

**Transformational processes  
the development of economic  
systems in conditions of  
globalization: scientific bases,  
mechanisms, prospects**

**Collective monograph edited by  
M. Bezpartochnyi**

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The authors of the book have come to the conclusion that it is necessary to effectively use the management approaches to regulate modern international economic relations, methodological tools for analyzing international competitiveness and innovation. Basic research focuses on assessing the structure of R&D costs, analysis of innovative development the industrial enterprises, diagnostics of direct and portfolio investments, stress-testing of the banking system, marketing support of companies' competitiveness, diagnostics of structural transformations in agriculture. The research results have been implemented in the different models of reengineering business process, reforming the pension reform, developing the human resources capacity of the region and managing human resources, managing quality in the hotel-restaurant business and tourism, forming a logistics strategy, innovative technologies in education. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate international relations, ensuring security and overcoming risks. The results can also be used by students and young scientists in modern concepts of the formation of international economic relations in the context of ensuring the competitive advantages of actors and improving innovation policy.

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**THE UKRAINE'S  
COMPETITIVENESS  
ENHANCEMENT IN  
CONDITIONS OF  
SUSTAINABLE  
ECONOMIC  
DEVELOPMENT**

**Target setting.** The competitiveness of the national economy is one of the most influential concepts of economic development and practical

policy, since it not only covers purely economic indicators, but also assesses the economic outcomes important for the stable growth of non-economic phenomena such as the political processes quality and society governance, the education level, the scientific base, rule of law, culture, value system, information infrastructure, etc. Competitiveness enables the national economy to compete successfully in the domestic and foreign markets. The presence of powerful competitors and the increase in requirements for product quality generates the objective need to country competitive growth [1].

The national competitiveness growth is the goal of state economic policy and an instrument for implementing a sustainable economic development model. The current economic situation in Ukraine determines economic growth as the main priority of the country's development. Expanding the European integration ties of Ukraine, strengthening the dependence of the national economy on the globalization processes and, as a consequence, increasing international competition actualizes the national competitiveness development issues.

**Actual scientific researches and issues analysis.** Studies of theoretical and applied aspects of competition, global competitiveness of the national economy were carried out by foreign scientists such as E. Warner [2], M. Porter [3], J. Sax [2, 4], G. Hamel [5]. A significant contribution to the methodology development of the national economy competitiveness was made by Ukrainian scientists such as S. Voitko [6], M. Žgurovsky [7], O. Matusova [8], N. Orlova [9], I. Sitnik [10], A. Styopochkin [10], T. Khvorost [1].

The issue of sustainable economic development is being addressed by foreign scientists within the framework of the international organizations projects of the United Nations, the EU, the World Bank and a number of national institutions in the developed countries, as well as by national scientists who work at scientific institutions and practitioners. Among those who studied the problems of Ukraine's economy on the way to sustainable development and directions of their solution, there are S. Bila [11], L. Kovalenko [12].

However, despite the significant achievements in this direction, the issue of Ukraine's competitiveness ensuring is multi-vector, and therefore requires further development and research in the context of the world economy global transformations.

**The purpose of the article.** The purpose of the article is to determine the directions of increasing the competitiveness of Ukraine on the basis of economic national and international indicators analysis in

conditions of sustainable development.

**Statement of basic materials.** The country competitiveness is due to globalization processes and the international division of labor, using production factors and the country's place on the world market. It provides the state with the ability to compete and take competitive advantages over other countries [6].

The national economy competitiveness is the ability of the economic system to ensure the social and economic optimality of any influence of internal and external factors, which manifests itself in a high social effect due to the quality of life growth in the country [1].

A lot of authors consider the concept of national competitiveness as the country ability to provide sustainable economic development. In his writings J. Sachs notes that the competitiveness of the national economy is characterized by the presence of a healthy market in the country, factors of production and other macroeconomic characteristics that determine a stable economic environment [4].

Specialists of the Organization for Economic Cooperation and Development define this concept as a measure of the country's ability to produce goods and services that meet world requirements while simultaneously maintaining or enhancing the real incomes of their citizens in a free and fair market in the long term.

