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THE ANALYSIS OF COUNTRIES COMPETITIVENESS ON AN INTERNATIONAL LEVEL

The article deals with the evaluation of criteria of the applicable international institutions such as the World Economic Forum. Ukraine is being investigated, using the systematic criteria created by international organizations. As well the strengths and weaknesses of the Ukrainian economy are analyzed.

The keywords: Global Competitiveness Index, an index of evaluation criteria, international competitiveness, ranking the country's competitiveness.

Statement of the problem. *Nowadays international economic relations play a crucial role in the modernization of the economy and improving living standards. Thanks to the active foreign economic activity massive import of technologies can be realized, production and export of finished products is able to be increased, the foreign capital to develop the stock market can be attracted, etc. However, not all countries are using the benefits of international exchange with equal efficiency, and in many cases this fact is related to the problem of country's competitiveness in the world. The problem of strengthening country's position in the world economy today is particularly acute for Ukraine and other countries.*

The competitiveness of the economy, methods of determination and communication of dynamic growth at different stages of the economic cycle has been the center of attention of economists and policy makers for years, as the quality of certain estimation and the degree of conformity with current economic realities significantly affect the validity of the strategic decisions of the country at all levels of the economy.

Analysis of recent research and publications. *The scientific basis for modern research competitiveness of a country was founded by Michael Porter in "Competitive strategy".*

Further development of the theory of competitiveness of the country was risen in studies of R. Barro , D. Veymer E. Weiningen , A. Warner , K. Lancaster , R. Lucas, B. Nordhauza , P. Romero, J. Stiglitz , G. Hollis , G. Fatkhutdinova . Careful attention should be working Antonjuk L. , A. Zavada , J. Ivanov , A. Kostyusev, R. Kuzmin , IV Kryukov , OV Melnichenko , A. Nagorny , B. Nahniy , V. Talakh .

Entire Article: *research and evaluation of Ukraine's rating at the international level.*

The main article content and justification of scientific results.

The international competitiveness of the country is the country's ability to create a national business environment under free and fair market in which domestic producers can gradually develop their competitive advantage, gain strong positions in particular segments of the world's market with the help of strong economic potential. Economic potential provides a dynamic growth based on innovation, developed system of market institutions, possession of considerable intellectual capital and resources for investments, flexible response to changing global market conditions and, according to them, diversification of production. All of the above helps to state national interests to improve the economic security and standards of life.

The main factor in the competitiveness of the participants of international economic relations is their susceptibility to innovation. All of the competitors follow the innovative type of behavior. This is applicable at the country's level as well. It is a powerful economic potential of the country that allows its firms to compete in global markets. Therefore, the

competitiveness of the country turns into a dynamic process of constant changes and upgrades that gives impetus to the evolution and competitive advantage to the country.

An important feature of country's competitiveness is the ability of subjects to respond quickly to changes in global demand and production structure. This requires the country to have a favorable investment climate for innovation as well as the modification of national environment for the efficient operation of businesses. Therefore, the high competitiveness of the country is characterized by the presence in it of the mechanisms of formation conditions and resources that contribute to solving the problems of national security, economic development and higher living standards. The country, which has not only the effective economy, but also non-economic institutions, with, their impact on economic processes in the country can be considered competitive and have great potential not only to competitive advantage , but also to the benefits associated with the feature of the functioning of the political , cultural and social system.

The most common and full indexes for evaluation of the country competitiveness are : Global Competitiveness Index , Corruption Perceptions Index , Human Development Index , the index of globalization , global peace index , the index of ease of doing business) , the index of economic freedom index of press freedom. But the most profound and interesting - Global Competitiveness Index , held annually since 2004, is made by the World Economic Forum

Index of global competitiveness includes 12 components. Global Competitiveness Index takes into account the stages of economic development : a large proportion given to those components that are relatively more important for the current stage of economic development. That is, despite the fact that all 12 components have a specific meaning for all countries , the relative importance of each component depends on what stage takes the country . Global Competitiveness Index suggests that economic growth for countries, which are at the first stage of development depends on the basic factors , and countries are competing through endowments - primarily unskilled labor and minerals. Companies need to compete through price and sell basic products or commodities , with low productivity leads to low wages . Remain competitive at this stage of development of the economy most dependent on the sustainable financing of public and private institutions (1st part) , a well-developed infrastructure (2nd part) , macroeconomic stability (3rd part) as well as the health of the working strength of at least basic education (4th part) .

