of specialists, the rate of growth of the markets for environmentally friendly products often exceeds the growth in traditional sectors. This fact is usually characterized as green boom comparable to the digital boom. According to analytical company «New Energy Finance», energy investments in 2008 amounted to about 350 billion USD; 155 billion USD accounted to renewable energy: since 2004 to 2008, there was an average annual increase by 50%. According to German consulting firm Roland Berger, in 2008, the world market of economical goods and services amounted to 1.4 billion USD, and it is expected to double by 2020 [4].

For the national economic, entities are characterized by the use of a number of formal attributes of environmentally friendly products, in order to attract customers and to achieve growth and the level of profit at the cost of these sales. In particular, for this purpose, eco-labels are introduced (for example, Green Crane in Ukraine, Blue Angel in Europe) and environmental infrastructure is created (environmental insurance, tax credits, etc.) [5]. Nowadays it is necessary to ascertain high level of ignorance and incompetence customers that are expected to choose environmentally friendly products. First of all, the signs of ecological quality of products are not identified by consumers. This fact demonstrated that the environmental safety of production and consumption of the product is not the main evidence of quality because the main evidence of the quality is traditional price and quality ratio. Second, the manufacturers labeling products by signs of ecological quality use mainly the standards of ISO 9000, 14000, 26000. However, the existence of such labels indicates high quality of the management process, without revealing the content of characteristics of the ecological quality of the product itself.

An essential mark of quality for today can be compulsory indication on the packaging of the absence of GMOs in the composition of products offered on the Ukrainian market. However, due to the lack of consistency in the sanitary requirements of Ukraine and the number of states that are importers and exporters in the Ukrainian market, a number of dangerous products enter the Ukrainian market and increase the volume of transboundary pollution. Investment policy of nature-conservative technologies is replaced by policy of payment fines for breaking environmental laws, because the amount of presented fines is hundreds of times less than the amount of investment required. Thus, in the Ukraine we can watch a determinate "imitation" of environmentally consciousness, increase in the level of irrationality of consumption of natural resources, domination of politics of "quick money" without taking into account the interests of future generation.

Conclusion

The present investigation illustrates required simultaneous account of social, economic and ecological characteristics of natural resources as welfare. This approach allows formulation of a model of estimation of interrelation between the produced welfare and consumed natural resources. Practical application of the suggested model based on official statistics permitted establishment of the priority of economic component in decision-making in the area of natural resource management and economy progress as well as insufficient account of social and ecological consequences of these decisions.

Further research can be directed towards new applications and more case studies. Adaptation and application of the proposed model to other developing countries will likely demonstrate the flexibility and usefulness of the model in addressing the trade-off between economic growth and environment, and can contribute to substantiating policy conclusions that emphasise natural resource development, poverty reduction, and price incentives in advancing both of these development goals.

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