The world economic literature, which examines the economic growth issues and factors in its dynamics, determines the system of factors that affect the level of competitiveness. Therefore, among the factors the government efficiency, business efficiency, economic performance and the infrastructure conditions are distinguished. These factors enhance the country competitiveness.

The assessment of the economies competitiveness in different countries is conducted mainly on the basis of business climate monitoring, public administration research, the degree of economy globalization, the level of economic freedom, the level of human potential development, the level of corruption in society, etc.

Currently, the methods used by the International Institute for Management Development (IMD) (Lausanne, Switzerland), the World Economic Forum (WEF) in Davos (Switzerland) and the Institute of Strategies and Competitiveness at Harvard University (USA) are increasingly being used to assess the level of country competitiveness. Each state uses its own research methodologies and criteria for assessing the competitiveness, and world indexes are used for rating assessment. More often, as a global assessment of the countries competitiveness at

the world level, the WFF methodology is applied, which is defined by the Global Competitiveness Index (GCI). GCI is a set of key indicators for sustainable development: institutional, infrastructure, macroeconomic environment, health and primary education, higher education and training, market efficiency, labor market efficiency, financial market development, technological readiness, market size, business development level and innovations [13].

The analysis of the key indicators of sustainable development for 2016, conducted by WEF, explains in more detail that the ten leading countries are characterized by high indicators of quality of life and safety, as well as high indicators of economic, environmental, social development and harmonization. Amongst the G7 countries, the three countries are among the top ten: Germany, Canada and Japan, while other countries have a rather high level of sustainable development. For BRICS group countries, the level of sustainable development is "below average". This is due to the low level of quality of life and its components. For the outsider-countries, the characteristic feature is the low values of all indicators. Thus, Niger has the lowest indicator of environmental development, in the Central African Republic there are low economic and social indicators. Three places at the end of the list are occupied by countries with high levels of conflict in the territory, and, therefore, the safety component of life is equal to 0. Although Ukraine, Turkey and Mexico have a zero safety component, but due to their comparatively acceptable quality of life the countries have a relatively better level of sustainable development [7].

Ukraine has the major problems with the main indicators that characterize the infrastructure development, the macroeconomic environment and indicators that characterize the country financial market development. The economic growth in Ukraine is still unsustainable. In 2016, most of the economic indicators, which were among the lowest in 2015, tended to increase. It suggested that the country was overcoming the economic crisis caused by macroeconomic imbalances in recent years. The large state budget deficit, the external debt growth, the banking crisis, the hryvnia devaluation, the consumer price index growth (in the average annual measurement) by 48.7% and the gross domestic product reduction by 9.8% were just some of the obstacles that Ukraine faced in 2015. However, fiscal stabilization, tight monetary policy and international financial support largely contributed to macroeconomic stabilization [14].

At present, Ukraine is undergoing reforms that must be in line with

the declared strategic goals of sustainable development proclaimed at the global level, which involves finding a balance between economic, environmental and social components of development as well as securing peace and social harmony.

The country's economic growth implies creating a favorable investment climate and maintaining macroeconomic stability by continuing fiscal consolidation. The key to economic growth is the creation of equal, transparent and predictable business running rules, the inclusion of Ukraine in regional and global value-added chains, creation of conditions for the high-tech industries development, the investments into the Ukrainian economy attractiveness enhancement and the export potential of Ukrainian producers' development [14].

The process of forming national strategies in the new realities of Ukraine coincided in time with the sustainable development goals adoption (SDG) and their priority in the national reform agenda determination. The Ministry of Economic Development and Trade, on behalf of the Government of Ukraine in partnership with the United Nations (UN), began the process of nationwide local consultations on the SDG, which lasted until 2016 in Kyiv and ten regions of Ukraine. About 1,000 representatives of government (national and local), academia, and civil society and UN agencies were involved in the consultation [15].

The framework of the partnership between the Government of Ukraine and the United Nations (UNDP) is a general strategic partnership program between the Government of Ukraine and UN agencies, funds and programs for the period 2018-2022. The UNDP was formulated with the participation of the Government, the United Nations program in Ukraine, civil society and other stakeholders, and reaffirms the commitment of all partners to supporting the agenda for sustainable development by 2030 in areas relevant to national development priorities [15]. Under this partnership program, the UN and the Government of Ukraine have agreed on four strategic priorities: sustainable economic, the environment and employment growth; equal access to quality and inclusive services and social protection; democratic governance, rule of law and public participation; citizen safety, social cohesion and reconstruction with a special emphasis on the East.

