

## ASSESSMENT OF THE DEVELOPMENT OF UKRAINIAN ECONOMY BY THE COMPETITIVENESS RATING

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Епоха глобалізації викликала загострення конкуренції на світовому ринку і міжнародна конкурентоспроможність стала однією з найскладніших явищ сучасного економічного життя, в результаті чого необхідно відстежувати рівень глобальної конкурентоспроможності, для того щоб українські інститути змогли забезпечити стабільні темпи зростання.

Вирішення проблеми низької конкурентоспроможності допоможе країні вчасно зреагувати на економічні, технічні та інформаційні суспільні зміни, що відбуваються у світі і вжити необхідних заходів для пристосування до цих змін.

Для посилення конкурентних переваг серед інших країн світу, необхідне втручання інноваційних чинників в економіку країни та сприяння сталому розвитку, яке потребує сприятливих умов для розвитку бізнесу.

Враховуючи те, що проблема конкурентоспроможності є ключовою і практично значимою як для країн, що вже є лідерами рейтингу конкурентоспроможності, так і для країн, які ще тільки рівняються на світових лідерів. Для нашої країни питання конкурентоспроможності є надзвичайно гострим, адже наразі дуже актуальним є підвищення показників української економіки в умовах її інтеграції у світовий економічний простір.

Таким чином, в статті проаналізований рівень розвитку економіки України у світових рейтингах. Зміни в економіці простежено за динамікою Глобального індексу конкурентоспроможності у період з 2010 по 2017 роки. Визначено, що якість освіти та кваліфікації значною мірою впливають на економічний та соціальний розвиток країни в довгостроковій перспективі. Проаналізовано вплив ряду дестабілізуючих чинників, які гальмують економічний розвиток в Україні. Виділено фактори підвищення показника у рейтингу на період 2017-2018 рр., а також зроблено прогноз, щодо досягнення Україною результатів, які забезпечать розташування країни у рейтингу серед перших 40 місць.

**Ключові слова:** економічний розвиток, конкурентоспроможність, інвестиційна привабливість, глобалізація.

**Formulation of the problem.** The economic situation in Ukraine in recent years is very ambiguous. Regarding the current state of the economy (from the beginning of 2016), it is possible to predict the deterioration of the economic performance in the near future without much difficulty.

**Analysis of recent research and publications.** An important indicator of the state of the economy is the definition of an international economic ranking, that is, the position in the world regarding investment attractiveness, competitiveness, innovation, overall economic potential, etc. The dynamics of indicators of international economic ratings allow us to identify the external vision of economic changes in the country in terms of independent assessment, as well as to establish patterns and imbalances between the indicators of the national economy and the state of the other countries' economy.

At the same time, such ratings are useful for the country itself in terms of identifying the prospects of its economy, which is of paramount importance for prioritizing sources of its financing, the possibilities of attracting highly skilled specialists, increasing competitiveness, etc. [1, p. 57].

Many positions of Ukraine in various international ratings were carried out by S. Garmash [2], A. Maksimenko [3], N. Pisarenko [4], A. Tishchenko [5].

**The purpose of the article.** Track changes in the economy based on the dynamics of the Global Competitiveness Index. Determine the impact of the quality of education and skills on the country's economic and social development in the long run. To analyze the influence of a number of destabilizing factors that hinder economic development in Ukraine.

**Main results of the study.** Within the framework of the research, it was found that Ukraine's position is rapidly disappearing according to the indicator of economic competitiveness in the Global Rating of the Countries of the World in terms of economic competitiveness.

According to the 2016-2017 competitiveness rating of 138 countries, Switzerland, Singapore, the USA, Germany, the Netherlands, Sweden hold leadership [6]. The dynamics of the global index of competitiveness showed that Ukraine in the 2016-2017 period was in the 85th place with 138, that is 6 positions worse compared to last year (in the previous chart ranked 79th).

The position of Ukraine and its neighbors in the World Ranking is clearly visible in the dynamics (Table 1) [7].

