

## Innovation Policy as a Component of State Economic Policy in Modern Economic Conditions

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### Abstract

*The article is devoted to the theoretical and legal analysis of innovation policy as an integral and priority component of the state's economic policy in the context of contemporary transformations in the national and global economy. The relevance of the study is determined by the intensification of global technological competition, the need to ensure Ukraine's economic and defence stability, as well as institutional changes in national legislation, in particular, the repeal of the Economic Code of Ukraine, which for a long time performed a systematising function in the field of state regulation of economic activity. The methodological basis of the article consists of systemic, formal-logical, and formal-legal methods, which enabled the study of the relationship between the legal architecture of economic policy and the effectiveness of innovation processes. The work emphasises that the absence of a coherent codified core of economic policy and the definitive uncertainty of innovation policy create a significant institutional vacuum, which complicates the coordination of state regulation, weakens horizontal coordination between authorities, and hinders strategic technological development. Based on an analysis of the Constitution of Ukraine, current laws, subordinate legislation, and doctrinal approaches, the fragmentation of the legal framework for both economic and innovation policy has been identified, which negatively affects the state's ability to ensure the structural modernisation of the economy, stimulate innovation, and support high-tech sectors, in particular the defence-industrial complex. As a result, several proposals were formulated regarding the institutionalization of innovation policy at the legislative level, specifically: the need to establish a comprehensive definition of innovation policy, to incorporate it as a component of state economic policy, and to enhance mechanisms for interdepartmental coordination. It is argued that the institutionalisation of innovation policy is a key prerequisite for economic recovery, ensuring competitiveness, reducing transaction costs, and forming a comprehensive model of the national economic order.*

**Keywords:** innovation policy; state economic policy; economic and legal order; state regulation.

## **Інноваційна політика як складова економічної політики держави в сучасних умовах господарювання**

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### **Анотація**

Статтю присвячено теоретико-правовому аналізу інноваційної політики як невід'ємної та пріоритетної складової економічної політики держави в умовах сучасних трансформацій національної й світової економіки. Актуальність дослідження зумовлена посиленням глобальної технологічної конкуренції, необхідністю забезпечення економічної та оборонної стійкості України, а також у зв'язку з інституційними змінами в національному законодавстві, зокрема скасуванням Господарського кодексу України, який тривалий час виконував систематизуючу функцію у сфері державного регулювання господарської діяльності. Методологічну основу роботи складають системні, формально-логічні та формально-правові методи, що дозволило дослідити взаємозв'язок між правовою архітектурою економічної політики та ефективністю інноваційних процесів. У роботі акцентовано увагу на тому, що відсутність цілісного кодифікованого ядра економічної політики та дефінітивна невизначеність інноваційної політики створюють суттєвий інституційний вакуум, що ускладнює узгодженість державного регулювання, послаблює горизонтальну координацію між органами влади та перешкоджає стратегічному технологічному розвитку. На підставі аналізу Конституції України, чинних законів, підзаконних актів і доктринальних підходів виявлено фрагментарність правового забезпечення як економічної, так і інноваційної політики, що негативно впливає на можливості держави забезпечувати структурну модернізацію економіки, стимулювати інновації та підтримувати високотехнологічні сектори, зокрема оборонно-промисловий комплекс. У результаті сформульовано низку пропозицій щодо інституціоналізації інноваційної політики на рівні законодавства, зокрема, щодо необхідності встановлення її комплексної дефініції, закріплення її як складової державної економічної політики, вдосконалення механізмів міжвідомчої координації. Обґрунтовано, що інституціоналізація інноваційної політики є ключовою передумовою відбудови економіки, забезпечення конкурентоспроможності, зменшення трансакційних витрат та формування цілісної моделі національного господарського порядку.

**Ключові слова:** інноваційна політика; економічна політика держави; господарсько-правовий порядок; державне регулювання.

## **Introduction**

The current stage of global economic development is characterized by an unprecedented intensification of competition, which is increasingly shifting towards high-tech industrial goods and, most critically, the defense industry. In the context of the global technological race, where knowledge and innovative advantage are key resources, ensuring national economic stability and technological sovereignty is impossible without a radical transition to an innovation-oriented development model. For Ukraine, with its pressing security needs and the need for deep structural modernisation of the economy, effective innovation policy is becoming a strategic and even existential necessity [1].