Based on the issues of limited access to financial resources for Ukraine, the formation of rather low investment activity was characteristic. The share of gross fixed capital accumulation in

Ukraine's GDP in 2015 was the lowest during the entire period of independence (13.5%), which is almost twice less than the level of some individual European countries. This level impedes the economy modernization, reduces the return on capital of production equipment, and does not support the production potential improvement capable of creating a competitive product (Figure 2.1).

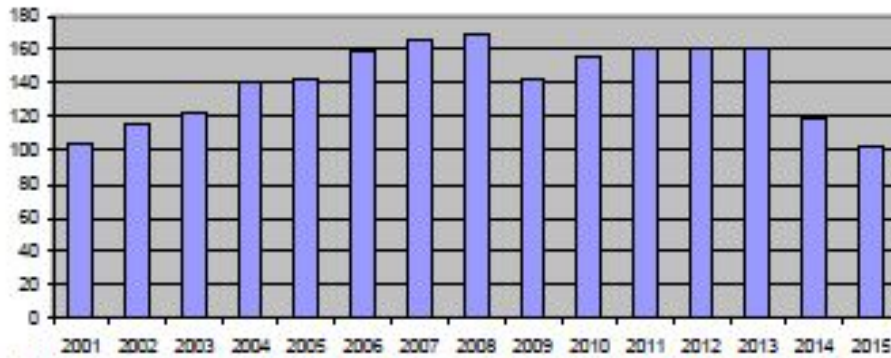


Figure 2.1 Dynamics of GDP, % to the level of 2000 year [16]

According to the results of 2016 there was a slight increase in GDP (by 2.3%), with an industrial production growth of 2.8% and an inflation slowing down to 13.9% in the average annual calculation. The level of energy intensity of GDP in Ukraine (0.28) is almost three times higher than the European analogue (0.1), GDP material content (0.88) exceeds twice the European one (0.44) [17].

In combination with low labor productivity, which is 17.2 thousand USD, or 77.7% less than the European level, it is increasing the processes of domestic producers from competitive markets supersession.

According to the statistics mentioned above, it can be concluded that the current situation in the country cannot guarantee sustainable growth and on this basis anticipated gap overcoming in GDP per capita between Ukraine and the most developed countries.

The ongoing economic depression is accompanied by job losses, the economic decline of many settlements, and massive labor migration of economically active population to other countries. In 2016, the unemployment rate in Ukraine among women aged 15-70 was 7.5%, and among men of the same age was 11.1% [16].

The development of financial infrastructure also needs to be intensified, as in Ukraine, in comparison with other countries, there are some hindrances with the cashless settlements, financial technologies development, etc.

During the year 2016, the systemic risks of the Ukrainian financial sector decreased; however, the level of represented negative loans remained at its highest historic values. Ukraine ranked 80th (out of 190 countries) in the Doing Business 2017 ranking. Germany took 17th place in the stated ranking, Poland – 24th, France – 29th, Italy – 50th. Favorable conditions for business development are a prerequisite for Ukraine to achieve a higher level of economic development and integration into the EU common market [18].

In 2014-2016, all mentioned systemic negative processes intensified as a result of the occupation of the Autonomous Republic of Crimea, as well as a protracted military conflict in the eastern part of the country, which led to the fact that certain districts of Donetsk and Lugansk regions were beyond the Government control of Ukraine.

The main objective of the financial sector reform in Ukraine by 2020 is to create a financial system that ensures sustainable economic development through efficient redistribution of financial resources in the economy, based on the fully-fledged market competitive environment development in accordance with EU standards [19].

The reform of the financial sector implies the achievement of both quantitative and qualitative indicators. Qualitative indicators include implementation of international accounting and auditing standards in the financial sector, as well as integrated international standards for electronic document circulation. The most important quantitative indicators are: a decrease in inflation to 5% per annum with allowable variation of  $\pm 1$  percentage point; increase in the share of non-cash transactions in the total volume of operations with payment cards use at least 55%; the achievement of cash in the economy is not higher than 9.5%; the reduction of the nominal rates for new loans in the national currency to 12%; a decrease in the ratio of loans to deposits in the bank up to 110%; entry into the first 50 countries by the level of financial market development by the Global Competitiveness Index [19].