Table 1 – Positions of Ukraine and some countries of the world according to the Global Competitiveness Index [7]

Positions of Ukraine and some countries according to the Global Competitiveness Index	2010-2011 from 132 countries	2011-2012 from 142 countries	2012-2013 from 144 countries	2013-2014 from 148 countries	2014-2015 from 144 countries	2015-2016 from 140 countries	2016-2017 from 138 countries
Ukraine	89	82	73	84	76	79	85
Georgia	93	88	77	72	69	66	59
Turkey	61	59	43	44	45	51	55
Russia	63	66	67	64	53	45	43
Poland	39	41	41	42	43	41	36

Ukraine competes with other countries of the world for more than 100 indicators, which are grouped in 12 categories. However, according to the study, Ukraine worsened its position in the period 2016-2017 in 7 of the 12 categories, and this is clearly seen in Table 2.

Table 2 – Index of Global Competitiveness of Ukraine [7]

Index of Global Competitiveness of Ukraine	2015-2016	2016-2017 (138 countries)	
		place in rating	index
	79	85	4,0
<b>MAIN REQUIREMENTS</b>	101	102	4,0
Institutions	130	129	3,0
Infrastructure	69	75	3,9
Macroeconomic environment	134	128	3,2
Health care and elementary education	45	54	6,0
<b>INCREASING PRODUCTIVITY</b>	65	74	4,0
Higher education and vocational training	34	33	5,1
The efficiency of the commodity market	106	108	4,0
Labor market efficiency	56	73	4,2
Financial market development	121	130	3,0
Technological readiness	86	85	3,6
Market size	45	47	4,4
<b>INNOVATES AND FACTORS OF IMPROVEMENT</b>	72	73	3,5
Compliance with modern business requirements	91	98	3,6
Innovations	54	52	3,4

As can be seen, the largest number of items (17) was lost in the indicator “Labor market efficiency”. Also, indicators of the country country’s financial market, health and primary education development have been deteriorated: by 9 points each.

Among some indicators, our country ranks first in the end of ratings, for example, for the second consecutive year Ukraine “leads” the list of the countries estimated by the strength of banks, among the 138 countries on the regulation of stock exchanges we received the penultimate position; for inflationary changes – 136, for roads quality – 134 [6].

The experts determined that the most unattractive and repulsive factors of our country’s low competitiveness are (in a decreasing order): corruption, complicated access to finance, inflation, political instability, high tax rates, inefficient state bureaucracy, the complexity of tax legislation, currency market regulation, frequent government change, restrictive regulation of the labor market, lack of innovation capacity, inadequate infrastructure quality, crime and theft, poor quality of healthcare I, inadequate education and poor labor ethics.

The problem of corruption in Ukraine remains unchanged for decades, the laws passed have not given tangible results in the anti-corruption struggle. In this regard, a legal framework requires a thorough study,

as well as the proposal development for the implication of tools for stimulating economic development at the legislative level [9, p. 36].

Among other factors, the decline of some indicators is due to specific reasons. Let's consider the top 3 sub-index, which determine the low competitiveness of Ukraine:

1. The risks of macroeconomic destabilization are preserved. In the 2017 UEFA rating, Ukraine ranks 121st out of macroeconomic stability, in particular, it is among the top 10 worst inflationary countries. Ukraine is also ranked worse in the 25 countries by the level of public debt (112<sup>th</sup> place) and the credit rating (123rd place). The country will continue to “digest” the consequences of the economic crisis of 2014-2016, which led to an increase in public debt to 81% of GDP, a three-digit inflation (125% for 2014-2017), a decline in the rates of savings in the economy and the collapse of credit ratings [6].
2. According to business estimates, almost all indicators of the innovation environment have reduced over the past year: from the quality of scientific research institutes to state-owned state-of-the-art technologies. The largest regression was recorded in terms of “interaction between industries and universities in the field of R&D”. This situation is a consequence of scanty budgets allocated by the state for science (less than 0.25% of GDP), which stimulates the outflow of scientists from Ukraine, and the ongoing de-industrialization.
3. There are depressingly low internal security indicators in the country. Business valuation in connection with the growing threat of terrorism, the increase in the overall level of crime and violence, organized crime slightly improved compared with last year, but continues to cause a high degree of anxiety in business.

In view of this, we can make a forecast for further decrease of these indicators for the period 2017-2018. However, despite the existing problems, positive changes should also be noted that may lead to a general improvement of Ukraine's position in the Global Competitiveness Rating.

