STRATEGIC PRIORITIES FOR REINFORCING THE COMPETITIVENESS OF UKRAINE IN THE CONTEXT OF THE EUROPEAN INTEGRATION

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The modern stage of the global economic development is characterised with a further strengthening and expansion of international relations, market globalisation. In the climate of an active involvement of Ukraine in the international division of labour, one of the key problems is to choose priority directions of the integration into the global society, to ensure a long-term competitiveness of the Ukrainian economy, instruments of its formation. Against this background, the global income is distributed among countries, disagreements and problems are settled, and the economy is developing on the very basis of the competitiveness criterion.

The interest in the competitiveness problem has intensified lately as the modern economic systems really function in the regime of openness, and most of the world economies are involved in the stiff competition. Presently, the problem of competitiveness is studied by the greatest international institutes, which get assistance from the national institutes of more than 100 countries throughout the world; the list of counties, competitiveness of which is assessed, comprises most of countries in the world, where more than 90% of the world GDP is produced.

The research is based on the methods of the system and situational approaches: in the system approach, the object (system) is considered as a combination of interrelated elements that have an output (goal), input, connection with the external environment, feedback and synergy properties; the situational approach in the context of the global changes and European Integration lets implement the main strategic management principle – principle of adaptability. In the management of competitiveness, all the
intersystem organisational structures (management system, instruments of control, etc.) are a response of the state competitiveness to corresponding changes in the external environment and certain changes in the internal environment.

This approach actually allows us to assess the state competitiveness at the global market, to find its strategic strengths and weaknesses, main problems. As a result of this analysis, one can find recommendations elaborated for reinforcing the competitiveness, which meet the national economic interests.

With the development of competitive market relations, the types of benefits are complicated from resource to strategic, which are becoming more and more important. In the context of the European Integration, the competitive struggle is actually turning into a fight of strategies at all levels; and strategic priorities are, in fact, key features of competitiveness.

Therefore, the study of priority aspects in reinforcing the economic competitiveness of Ukraine is taking on particular importance at the present stage of development.

The fundamental principle of elaboration of scientific recommendations and proposals regarding the aspects of reinforcement of the state competitiveness, global criteria of selection of alternative solutions is the priority of national economic interests of Ukraine.

**Analysis of recent researches and publications**

The analysis of recent researches and publications, which originated the solution of the problem of enhancement of the international competitiveness of countries.

The economic foundations of the competition theory were laid and developed by A. Smith, D. Ricardo, P. Drucker, R. Slow, and I. Schumpeter. The methodological issues of the international competitiveness are studied in the works by M. Porter, M. Pebro, P. Lindert, J. Stiglitz, I. Fisher, E. Heckscher, J. Marshall, J. Galbraith, J. Williamson, D. Kauffmann and others.


In the course of the research, the authors worked with the materials used in the IMF, World Bank, WEF works and overviews, including the statistical bases of these organisations.

The works of the said authors and organisations became a starting point for the scientific analysis of the methodological problems in assessing the international competitiveness.

The analysis of the existing methods for calculating the competitiveness indicator allowed the author to select the most complete and factually accurate methods applied by the World Economic Forum. Despite a number of downsides found, the authors made conclusions about their possible application not just in determining a level and dynamics of changes of the competitiveness, but in selecting priority directions of its strengthening as well.

In the course of the research, the drastic unjustified changes in the level of competitiveness of some specific countries as well as the methodological work incompleteness in the dynamics of the theory of competitiveness noted by the author set the necessity to investigate the dynamics and perform a structural analysis of the international competitiveness of Ukraine, to determine priority directions in the reinforcements of the international competitive positions of the country.

**Unresolved aspects of the problem**

Alongside, there is a lack of scientific works highlighting the influence of global constant dynamic changes on the economic, political, technological environment of Ukraine, which can serve as a foundation for making managerial strategic decisions.

*The aim of the article is to determine priority strategic aspects and directions for reinforcing the competitiveness of Ukraine in the context of the European Integration.*

**The main part**

The competitiveness of Ukraine is influenced by constant dynamic changes in the world, economic, political and technological environment, increasing complexity of mobilisation of limited resources requiring an active and purposeful adaptation of the national economy to the functioning and development under such conditions.

A great influence on the positive dynamics of the national economic competitiveness in the period before the crisis and on a sharp fall of the national competitiveness within the following years was caused by the structural features of the state competitiveness – macroeconomic stability, low level of development of the governmental institutions, which is characterised with a high corruption level and bureaucratization, week financial market and low marketplace efficiency, business competitiveness.

The analysis findings about the dynamics of the Global Competitiveness Index structure and competitive positions of our country show that the Ukrainian competitiveness and rating for the last 10 years (2007-2017) had a negative dynamics: the country rating fell by 8 positions (from the 73rd place in 2007, it shifted to the 81st place in 2017), whereas the "Basic requirements" rating dropped by 6 positions (it moved from the 90th place to the 96th one), "Efficiency enhancers" rating went down by 4 positions (it shifted from the 66th to the 70th place), "Innovation and sophistication factors" rating decreased by 2 positions (from the 75th to the 77th, though it was much lower in 2009-2014).

The institutional reforms had a weak influence on the level of competitiveness: the rating increased by 12 positions in 2017 (place 118 in comparison with
place 130 in 2014), but did not reach the level of 2007 (the 115th place), showing a lack of efficacy of the held reforms.