The effectiveness of this strategic transition is determined not only by the volume of investment but also, above all, by the state's ability to formulate and implement a comprehensive economic policy that serves as a catalyst for innovation processes. It is a comprehensive economic policy that provides the institutional framework for integrating scientific and technical priorities into fiscal, investment, and structural-sectoral mechanisms. At the same time, at the institutional and legal level in Ukraine, there is a crisis of systematisation, which poses serious risks to the integrity of public administration.

On the one hand, national economic legislation is gradually losing its unifying centre: the decision to repeal the Economic Code of Ukraine (ECU) [2], which came into force in August 2025, effectively means that there is no single codified mechanism for summarising the main directions of state economic policy, as defined in Art. 10 of the ECU. This step leaves key regulatory functions and definitions scattered across a multitude of sectoral laws. This jeopardises the methodological basis for coordinating strategic decisions, as it removes the conceptual core around which the logic of state influence on economic processes was built.

On the other hand, innovation policy, despite its undeniable strategic importance for post-conflict recovery and defence capability enhancement, is still only fragmentarily represented in legislation. It lacks a clear, comprehensive definition at the national regulatory level, which makes it difficult to perceive it as a primary and mandatory function of the state, rather than merely an auxiliary mechanism for investment or scientific and technical activities.

The lack of a systematic legal basis for economic policy, in general, and the definitive uncertainty of innovation policy, in particular, create a significant institutional vacuum that complicates horizontal coordination between agencies and hinders the full integration of innovation priorities

into fiscal, investment, and structural and sectoral policies. Thus, the economy remains sensitive to market changes and is unable to ensure the sustainable technological renewal necessary to defend national interests in the defense sector [3, p. 44].

The aim of this study is to provide a theoretical and legal justification for the need to institutionalise innovation policy as an integral and priority component of the state's economic policy in the context of contemporary geopolitical and institutional challenges, and to develop practical recommendations for doing so. The establishment of innovation policy as a full-fledged, institutionalised function of the state and a key mechanism of public-state regulation is a critically necessary condition for ensuring the competitiveness of the economy and technological superiority in the defence sector.

### **Literature review**

The problem of institutionalisation and effectiveness of public policy, especially innovative policy, is at the centre of legal and economic doctrine. In the scientific literature, state economic policy is traditionally viewed as a system of targeted measures implemented by all branches of government and state administrative bodies that have a significant influence on the economic development of society [4, p. 336]. However, the focus of research has shifted significantly from describing economic instruments to analysing the legal and institutional prerequisites for their implementation.

A critical approach to the legal framework for economic order is reflected in the works of D.V. Zadykhal. He rightly emphasises the significant role of the Economic Code of Ukraine (ECU) in the formation of the modern economic order, stressing that it was thanks to the initiatives of the ECU developers that issues of the constitutional foundations of the economic order, state economic policy, its forms and directions were raised at the legislative level. This position is justified by the fact that the establishment of such legal foundations created the basis for the formation of a comprehensive mechanism for implementing the state's economic policy, oriented towards the development of the national economy. In this context, the abolition of the Civil Code is viewed as a departure from the consistent evolution of economic law, which poses a threat to the integrity of the national economy's legal framework [5].

Regarding innovation policy (IP), scholars are unanimous in their criticism of its fragmented legal foundation. Yu.V. Georgievsky proposes to understand state innovation policy as the activities of the state aimed at creating socio-economic, organisational, and legal conditions for the effective reproduction, development, and use of scientific and technical

potential, ensuring the introduction of modern, environmentally friendly, safe, energy and resource-saving technologies, and the production and sale of new types of competitive products [6]. O.V. Kuzmin defines IP more broadly than the legislative framework, as "a system of measures at the state, corporate and regional levels aimed at creating a favourable environment for the development of innovations, their commercialisation and transfer". V. Heyets emphasises that innovation policy is "an integral part of the state's economic policy, which ensures the technological modernisation of production and increases the competitiveness of the national economy". N.M. Kraus also considers IP to be «a mechanism of state influence on innovation processes, combining economic, legal and organisational instruments to stimulate innovative development».

Common to these scientific approaches is the conclusion that the legislative approach is "descriptive and declarative" [7], as it defines only individual elements (forms, functions) but does not reveal the mechanisms for implementing, coordinating, and controlling IP as a separate, priority function. This regulatory deviation indicates institutional indecision or unwillingness to elevate IP to the status of a mandatory, primary state policy, treating it rather as an auxiliary legal mechanism for specific economic actions (investment or scientific and technical activities).