By making forecasts for the period 2017-2018, we can identify the main factors in raising the rating, namely the overall impact of structural reforms in Ukraine, which can help the government to cope with the debt load.

In early 2015, the President of Ukraine approved the 2020 Strategy, which contains 25 key performance indicators. Interestingly, while Strategy 2020 plans to raise Ukraine to 40th place from the current 85th place, no country has been able to rise by 45 positions in 5 years since 2006/2007.

Figure 1 shows that improvement of the position in the rating even more than 20 places in 5 years is a rather rare event (about 5%).

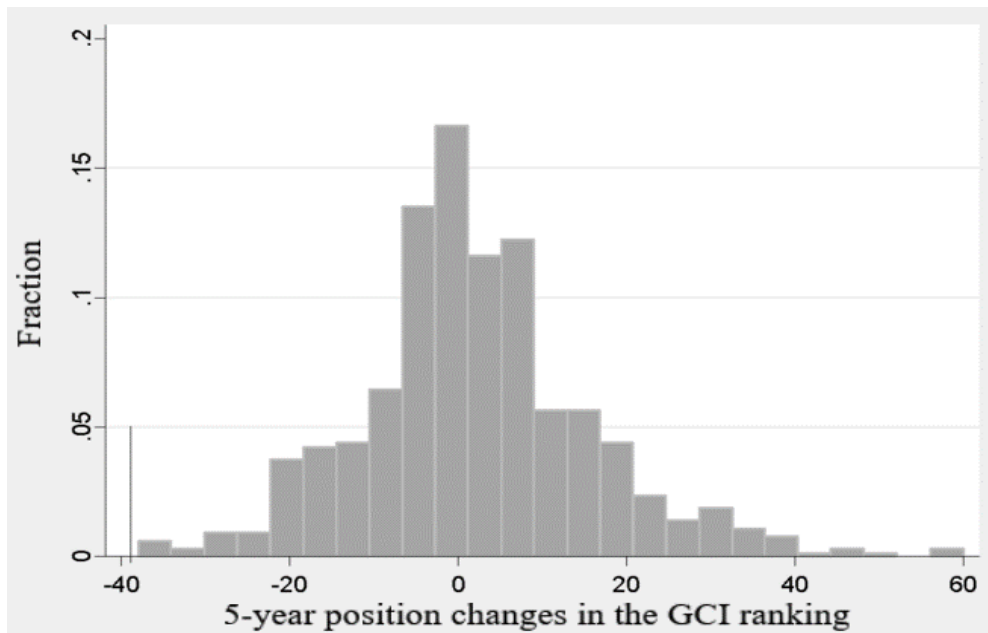


Figure 1 – Histogram of the five-year position change in the GCI ranking (written by the authors on the basis of [11])

Some recent illustrations of how difficult it is to achieve rapid and significant improvements in the GCI: there is no country that ranked above 70 and reached places in the top 40 countries for 5 years. There is only

one country that ranked above 60 and entered the top 40 in 5 years: Azerbaijan has risen from 69th place in 2008/2009 to 39th place in 2013/2014.

**Conclusions.** From this analysis it becomes clear that the achievement of the place among the top 40 ranking countries by 2020 is very unlikely for Ukraine and will require it to establish numerous world records.

This means that for Ukraine the achievement of the place among the top 70 countries by 2020 (in fact, the return to its maximum reached in 2006/2007) would be a good result, raising by 25 positions and reaching the place among the top 60 countries by 2020 it would be a great result, and achieving a place among the top 40 countries will mark the establishment of a new world record.

Improving the efficiency of the economy is impossible without a thoroughly developed and efficiently functioning system for its commercialization, so this aspect of the problem also needs research. In addition, the study of the quality of entrepreneurial education in Ukraine and the formulation of recommendations on how to improve the level of students' training, which influences the development of the Ukrainian economy, are required on this basis. The fact is that Ukraine has already 4 times increased its competitiveness. But unfortunately, it is not consistent in this. Therefore, although Ukraine has already shown that it can achieve a proper improvement in a particular year, the difficulty is to repeat this yearly improvement consistently over a longer period.

Further research can be related to the study of the successful development of business ecosystems in developed countries such as the United States, South Korea, Israel, Singapore, and its use for the implementation of a modern business ecosystem in Ukraine.

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