Vladyslav Honcharuk, Doctor of Philosophy in Law,
Associate Professor, Professor of the Department
of National Security Prince Volodymyr the Great Educational
and Scientific Institute of Law and Security
Private Joint-Stock Company "Higher Education Institution
"Interregional Academy of Personnel Management"
Kyiv, Ukraine

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PUBLIC ADMINISTRATION OF UKRAINE'S STRATEGIC POTENTIAL AS A COMPONENT OF ENSURING ECONOMIC SECURITY AND NATIONAL DEFENCE CAPABILITY

Contemporary security challenges have brought to the forefront the need to reconsider the place of a state's strategic potential within the system of public administration. Russia's full-scale armed aggression against Ukraine has demonstrated that economic security and national defence capability are determined not only by the volume of financial resources, the size of the armed forces, or the capacity to obtain external assistance. Equally important are the state's ability to sustain domestic industrial production, ensure the functioning of the defence-industrial complex, maintain energy resilience, preserve scientific and technological competencies, human capital, and critical infrastructure.

In this context, the strategic potential of the state should be regarded as an independent object of public administration encompassing the aggregate economic, industrial, technological, energy, scientific, human-resource, and infrastructural capabilities that enable the state to pursue its national interests, maintain economic sovereignty, and ensure its defence capability.

Ukraine's historical experience is particularly illustrative for understanding the significance of this category. At the time of gaining independence, Ukraine inherited considerable industrial, resource, scientific, and technological potential. In the late 1980s, the Ukrainian SSR was one of the key industrial centres of the USSR. In the early 1980s, more than 50% of the USSR's iron ore, 25% of its coal, 97% of its coal combines, 52.3% of its freight wagons, 33.2% of its turbines, and 24.7% of its tractors were produced on its territory [1]. According to approximate estimates, in the mid-1980s the Ukrainian SSR accounted for about one

quarter of total Soviet exports, while more than one thousand enterprises of the republic supplied products to 105 countries.

The complex of high-technology industries was of particular importance for the future defence capability of independent Ukraine. Mechanical engineering accounted for approximately 31.1% of the industrial output of the Ukrainian SSR, with a substantial share generated by enterprises of the military-industrial complex. Ukraine hosted industrial and research centres in rocket and space engineering, aircraft manufacturing, and power engineering. The Yuzhmash Production Association and the Yuzhnoye Design Bureau provided a complete research, design, and production cycle for rocket and space technology; the Antonov aviation complex possessed competencies in the development of heavy transport aircraft; and Turboatom manufactured power-generating equipment for nuclear and hydroelectric power plants.

Importantly, industrial potential was integrated with a well-developed scientific base. Ukrainian research institutes, design bureaux, and higher education institutions trained engineering and scientific personnel and facilitated the transfer of technologies from research and development to serial production. It was precisely this interaction among science, industry, and the defence sector that created the technological foundation of strategic potential [2].

At the same time, the initial conditions of independent Ukraine should not be idealised. The Soviet economic model was characterised by significant structural imbalances, low productivity in certain sectors, excessive emphasis on heavy industry and the military-industrial complex, and technological dependence on all-Union production cooperation. The disruption of economic ties after 1991 objectively required large-scale structural restructuring. However, the decisive issue was not the implementation of economic reforms as such, but the quality of public administration of the transformation of strategic potential.

One of the largest transformation processes was the privatisation of state-owned property. The declared objectives of privatisation – the formation of a diversified market economy, attraction of investment, and more efficient use of property – were in themselves consistent with the needs of economic transformation. The problem lay in the weakness of state institutions, insufficient oversight of property alienation processes, and the absence of developed mechanisms for independent valuation and effective protection of property rights.

At the initial stage of privatisation, non-competitive mechanisms became widespread, including lease-with-purchase arrangements and the

acquisition of enterprises by their labour collectives. Voucher privatisation formally ensured broad public participation: more than 45 million privatisation property certificates were issued. However, the institutional weakness of the stock market, insufficient financial literacy, hyperinflationary processes, and deficiencies in mechanisms for protecting minority shareholders created conditions for the subsequent concentration of corporate control [3; 4].

As noted in an analytical article by P. Frolov published in the weekly Dzerkalo Tyzhnia. Ukraine (No. 10 (356), 17–23 March 2018), approximately 132,000–133,000 state-owned assets were privatised in Ukraine between 1992 and 2017. From the standpoint of economic security, however, the fundamental issue is not the ratio between public and private ownership as such, but whether the state retained appropriate mechanisms of strategic control over assets and sectors whose functioning determined technological capacity, energy security, export potential, and defence capability.

In this context, the privatisation of large industrial enterprises, accompanied by the emergence of powerful financial-industrial groups, is particularly illustrative. Insufficient transparency and competitiveness of privatisation procedures, the alienation of certain assets at prices that did not fully reflect their economic potential, unequal access of participants to privatisation processes, and the influence of political factors on relevant decision-making created conditions for the concentration of substantial economic resources in the hands of a limited number of private actors. As a result, the state gradually lost some of its effective levers of influence over strategically important assets and resources, while actual control over them became increasingly concentrated within large private financial-industrial groups.