V. Lagutin proposes a model for the formation and implementation of state economic policy, emphasising its inextricable link with the legislative framework. He notes that it is precisely in the shortcomings of normative acts that mistakes in economic policy are often made. This underscores the need for preventive legal regulation and the development of a balanced economic strategy that prevents a shift to populist policies during times of crisis [8, p. 14].

Thus, a review of the literature clearly reveals two systemic problems: 1) the loss of the codified core of economic policy due to the abolition of the Civil Code; 2) the lack of proper institutionalisation and definitive clarity of innovation policy in the current legislation. This creates an urgent need to develop a comprehensive legal framework that would integrate IP into the overall architecture of state economic management.

## **Materials and Methods**

The methodological basis of the article consists of systemic, formal-logical, and formal-legal methods, which enabled the study of the relationship between the legal architecture of economic policy and the effectiveness of innovation processes. The paper provides a critical review of scientific approaches to defining innovation policy, which showed that, contrary to established doctrinal positions, Ukrainian legislation does not contain a

comprehensive functional definition of innovation policy, but regulates it only through individual elements of innovation activity. All methods were applied in conjunction with one another, ensuring a seamless transition from a critical analysis of the existing legal framework to the development of specific recommendations for updating the regulatory and legal field, and institutionalizing innovation policy as an integral element of the state's economic and legal policy.

## **Results and Discussion**

### ***Fragmentation of the regulatory framework for economic and innovation policy in Ukraine***

Economic policy has a multi-level structure that includes goals, functions, instruments, subjects, and objects of its implementation. The combination of these elements should ensure the effective functioning of the economic system and achieve specific strategic objectives. At the same time, the implementation of these components is impossible without proper legal regulation, which is the basis for the integrity and consistency of state economic policy. In this regard, it is advisable to study the regulatory and legal consolidation of these elements. Economic policy in Ukraine lacks a single, comprehensive definition enshrined in a single regulatory act. Instead, its essence, forms, implementation mechanisms, and subjects are distributed among a hierarchical system of legislative and subordinate acts.

The fundamental definition of the essence of economic policy is established by the Constitution of Ukraine, which enshrines Ukraine as a socially oriented market economy. Constitutional norms, particularly Articles 13 and 41, define the general legal limits within which the state can exercise regulatory authority. Article 41, which guarantees the right to private property, establishes the principle of non-interference by the state in the exercise of the rights of economic entities, except in cases expressly provided for by law. This means that the Constitution defines the legal boundaries beyond which state regulation may not extend.

Until recently, the Commercial Code of Ukraine (CCU) played a leading role in the legal regulation and systematisation of the main areas of state influence on economic activity. Article 10 of the CCU contained a normative list of key areas of economic policy, including structural and sectoral, investment, depreciation, institutional transformation, pricing, antitrust and competition, budgetary, tax, monetary and credit, currency, and foreign economic policy. This provision effectively served as the systemic core around which the logic of state influence on economic processes was built.

In scientific literature, the position of D.V. Zadykhal, who emphasises the significant role of the Commercial Code in the formation of the modern



legal economic order, seems reasonable. Thanks to its developers, the legal foundations of the constitutional economic order and state economic policy were laid, which is being transformed into a system of economic and legal policy measures [7]. However, the abolition of the Commercial Code was a departure from the consistent evolution of commercial law as a science and practice, which contradicts the needs of modern society and the requirements of national economic security. Ignoring this achievement poses a threat to the integrity of the national economy's legal framework, weakens the possibilities for forming a systematic economic and legal policy, and complicates the balanced development of the domestic economy.

The key framework act defining the essence of the strategic and programmatic aspects of economic policy is the Law of Ukraine «On State Forecasting and Development of Economic and Social Development Programmes of Ukraine» [9]. According to Art. 1, the essence of the policy is mediated through state forecasting, which involves predicting the possible state of the economy in the future and exploring alternative ways to achieve the necessary parameters.

This Law establishes the time frames for policy: short-term (1 year) and medium-term (2 years following the forecast). In turn, the Budget Code of Ukraine specifies the mechanism for implementing economic policy through budgetary policy, considering it a key instrument of state regulation of the redistribution of financial resources. At the same time, the Tax Code of Ukraine defines tax policy as a component of economic policy aimed at stimulating development, supporting investment activity, and ensuring stable budget revenues.