At the same time, the country's development period by 2020 must be renewable, which involves modernization of industry, agriculture and other sectors of the national economy.

Taking into account aspects of the country's economic development, Ukraine ranked 81st out of 137 countries in terms of global competitiveness, which is 0.1 points higher than in 2015 and 2014 (the competitiveness indicator continues to increase from 4.0 in 2015, 2016 to 4.1 in 2017) (Table 2.1).

Switzerland (GCI is 5.86), the United States (5.85) and Singapore



Table 2.1

The ranking of countries according to the Global Competitiveness Index, 2016-2017 [20]

	Economy	Score		Economy	Score
1	Switzerland	5.86	12	Denmark	5.39
2	United States	5.85	13	New Zealand	5.37
3	Singapore	5.71	14	Canada	5.35
4	Netherlands	5.66	15	Taiwan, China	5.33
5	Germany	5.65	16	Israel	5.31
6	Hong Kong SAR	5.53	17	United Arab Emirates	5.30
7	Sweden	5.52	18	Austria	5.25
8	United Kingdom	5.51	19	Luxembourg	5.23
9	Japan	5.49	20	Belgium	5.23
10	Finland	5.49		...	
11	Norway	5.40	81	Ukraine	4.1

(5.71) are the most competitive countries according to this assessment. The countries with the lowest competitiveness index are Chad (2.99), Mozambique (2.89), and Yemen (2.87). The comparative analysis of Ukraine's competitiveness shows that the state is in a competitive environment and the issues of sustainable development are through existing economic problems: inefficient use of resources, dependence on imported energy, orientation on raw materials export and high-tech goods imports.

The problematic areas also include political and social instability, environmental matters, and lack of the precise strategy for country development, high level of corruption, as well as low quality of life in general.

Thus, the low level of Ukraine's competitiveness in the current conditions of globalization is mainly due to the lack of an effective mechanism of state governance on the economy and, consequently, the loss of the productive sector of its competitive potential [8].

In the conditions of continuous aggravation of international competition, the state ought to create conditions for increasing the efficiency and competitiveness of the Ukrainian economy. It is achieved primarily through a balanced macroeconomic policy. Thus, the development and implementation of effective areas of sustainable economic development is a key to increasing Ukraine's competitiveness (Table 2.2).

Table 2.2

**Directions to increase competitiveness in conditions of sustainable economic development in Ukraine**

The task of sustainable economic development	Directions
1. Ensure sustainable GDP growth on the basis of production modernization, innovations development, export potential increase	Improvement of the financial market infrastructure, introduction of an effective mechanism for protecting the creditors' rights, financial regulators' functions coordination
2. Increase the production efficiency on the basis of sustainable development and high-tech competitive industries development	Creation of conditions for the use and development of the latest IT technologies in the social and economic sphere, implementation of foreign policy
3. Increase the population employment level	Reforming the vocational education system on the basis of new competencies provision
4. Reduce the proportion of unemployed young people, as well as those who do not study or acquire professional skills	Introduction of a comprehensive program for raising financial awareness
5. Create institutional and financial opportunities for self-realization of the economically active part of the population potential and the creative economy development	Creation of conditions in order to facilitate small business running as well as small and medium business development

**Findings and recommendations.** On the basis of the analysis of economic and international indicators of competitiveness, it has been proved that the national competitiveness growth is the goal of the state economic policy of Ukraine.

The factors that influence the country competitiveness level have been identified: government efficiency, business efficiency, economic indicators and the infrastructure condition, population social security, human development etc.

For successful implementation of the sustainable development ideas and Ukraine's competitiveness enhancement it is necessary to implement the following directions of the state policy:

adaptation of economic, industrial, energy and agricultural policies to the requirements of the current socio-economic situation;

formation and implementation of effective foreign policy in the industrial sphere;

improvement of the normative and legal base grounded on the provisions of the sustainable development concept;

realization of the information and communication sphere opportunities in the socio-economic system functioning.

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