Thus, one of the key shortcomings of public administration in the 1990s and early 2000s may be identified as the absence of a comprehensive system for classifying strategic assets and a long-term policy defining permissible limits for changes in ownership or the loss of state influence over such assets. Privatisation policy was predominantly viewed as an instrument of economic reform and budget revenue generation, whereas its long-term consequences for national security, technological sovereignty, and defence capability were not properly integrated into the system of state strategic planning.

Subsequent deindustrialisation intensified these risks. The decline in industrial production meant not only changes in the structure of GDP or employment, but also the loss of production chains and technological

competencies. The reduction of high-technology employment was particularly detrimental to strategic potential. A significant proportion of engineers, designers, and scientists changed their fields of activity or emigrated, while restoring the technological base requires substantial resources and time [5].

Human capital and scientific and technological capital are precisely those components of strategic potential that cannot be rapidly replaced by financial resources. An industrial enterprise can be rebuilt or new equipment can be purchased; however, restoring an engineering school, a design bureau, a research team, and technological competencies accumulated over decades is a considerably more complex task.

This leads to an important conclusion for the science of public administration: strategic potential is characterised by institutional inertia. Its formation requires a long period of time, consistent state policy, and substantial investment, whereas its erosion may occur much more rapidly as a result of a combination of economic crises, privatisation-policy errors, reductions in state procurement, insufficient funding of science, human-capital migration, and the loss of production markets.

The loss of part of a state's strategic potential inevitably weakens its economic sovereignty. Critical dependence on imports, the contraction of domestic high-technology production, limited internal financial resources, and a raw-material orientation of exports reduce the state's ability to respond independently to economic and security challenges. The situation is further complicated by capital outflows and the use of offshore mechanisms, which constrain the state's financial capacity to develop strategic sectors of the economy and reduce the transparency of control over certain assets.

This problem became particularly acute following the onset of Russian aggression in 2014 and the full-scale invasion in 2022, when industrial, technological, and human-resource potential directly became a resource of national defence capability. Wartime experience has confirmed that the state's ability to produce weapons, ammunition, communications equipment, unmanned systems, energy equipment, and other critically necessary goods largely depends on the availability of industrial competencies developed before the emergence of an immediate military threat.

This necessitates a reconsideration of the traditional approach to public administration of economic security. The state must manage not only current macroeconomic indicators, budgetary parameters, or the investment environment, but also the long-term capacity of the economic

system to meet the critical needs of society and the security and defence sector.

In our view, the contemporary system of public administration of Ukraine's strategic potential should be based on at least several interconnected areas.

First, the category of the state's strategic potential should be defined at the regulatory level, together with a system of quantitative and qualitative indicators. Such indicators should include the level of technological autonomy, the production capabilities of the defence-industrial complex, the condition of critical infrastructure, dependence on imports of critical resources, the scale of research and development activities, the human-resource potential of strategic sectors, and the economy's capacity for mobilisation deployment.

Second, it is advisable to introduce a systematic audit of Ukraine's strategic potential, enabling assessment not only of existing assets but also of the risks associated with the loss of particular technologies, enterprises, production chains, and professional competencies.

Third, decisions concerning the privatisation, restructuring, or liquidation of strategically important enterprises should not be assessed solely according to economic-efficiency criteria. They should also be subject to an assessment of their potential impact on economic security, technological autonomy, and national defence capability.

Fourth, institutional continuity of strategic policy must be ensured. The implementation of long-term programmes for the development of the defence-industrial complex, energy, science, aviation, rocket and space industries, and other critical sectors cannot be made entirely dependent on changes in political cycles or in the composition of parliament or government. Strategic potential is built over decades; consequently, policies for its development must be long-term in nature.

Fifth, one of the principal priorities should be the restoration of the "science – technology – industry – defence" nexus. Sustainable restoration of strategic potential is impossible without systematic funding of applied research, preservation of engineering schools, and the creation of sustained public demand for high-technology products.

Thus, the historical experience of Ukraine's economic transformations provides grounds for asserting that strategic potential is not a static aggregate of resources, but rather the result of long-term interaction among state policy, the industrial sector, science, human capital, and institutional capacity. Its erosion leads to a contraction of economic

sovereignty, increased external dependence, and limitations on the state's ability to independently ensure its own defence capability.

Accordingly, public administration of strategic potential should be recognised as one of the key elements of Ukraine's economic and national security system. In the post-war period, state policy should be directed not towards the mechanical restoration of the pre-war economic structure, but towards the formation of a new strategic potential capable of ensuring technological autonomy, the resilience of critical industries, the development of the defence-industrial complex, and the state's capacity to act independently in the face of future crises and security threats.

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