An economic policy actor is an active bearer of will and initiative who shapes and implements targeted economic management activities. The legislative definition of the system of economic policy actors is also characterised by fragmentation:

- (1) The Verkhovna Rada of Ukraine defines the principles of domestic and foreign policy, approves national development programmes and forms the legal basis (Articles 85, 92 of the Constitution of Ukraine);
- (2) The President of Ukraine acts as a guarantor, defining the main directions (Articles 102, 106 of the Constitution), which are implemented through decrees and the approval of strategies (e.g., economic security strategies);
- (3) The Cabinet of Ministers of Ukraine is the main implementing body, responsible for financial, pricing, investment, tax, structural, industrial, agricultural, social and foreign economic policy (Art. 116 of the Constitution of Ukraine);

- (4) The National Bank of Ukraine (NBU) performs a separate key function of macroeconomic regulation, ensuring monetary policy and the stability of the national currency (Articles 99-100 of the Constitution);
- (5) Local authorities implement regional economic and social development programmes in their respective territories (Articles 143-144 of the Constitution). Thus, Ukraine's regulatory framework establishes a multi-level system of economic policy actors; however, there is no single, codified act that comprehensively describes their functions, interactions, and limits of competence.

The state's innovation policy (IP) is a key instrument for implementing the innovation function, representing a system of measures aimed at creating favourable conditions for the development of an innovative environment, the commercialisation of scientific developments, and, as a result, increasing the competitiveness of the national economy.

Generally, state regulation of innovation activities is implemented through several key mechanisms. First, the state determines and supports priority areas of innovation development, as enshrined in the Law "On Priority Areas of Innovation Activity" and the Law "On Priority Areas of Science and Technology Development". These priorities aim to meet the needs of society for high-tech products and services, covering strategic and medium-term areas at the national, sectoral, and regional levels. Secondly, regulation includes the formation and implementation of state, sectoral, and regional innovation programmes, which are carried out in accordance with the mechanisms defined by legislation on state forecasting and innovation activity. The implementation of programmes is mostly carried out on a competitive basis. Thirdly, an important area is the creation of regulatory, legal, and economic instruments to support innovation, as well as the protection of the rights of innovation actors. Legislation guarantees them support for innovative projects, infrastructure development, intellectual property rights protection, and access to information. Fourthly, the state provides financial support for innovative projects, offering interest-free loans, partial financing, and interest compensation on loans in accordance with the Law of Ukraine "On Innovative Activity". Fifthly, it stimulates lending to innovative projects. The state partially compensates banks for interest rates on long-term loans (1-3 years) granted in national currency to entities engaged in innovative activities. The procedure for the competitive selection of such projects is defined by Resolution of the Cabinet of Ministers of Ukraine No. 101, dated January 29, 2002. Sixth, tax incentives. Under paragraph 158.2 of Art. According to Art. 158 of the Tax Code of Ukraine, 50% of the profits received from the implementation and realization of energy efficiency measures and projects by enterprises



included in the relevant state register are exempt from taxation. Seventh, support for innovative infrastructure. According to Part 9 of Art. 1 of the Law of Ukraine "On Innovative Activity", innovative infrastructure is a set of organisations that provide innovative activities (financial, consulting, information, legal, etc.). Its main task is to create conditions for the resource and organisational support of the innovation process [6, pp. 83-87].

Despite the significant importance of innovative development in the state's economic policy, Ukrainian legislation is characterized by unsystematic regulatory regulation of this sphere and the absence of a holistic, functionally defined concept of innovation policy.

Even in the Commercial Code of Ukraine, which remains in force until 2025, innovation policy was not singled out as a separate area; its essence was reflected only in related areas, including structural and investment, scientific and technical, and industrial. In particular, Articles 325–331 of the Commercial Code stipulate that innovation activity is a type of investment activity, and the state supports it through financing, the creation of special economic zones of an innovative nature, and the provision of tax incentives. Instead, Chapter 34 of the Civil Code, "Legal Regulation of Innovative Activity", focused primarily on defining the object and subject of legal regulation of innovative activity as a process rather than a policy.

