

people may spend more time indoors to avoid exposure to air pollution, and install air purifiers in their homes to improve air quality. These purchases are effectively substitute goods for a cleaner environment. People may also install double glazing to reduce road traffic noise in their homes. However, this does not prevent road traffic noise from invading their gardens and backyards; thus preventative and mitigatory expenditure, in this instance, is a minimum estimate of the utility lost due to this type of noise. In extreme cases people may move to another residential location to avoid an environmental externality. However, if the general environment is improved by some policy initiative, the individual will spend less on these substitute goods. Thus changes in expenditures on substitute goods is a measure of people's values for environmental improvements.

## **INNOVATIVE COMPONENT OF THE UKRAINIAN ECONOMY ON IT'S WAY TO THE INFORMATION SOCIETY**

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The age in which we are living is characterized by a high speed of innovation in the development of information and communication technologies and by the consequent changes in organizational aspects of the social and economic systems. The ongoing transformations seem deep, multiplex and pervasive, crossing the boundaries of the countries, regions, institutions, social groups and classes, involving and affecting the lives of people of whatever status, ages and conditions.

One of the effects of the spread of the new technologies is an increase in communication all around the world, making the different national economies – more often than before – in direct competitiveness. This phenomenon – usually referred as globalization – is bringing about a different convenience in the innovation division in the world. In the most developed countries the old form of industrialism based on manufactures has rapidly contracted under the pressure of the increased competition from the emerging countries in the East and South of the world. This process is provoking deep transformation in the innovation market, with the decrease of traditional products and an increase of new products in their form and content. The more developed economies abandon the manufacturing industrialism and transit to a new form of it based on knowledge. Knowledge reduces the requirements for rude materials, labor, time, space, capital and other resources. Knowledge becomes the indispensable tool, the main resource of the modern economy, the value of which continuously increases.

If one may say so, “cognitive revolution” is taking place: it completely changes economy, whether national economy or the world economy. The economy of the Third Wave is made revolutionary by the following fact: while land, labour, rude

materials and, perhaps, even capital can be viewed as limited resources, knowledge is actually unlimited.

As opposed to blast furnace or factory line, knowledge can be used simultaneously by unlimited number of market participants. And the latter can employ knowledge in order to create even more knowledge. This is vital for production survival, because innovation nature of information economy dictates the principle: "You are the one to make your product to become outdated". Today it is one of Microsoft slogans. The product will become outdated anyhow; just the main role in this process will be played by competitors. This is true and this formula works also for the most powerful economic giants. With the technology progress, which everyday discovers new ways to serve yesterday's markets, monopolies "once and for a long time" are replaced by competitive battlefields. Even if monopolies are created, the pace of technological transformation is threatening to make them short-lived. Dynamic competition – the essence of what Austrian economist of the first half of the 20<sup>th</sup> century Joseph Schumpeter called "creative destruction" – is the nature of the cyberspace economy.

United States experience is an evidence, that in a big market investments may be made faster and more economically. Since 1980 40% of all the American investments (not loans) were directed to Ireland. And what portion of Europe is taken up by Ireland? Much less than 40%, even less than 10%, isn't it? (To be precise, it takes up 0.7 % assuming a general area of Europe is 10 million square kilometers. Following the same calculations, Ukraine takes up 6% (70,000 square kilometers and 603,000 square kilometers respectively).

We in Ukraine need a big market in order to fully enjoy the opportunities created by new technologies. A very big amount of investment is required. Their return directly related to the volume of the market, which will benefit from implementing innovation. Enterprises with essential financial basis are required to invest billions in innovation technologies. Ability to keep up with the initial speed is as much important as infrastructural investments, since such level of development can recoup itself only on the long-term basis. This is one of the reasons for a company's size being a key factor of survival in a quickly developing market.

So, what percentage of the world's investments can get Ukraine provided there is efficient investment policy and informatization? It is policy efficiency, properly chosen strategy (rather than filling up the budget), perfection of the entire legal base, priority of relevant industries or even the level of citizens' literacy is the guarantee for a country's economic progress.

Ukraine with its human resources and scientific potential must not lose its chance to start "international career". Increasing world's demand opens opportunities for countries with basic prerequisites to create or to develop information technology for own needs or for export at the expense of investment.

Taking in account all the above mentioned, the conclusion will be as follows: "Virtualization and Informatization" has to become a slogan for Ukrainian economy for the nearest decades.

First steps of independence were marked with significant curtailment of production of high-tech products, outflow of specialists abroad, a number of other negative phenomena. At the same time it was possible to preserve modern educational system, create a footing for new market economy, go over to economical development with increasing gross (GDP). Today the society can benefit from a so-called "tunnel effect" to make a rapid leap over several stages of development of ICT and more efficiently implement the most up-to-date technologies for the sphere of telecommunications and the sphere of informatization.

Ukraine proclaimed its European choice as a long-term strategy of social and economical development. The goal of this strategy is to turn our country into a modern, developed democratic state with strong market economy, a state where interests of all layers of population are properly represented and protected without any exception. Actions of the government of Ukraine are directed to persistent realization of tasks, which come out of this goal. To more completely use ICT there were approved in the state and are in force National programme on informatization, Complex programme on development of the communication field, State programme of computerization of village schools, State programme on creation of a Unified state automated passport system, other programmes on implementation of ICT in everyday life of the society and in the work of all branches of the state power. At the same time there is a need to introduce integrated, inter-branch and inter-disciplinary approach to more effective and fast accomplishment of tasks which are currently faced by the Ukrainian society and the Ukrainian economy.

## **EAST DIMENSION OF EUROPEAN UNION POLICY, ASYMMETRICAL THREATS AND ENVIRONMENTAL SECURITY IN THE REGION**

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The western frontier of Ukraine became the eastern border of the European Union after the fifth enlargement on the 1<sup>st</sup> of May 2004. This fact creates the conditions for mutually beneficial cooperation or for a new confrontation along the borderline of the Commonwealth of the Independent States as a successor to the Soviet Union's (Russia Empire's) political heritage. Ukraine does not meet the requirements of modern Europe economically and socially, so at present it might turn out to be the dividing line between the wealthy and the poor, the civilized and the barbarians, the environmentally protected countries and unstable underdeveloped regions. Because of the asymmetrical threats (terrorism, internet attacks, ecocatastrophes, illegal migration etc.) the sustainable development of the region