With the increase of competitiveness further economic growth is observed with increasing of productivity and wage growth . Countries are moving to the next stage , where economic growth is dependent on effectiveness . At this stage it is necessary to introduce more efficient production processes and increase product quality because wages rose , and prices cannot be increased . Increasing competitiveness at this stage mainly depends on the quality of higher education and training (fifth part) of the efficient market goods and services (6th part) , functioning at the proper level of the labor market (7th part) , development of financial market (8th part) , the ability to use existing technology (9th part) in domestic and foreign markets (10th part) .

Finally , as countries move up to the innovation stage of economic development, wage increases so for maintaining a high standard of living in these countries can be provided only if companies compete with a new and / or unique products , services, processes or models . At this stage, companies must compete, both due to the latest technology (11th part) , producing a variety of new products , and due to the advanced processes or business models (12th part).

To account stages of economic development, the components are grouped into three sub-indexes, each of which is essential at a certain stage of economic development. Subindex "basic requirements" combines elements that are crucial for countries in the factor stage. Subindex "efficiency enhancers" includes those components that are critical to the making of an efficient economy, and the subindex "factors of development and innovation capacity" includes those components that are critical for innovation-oriented country.

Weighted share of each sub-index at each stage of development are shown in Table 1. Weighted part, included in the table were calculated by plotting the regression dependence GDP growth per capita output in each sub-index for past years, resulting in different ratios were obtained for each stage of economic development. After rounding the data econometric calculations were selected values of weights are shown in Table 1.

Stage of economic development are determined by two criteria. The first - the level of GDP per capita, taking into account the market rate. This widely distributed index is used for approximate calculation of wages, as there is no international data on wages in all countries.

Table 1

Used thresholds ranges

	Stage of factor orientation (1)	Transition from the first to second stage	Stage of the effectiveness orientation (2)	Transition from second to third stage	Stage of the innovation orientation (3)
GDP per capita*, USD, thresholds**	<2 000	2 000-2 999	3 000-8 999	9 000-17 000	>17 000
Amount of "basic requirements" subindex %	60	40-60	40	20-40	20
Amount of "efficiency enhancers" subindex %	35	35-50	50	50	50
Amount of "factors of development and innovation capacity" subindex%	5	5-10	10	10-30	30

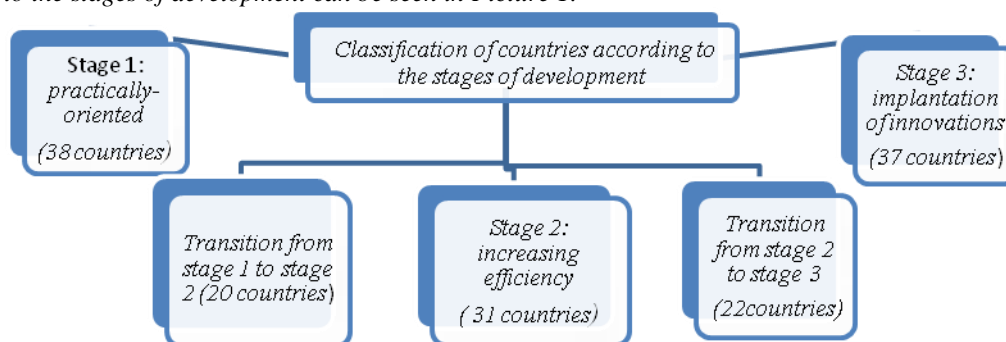
* For economies with significant dependence on mineral resources, GDP per capita is not the only criterion to determine the stage of development.

** There is a correlation between GDP per capita and sub-indexes in the weight range of the subindexes. For example, for such a country with a GDP per capita of 2999 dollars. as U.S. the weight subindex "Basic requirements" is 40%.

The second criterion characterizes rich countries, the prosperity of which depends on the

extraction of resources. The part of minerals in total exports (goods and services) of the country can be found while evaluating economic situation. Thus, it is assumed that if the part of minerals in total export is more than 70% (it is measured by the usage of the average value during five years) the country is mostly quotient-oriented.

Countries whose economies are between any of these three stages are considered to be the countries with "economies in transition". Such economies experience a very slow and gradual change of the proportion of components while countries' progress, which is a proof of the smooth transition from one stage of development to another. Thanks to this, the preference is given to the spheres which gain more significance in country's competitiveness while its development, consequently the Global Competitiveness Index can gradually "penalize" the countries which are not preparing for the next stage. The classification of countries according to the stages of development can be seen in Picture 1.



Picture 1. Classification of countries according to the stages of development

This year's report about global competitiveness rate has showed a record number of countries, which has grown from 144 to 148 countries. Among the new countries are Myanmar, Bhutan and the Lao People's Democratic Republic. Also, Tunisia and Angola have been included again after a year of absence. Furthermore, a report has removed one country this year: the World Economic Forum was not able to get the data about Tajikistan.