A similar approach is also evident in the Law of Ukraine "On Innovative Activity" [10]. The legislator defines the organisational and economic foundations of this activity, but avoids normative consolidation of the concept and content of innovation policy as a separate direction of the state's economic policy. According to Art. 4 of this Law, state innovation policy is only a component of state economic policy aimed at creating conditions for the formation of an innovative model of Ukraine's economic development. Articles 5-7 define its functions and forms of implementation, including the formation and implementation of state and regional innovation programs, the creation of a regulatory and legal framework for innovation activities, the stimulation of investment in innovation, and support for priority areas of scientific and technical development.

The Law of Ukraine "On the Fundamentals of the State's Domestic and Foreign Policy" [11] in Art. 7, dedicated to the principles of domestic policy in the economic sphere, establishes as one of its principles the need to intensify investment and innovation activities, in particular by attracting funds from enterprises and the population, establishing an effective system of investment risk insurance, stimulating the direction of citizens' savings towards investment in the economy, and ensuring the innovative component of investments. It follows from the provisions of these regulatory acts that

innovation is only a means by which the results envisaged by the state's economic policy are achieved. However, it is more appropriate to consider innovation policy as one of the directions of the state's economic policy.

Scientists critically assess this approach as "fragmentary" and clearly insufficient for the effective functioning of the national innovation system [7]. Such regulatory evasion suggests institutional indecision or a reluctance to elevate innovation policy to the status of a mandatory, primary state policy, treating it instead as an auxiliary legal mechanism for specific economic actions.

Recent legislative initiatives only confirm this trend. Thus, Draft Law of Ukraine No. 13715 "On Support and Development of Innovative Activity" (2025) [12] attempts to define innovation policy, but again limits this definition to the level of "state policy in the field of innovative activity".

At the same time, the Law of Ukraine «On Innovative Activity» employs the category of «state innovation policy», defining its goals and principles, but does not provide a definition of the concept itself. State innovation policy is the activity of the state aimed at creating socio-economic, organisational, and legal conditions for the effective creation, development, and use of scientific and technical potential, ensuring the introduction of modern, environmentally friendly, safe, energy- and resource-saving technologies, and the production and sale of new types of competitive products [6, p. 60]. In fact, the identification of the objectives and principles of state innovation policy enables its recognition.

At the same time, the Law of Ukraine "On Scientific and Scientific and Technical Activity" (2015) specifies the institutional component of innovation policy, establishing the legal status of entities involved in its formation (central executive bodies, scientific institutions, the National Council of Ukraine for Science and Technology Development). Article 3 of this law stipulates that the state shall create conditions for the integration of science, education, and production, thereby forming a holistic innovation environment. Certain aspects of innovation policy are also covered in: the Law of Ukraine "On Technology Transfer" (2006), which defines the legal mechanism for the transfer of the results of scientific and technical activity; the Law of Ukraine "On the Special Regime for Innovative Activities of Technology Parks" (1999), which establishes forms of state support for innovation clusters; the Law of Ukraine "On Priority Areas of Innovation Activity in Ukraine" (2012), which details the strategic guidelines for state policy in this area.

Innovation infrastructure entities form a specific sector of participants in innovation relations, whose activities are primarily aimed at providing

organisational, resource, and consulting support for the innovation process and creating conditions for its implementation. In Ukraine, such infrastructure is still in the process of formation: only some of its elements are actually functioning, while the missing links are partially replaced by the activities of universal institutions.

In scientific literature, the issue of forming and implementing state innovation policy is considered through the prism of the powers of various public authorities. According to some researchers, the Verkhovna Rada of Ukraine, which is responsible for forming a unified state policy in this area, plays a key role in determining the strategic foundations of innovative development. It is the parliament that provides the regulatory basis for the functioning of the innovation system, sets the priority areas for innovative development, and determines the amount of budgetary funding for relevant programmes and projects. Thus, the legislative level of state influence shapes the framework conditions for realizing the country's innovation potential.

The executive branch, represented by the Cabinet of Ministers of Ukraine, ensures the practical implementation of innovation policy. Researchers emphasise that the government performs both managerial and coordinating functions: it submits proposals to parliament on strategic directions for innovative development, approves medium-term priorities for innovative activity at the national and sectoral levels, and creates conditions for the development of innovative infrastructure. The government's powers also include approving the procedure for state registration of innovation projects, maintaining the relevant state register, and forming a network of specialised state innovation financial and credit institutions necessary to provide financial support for innovation programmes.

