

UDC 330.368:332.146

A.I. Farion

PhD, Associate Professor of the department of accounting in public sector of economy and service sector Ternopil national economic university

THE COMPETITIVENESS AND COMPERATIVE ADVANTAGES OF UKRAINIAN ECONOMY

In the past few years the economic competition between countries has intensified. But to nowadays there is no single, uniform approach to the interpretation of meaning “national competitiveness” as a concept and to the determination of its place in the other basic economic categories. We can indicate one of them: the ability of nations to create and maintain an environment in which enterprises can compete. Ukrainian economic Encyclopedia gives such definition to economic competitiveness – the ability of one country to compete with the economies of other countries – in terms of efficient use of national resources, increasing productivity of the economy and on that basis to increase standards of living in the state [1]. Every European country needs to compare with other countries that give the complete picture of its ability to withstand international competition at their own markets and in the global market. Competitiveness may refer to many areas of economics. It could be the competitiveness of companies; industries, regions, and nation wealth. It could be determined as the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while at the same time maintaining or expanding the real incomes of its citizen [2].

According to the Global Competitiveness Index 2016-2017 rankings (the GCI captures the determinants of long-term growth) Ukraine takes 4.00 positions. The report covers 138 economies included based on data availability. Index contains sub indexes of financial market development, market size, technological readiness, goods market efficiency, labor market efficiency and higher education and training. It reflexes infrastructure in general, macroeconomic environment as well as levels of business sophistication and innovation. On figure 1 it is compared indexes of

European countries and Ukraine. Evolution in percentile rank since 2007 shows that Ukrainian economy has potential for decreasing.

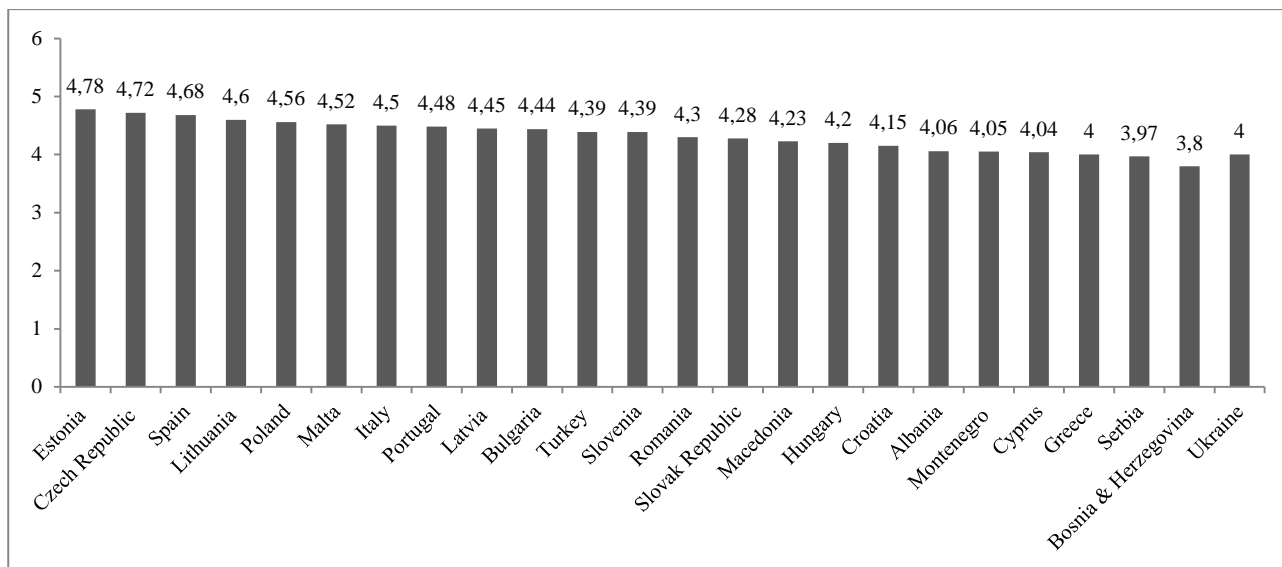


Fig 1. The Global Competitiveness Index 2016-2017 rankings [3].