According to this report, we can say that Ukraine's rate in the global competitiveness ranking has dropped from 73rd to 84th place, so that it has lost 11 positions and has gotten the index of 4.05 points out of 7 possible. Uruguay, Egypt, Ghana and Benin have shown a similar dynamics of losing 11 positions. Switzerland has been holding the highest position for five years in a row. Singapore holds 2nd place, while Finland - the 3rd. Germany and the United States have added two positions this year, therefore entering the top five. As a result, Sweden has dropped from 4th to 6th place, whereas the Netherlands have dropped from 5th to 8th place, letting Hong Kong get the upper place. According to the WEF, Japan and the United Kingdom are completing the top 10 of the most competitive economies, and the worst index goes to the Central African country of Chad. This can be seen from Table 2.

Table 2

Ranking of global competitiveness

Country	Index of global competitiveness 2013-2014		Index of global competitiveness 2012-2013	Changes in the ranking
	Rate	Points	Rate	Trend
Switzerland	1	5,67	1	1
Singapore	2	5,61	2	2
Finland	3	5,54	3	3
germany	4	5,51	6	+2
USA	5	5,48	7	+2
Sweden	6	5,48	4	-2
Hong Kong	7	5,47	9	-2
Holland	8	5,42	5	-3
Japan	9	5,40	10	-1
UK	10	5,37	8	-2
Ukraine	84	4,05	73	-11
Uruguay	85	4,05	74	-11
Chad	148	2,85	139	-9

If the index of global competitiveness is to be decomposed into components, it is seen that the situation in Ukraine has become worse. The sphere of management occupies 137th place now, and just a year before it had 132nd position, which is a result of bureaucracy, lack of transparency and favoritism. In addition, the infrastructure has also experienced getting a lower position, by being placed 68th. The country's position based on the criteria of the macroeconomic environment has worsened as well, facing a drop from 90th place to 107th. Taking in consideration the human potential, the situation looks quite promising: public health has not changed its position still occupying the 62nd place. On the contrary, spheres of the primary and higher education, as well as training, have gained leading positions and have improved it up to 43rd place. Ukraine could increase its efficiency by improving competition for goods and services at its markets, and continuing reforming the financial and banking sector, because these spheres got 124th and 117th places. The index of labor market efficiency has dropped from 62nd to 84th place, and the rate of technological equipment has decreased from 81st to 94th place. As you can see this data displays a significant deterioration. One of the indexes which has not changed and remains still quite high is the market's size, getting the 38th place. Quite the important indicators are level of business's development and the indicator of innovations, which, surprisingly, have also reduced their positions, respectively getting 97th and 93rd places.

It is also assumed by respondents that the most negative factor for running business in Ukraine, is the access to fundings - 16.7% (last year - 15.3%). The second biggest negative factor is corruption - 15.5% (14%), followed by the inefficient government apparatus - 13.4% (7.9%), the tax administration - 11% (13.6%), political instability - 10.1% (7.9%) and high taxes as well - 8.4% (10.5%).

The last year World Economic Forum's report may be recalled, where Ukraine has increased its Global Competitiveness Index by 9 positions, getting 73rd position. This year the country actually has returned to the place it had in 2011, because of the fact that four new countries have been included in the rate. Two of those countries, such as Laos and Tunisia, have bypassed Ukraine, gaining respectively 81st and 83rd places.

Conclusion. The analysis based on the Global Competitiveness Index indicates the damaging effect of management sphere on business development and investments; detecting the retrogressive processes of educational institutions and the declining of science development. It also proves the little use of advanced innovation in production, insecurity of property and intellectual rights for it, as well as the outflow of skilled labor, undoubtedly. Market's size, highly qualified professionals, lack of terrorism, natural disasters and epidemics are unique advantages over the other countries. These factors will be able to improve the competitiveness of Ukraine provided that the structural changes in management field will take place. There should be a lot of efforts made in order to achieve this goal, and the first effort to be made is the increase of the competitiveness of the weakest components of the index. Nowadays, under the influence of globalization the role of business's and production's localization, and most importantly - the capital's one, increase as never before. The experience of countries whose index of competitiveness reached the first positions in the world at different times (USA and Finland), indicates that the activation of state's policy towards the improving of the economy's competitiveness was the driving force behind this process. Thus, the experience of large and small countries suggests that Ukraine, whose indexes mostly get middle positions, has the opportunity to find its way in enhancing the competitiveness of the national economy. Eliminating weaknesses and increasing competitive advantages in Ukraine require the development and implementation of systematic measures not only from government, but also from all branches of government and business entities. Overall, increasing the competitiveness of the economy and the transition to an innovative way of development is a key objective of economic policy.

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