A separate set of powers in the field of innovation is vested in central executive bodies. Their competence is differentiated according to the nature of their functions. The bodies responsible for shaping state policy in the field of innovation ensure the development of conceptual foundations and regulatory and legal regulation, coordinate the activities of other executive bodies, initiate the creation of innovative financial and credit institutions, and prepare state innovation programmes. In turn, the bodies that implement policy in the field of scientific, technical and innovation activities focus on the practical implementation of the innovation process: conducting forecasting and analytical research, registering innovative projects, organising competitive selection processes, participating in scientific and technical expertise, formulating proposals for financing innovative programmes, and promoting the professional development of specialists in the field of innovation.

In addition, researchers draw attention to the sectoral dimension of innovation policy, within which central executive bodies develop mechanisms for introducing innovations in relevant sectors of the economy, prepare proposals on sectoral priorities, and interact with specialised financial and credit institutions to support innovative projects.

A special place in the system of innovation policy actors is given to the authorities of the Autonomous Republic of Crimea and local self-government bodies. At the regional level, they are responsible for setting medium-term priorities for innovation activities, approving regional innovation programmes, and determining the mechanisms for their financing. Local councils can establish municipal innovative financial and credit institutions responsible for supporting local innovative projects using budget funds. Regional and local executive authorities ensure the preparation of innovative program projects, organize their implementation, and involve enterprises, institutions, and organizations in addressing issues of innovative development in the relevant territories [6].

Thus, the system of state innovation policy actors in Ukraine operates on a multi-level basis, covering legislative, executive, sectoral, and local levels of government. According to the researcher, this multi-layered structure is designed to ensure the comprehensive nature of innovation development, where each level of government plays its own role - from forming a strategic vision to the practical implementation of innovation projects at the national, sectoral, and regional levels.

An analysis of current legislation suggests that the main features of innovation policy are defined in sectoral acts; however, there is no single, codified system of legal regulation that integrates all elements, from strategic planning to the legal regime governing the innovative activities of economic entities.

In contrast to the situation in the regulatory and legal sphere, in scientific literature, the concept of innovation policy is viewed as a system of interrelated elements, including: goals (ensuring technological modernisation), functions (programming, financing, stimulation, control), forms (clusters, partnerships), subjects, and instruments (tax incentives, grants). Ukrainian legislation lacks such a systematic approach: there is no single definition of the concept, its structure, principles of formation, and mechanisms for coordination with the state's economic policy.

### ***Innovation is a key factor in a country's global competitiveness***

The relevance of improving the legislative framework for economic policy, particularly innovation policy, is driven by global competition, primarily in the fields of high technology and the defence industry. This requires the

state's military-industrial policy to be geared towards creating a high-tech, innovative, and competitive defence-industrial complex.

The strategy for the development of Ukraine's defence-industrial complex, approved by presidential decree in 2021, defines priority areas that are purely innovative: technical re-equipment of the scientific and production base, introduction of the latest technologies, creation of rocket and space technology, high-precision weapons, and electronic warfare systems. Innovative activity in the defence-industrial complex should focus on upgrading the production base and transitioning to new types of specialisation and production organisation [7].

In this context, modern interdisciplinary research is particularly valuable. Thus, A. Kazi argues that a state's competitiveness in the context of the Fourth Industrial Revolution is inseparable from its risk profile. It is the combination of political, economic, and financial risks that shapes the limits of economic development. The analysis of competitiveness through the lens of risk science enables the identification of critical "nodal points", including innovative potential, the quality of institutions, and the state of financial and monetary systems. According to the researcher, effective management of the interdependencies between risks and competitiveness factors should form the basis of state policy for sustainable development [13].

At the same time, research on modern financial markets indicates that a country's competitiveness is reflected not only in its internal institutional stability, but also in its ability to create a high-quality market environment that extends beyond its own jurisdiction. A high level of competitiveness contributes to increased liquidity in international financial markets and reduces information asymmetry, confirming the systemic impact of national institutional characteristics on global financial flows [14].

The concept of innovation proposed by Otto Chui-Chau Lin in the context of Laozi's philosophy allows us to rethink the nature of a country's competitiveness in the global economy. It is based on the interaction of the real and virtual dimensions – You and Wu – where material resources determine the limits of technology, and intangible resources (such as knowledge, design, and intellectual capabilities) shape their usefulness and potential for innovative breakthroughs. This approach is consistent with contemporary views of competitiveness as a synthesis of institutional qualities, technological capacity, and the state's ability to create a favourable environment for the development of intellectual potential [15].