By analyzing dates it could be proved that Ukraine lost its position to 0,03 points (fig. 2).

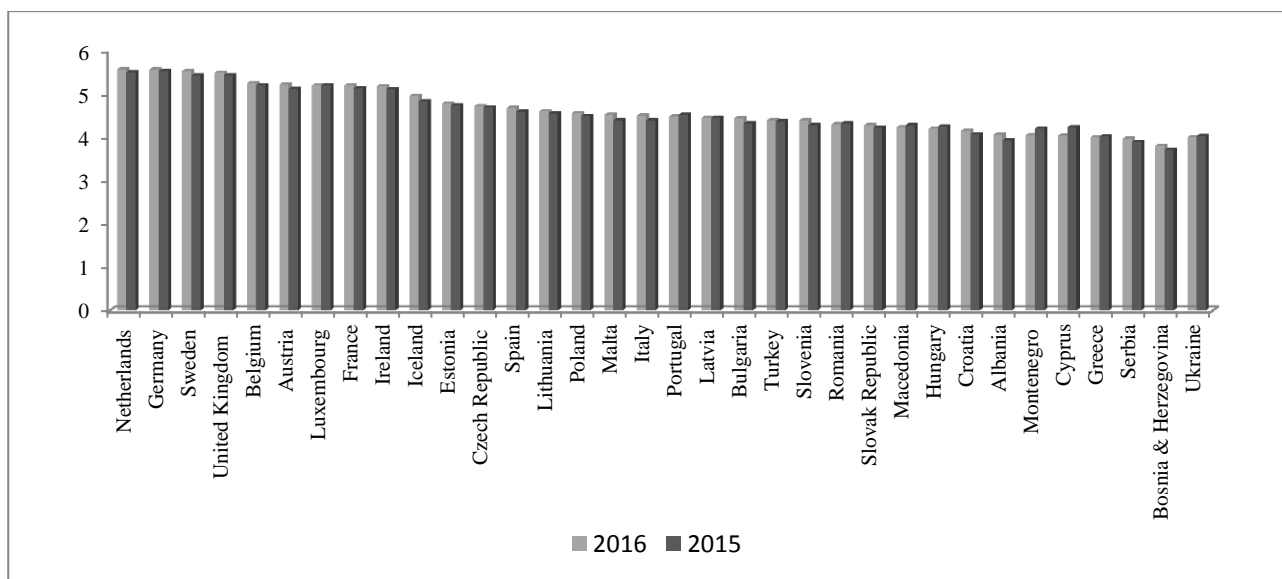


Fig 2. The Global Competitiveness Index 2015-2016 rankings [3].

Eurasia’s competitiveness performance has been stable overall, although most economies in the region face challenges related to the fall in commodity prices (Figure 10), volatile exchange rates, recession in the Russian Federation and Ukraine, and the slowdown of the Chinese economy. Financial sectors are under stress in at least half of Eurasian economies, with banks becoming less liquid and reducing firms’ access to finance – especially in Ukraine.

If to divide total ranks on separate points we will get such picture (fig. 3).

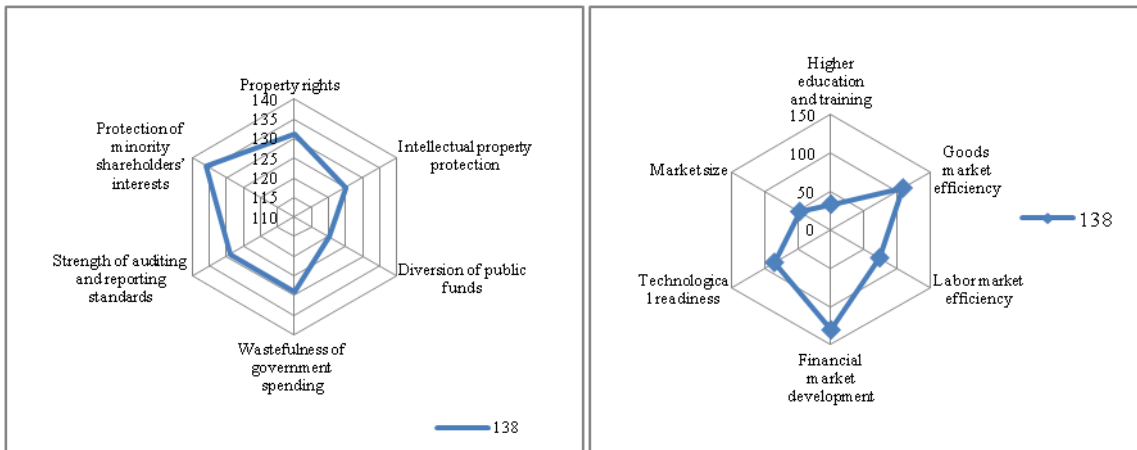


Fig. 3 Levels of different components of Global Competitiveness Index (138 countries)

The main reasons that caused current situation in Ukraine:

- 1) increased inflation (which in 20 years has reached its maximum);
- 2) high rate of currency depreciation;
- 3) continued political crisis in our country through confrontation of government branches;
- 4) ineffectiveness of reforms;
- 5) corruption;
- 6) shadow economy (according to experts – 50% of GDP);
- 7) increasing in the budget deficit and public debt [6].

The proportion of the most problematic factors for doing business in Ukraine has been shown in fig.4.

But Ukraine's economy has considerable potential for growth. There are several activities that could give opportunities to increase economic growth: transparent privatization of state enterprises, the creation of a fair trial, the development of access to international markets, deeper product processing in Ukraine, seeking investment in important sectors and modernization of enterprises. Government should also pay attention to fluctuations of exchange rates, growing prices, growing external debt, and devaluation of hryvnia, corruption, also inefficient reforms.

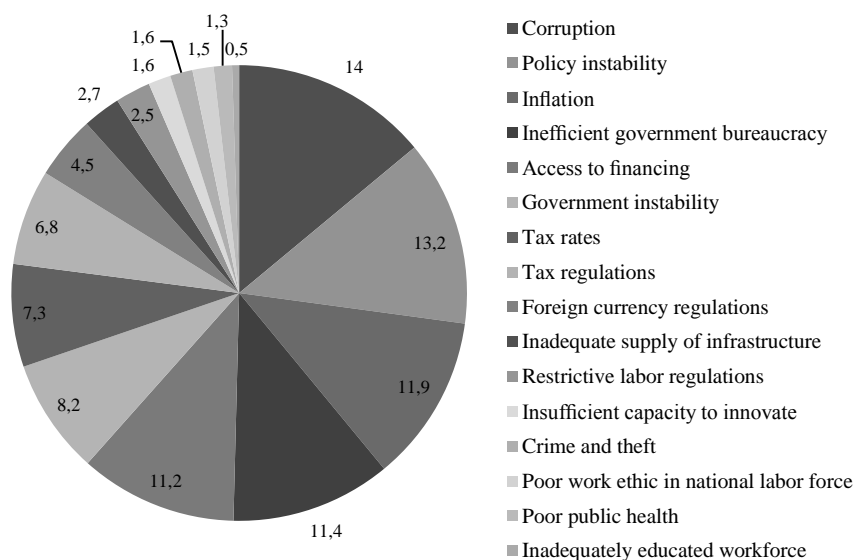


Fig.4.The proportion of the most problematic factors for doing business in Ukraine [3]

Current state of Ukraine's economy needs a lot of improvements to be competitive on international markets.

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