At the same time, J. Souto emphasises that the key competitive advantages of a state are formed through innovative business models and conceptual

approaches to value creation, while technological innovations themselves are often subject to rapid copying. This highlights the need for state policy aimed at developing an institutional environment that supports new models of interaction, management, and commercialisation of knowledge [16].

Recent studies on innovative development (G. Weiss et al., 2021) suggest that the effectiveness of innovation policy is influenced by a complex interplay of institutional, managerial, and social mechanisms of innovation governance. Innovation depends on the involvement of various stakeholders, social innovation, partnerships, and the integration of sustainable development and bioeconomy policies. This broadens the understanding of innovation policy as a complex system of coordination of business, political, and public interests [17].

In the digital economy, the transformation of the classic R&D model into «neo-open innovation» is gaining particular attention, as exemplified by Amazon's practices. User-oriented innovations, continuous experimentation, an expanded understanding of R&D, and the functioning of digital platforms as innovative ecosystems are shaping new requirements for state innovation policy, which must adapt to openness, network interaction, and accelerated knowledge circulation [18]. Empirical studies of regional innovation clusters suggest that effective state innovation policy necessitates a multi-level model of interaction, grounded in cooperation among businesses, universities, and government (Triple Helix). Cluster policy contributes to the transformation of regional innovation systems into a tool for increasing the competitiveness of SMEs and strengthening the national economic system [19].

In conclusion, innovation policy should be defined as a purposeful, scientifically sound, and coordinated activity of public authorities in cooperation with civil society institutions, aimed at creating legal, financial, and institutional conditions for the comprehensive development of innovation. Such a policy entails the development and implementation of regulatory and legal measures, the establishment of an effective law enforcement mechanism in the field of intellectual property, and ensuring the training of specialists.

Its strategic goal is to provide legal support for the comprehensive innovative development of the state through a coordinated system of legislative initiatives, strategic programmes, and concepts. The legal regulation of innovation processes is proactive in nature, as it aims to shape future social relations and stimulate intellectual activity in all spheres of life [20, p. 204].

An effective innovation policy for Ukraine in the post-war period should be based on a comprehensive approach to forming an investment strategy



that takes into account regional potential, the economy's structure, and modern global standards for innovation development management. The key elements of such a strategy should be: a clear vision of goals and directions; reliance on empirical data and analysis of market failures; effective coordination between all levels of government; determination of time frames for implementation; establishment of benchmark targets and development of a specific action plan; and ongoing evaluation of the effectiveness of the measures implemented. The investment strategy for economic recovery should become the primary strategic document of the state, defining the vision, goals, and mechanisms for implementing an innovation policy, ensuring a transition to a model of sustainable development based on knowledge, technology, and innovation [21, p. 6].

## **Conclusions**

1. State economic policy in Ukraine does not have a single codified definition. Its legal framework is scattered between the Constitution, framework, and specialised acts. The repeal of the Economic Code of Ukraine, which served as the systemic core that summarised the directions of state economic policy, led to the creation of a legal gap and increased the fragmentation of the economic and legal order.

2. Despite its strategic importance, innovation policy has only fragmented regulatory support. Current legislation primarily treats it as a component of investment or scientific and technical activity, thereby avoiding its status as an independent, primary function of state management. This definitional vacuum complicates horizontal coordination.

3. The system of economic policy actors, which includes the Verkhovna Rada, the President, the Cabinet of Ministers, the NBU, and local authorities, is multi-vector but insufficiently coordinated due to the absence of a single framework act that would define their interaction and limits of competence in the field of economic regulation. Thus, to ensure technological sovereignty and the successful reconstruction and development of Ukraine's defense-industrial complex, it is crucial to institutionalize an innovation policy. It is proposed to: (1) develop and adopt the Law of Ukraine "On the Fundamentals of State Economic Policy and Its Directions", which would restore the systematising function lost after the abolition of the Civil Code of Ukraine and clearly establish innovation policy as an independent, priority direction of state economic policy, defining its goals, structure, principles of formation and mechanisms of coordination with other sectoral policies; (2) At the level of the law, provide a clear, systematic definition of innovation policy as a purposeful and coordinated activity aimed at providing legal support for the comprehensive innovative

development of the state. This recommendation is crucial for eliminating the institutional vacuum and enhancing the effectiveness of state management of innovation processes. Only by creating such a proactive, systemic legal framework can balanced, innovation-oriented development of the national economy, particularly the defense industry, be ensured.

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