As it is shown by the research outcomes, the main advantages of Ukraine in 2007-2017 were such as competent "Health and primary education" (the 74th position in 2007, the 43th in 2014 and 53rd in 2017), "Higher education and training" (the 53rd position in 2007, the 40th in 2014, and the 35th in 2017) (fig. 1, fig. 2).

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**Fig. 1.** Rating dynamics of the Global Competitiveness Index of Ukraine in 2007-2017

*Source: compiled by the authors on the materials [1-10]*

**Fig. 2.** Dynamics of the Global Competitiveness Index of Ukraine in 2007-2017

*Source: compiled by the authors on the materials [1-10]*
The world financial and economic crisis (2008-2009) degraded the competitiveness and competitive positions of our state in all the aspects, except the infrastructure, healthcare and education, technology level and labour market.

At the same time, Ukraine managed to improve its results according to the factor "Health and primary education": the index increased by 21 positions in comparison with 2007 (the 74th position), and decreased by 10 positions in comparison with 2014. The factor "Higher education and training" increased by 18 positions in 2017 (the 35th place) as compared with 2007 (the 53th place), and by 5 positions as compared with 2014. "Business sophistication" moved to the 90th place from the 81st in 2007 and lost 9 points, but increased by 9 points in comparison with 2014, even though it didn’t reach the level in 2017.

In the course of analysis, it was determined that Ukraine had above average positions according to the factors "Market size" (the 26th place), "Labour market efficiency" (the 65th place), "Health and primary education" (the 74th place), "Higher education and training" (the 53rd place), "Innovation" (the 65th place) among 131 countries, the economies of which were considered, in 2007. In 2017, the above average competitiveness of Ukraine had such positions according to the following factors among 137 countries: "Higher education and training" (the 35th place), "Market size" (the 47th place), "Health and primary education" (the 53rd place), "Innovation" (the 61st place).

"Technological readiness" improved its positions in this list and increased by 4 points in 2017 (the 81st place) in comparison with 2014 or by 12 points in comparison with 2007. At this, no technological breakthroughs were noted.

"Market size" had an average position; its level decreased by 21 points as compared with 2007.

Ukraine failed to keep positive shifts in the dynamics of "Innovation and sophistication factors" in 2015-2016 (the 72th and 73rd places correspondingly) due to a low level of funding by the state and R&D enterprises. As a result, the competitiveness degraded in 2017 (the 77th place) in comparison with 2007 (the 75th place).

The factor "Innovation" improved its position by 4 points in 2017 in comparison with 2007 (the 61st and 65th places correspondingly). It was noted that the index dropped by 20 points in 2014 by taking the 81st place.

Despite a positive dynamics of the factor "Goods market efficiency" (increase of the index from the 112th place in 2014 to the 101st place in 2017), the rating was equal to the level in 2007.

The factor "Health and primary education" moved from the 74th to the 53rd position and increased its rating by 21 points. The rating of the factor "Higher education and training" became also higher by moving from the 53rd to the 35th place for this period and changing its positions by 18 points.

"Technological readiness" changed its positions by 12 points by moving from the 93rd to 81st place. For this period, the factor "Innovation" took the 61st place instead of the 65th place in 2007, i.e. it increased its rating by 4 points.

For the studied period, the "Macroeconomic environment" lost 39 positions (it dropped from the 82nd place in 2007 to the 121st place in 2017). The factors "Financial market development" and "Market size" degraded their results too. Thus, the factor "Financial market development" lost 35 positions by moving from the 85th place in 2007 to the 120th place in 2017, i.e. the national rating was below the average according to these factors. And the factor "Market size" lost 21 positions by moving from the 26th to the 47th place in 2017.

From the shown figures, the following becomes evident. In the climate of a high dependence of the economy of Ukraine exporting resources on the conjuncture of the global commodity markets with these goods, the best actions aimed at reducing this dependence also include high technologies and innovations, strengthening of anticorruption efforts, increase of the political stability.

The most problematic aspects in the reinforcement of the Ukrainian competitiveness still are such: macroeconomic and political stability, inflation, sizeable shadow economy scales, corruption, lack of funding, high tax level, outflow of qualified specialists, bureaucracy and overregulation at the interregional and domestic regional levels, intensification of disproportionalities confirming existing structural defects of the competitiveness key factors.

The macroeconomic regulations created an unfavourable competitive environment through the unrelenting fiscal pressure, inconsistency and unexpectedness of economic statutory and regulatory enactments, affecting negatively not just the level of competitiveness of domestic enterprises, but the national economy in general as well, and causing different new problems related to the outflow of national resources (labour, funds and raw materials) abroad and growth of the Ukrainian grey economy.

An increasing mobility of the factors of production and options of an optimal business environment for competitors in the international economic space caused a special type of competitiveness related to the business structures involvement (competitiveness of jurisdictions) [11]. Its consequences were in the form of transfer of enterprises and manufacturing from this unfavourable business environment in the home base country to countries with a beneficial business environment.

The fact that the Ukrainian business used an offshore zone strategy showed that the formation of a favourable business environment in Ukraine turned into one of the strongest challenges requiring adequate actions and efficient solutions from the state government.
The macroeconomic stability worsened in 2007-2017 as a result of a systematic effect of unfavourable factors:
— underperformance of the system of economy and competitiveness state regulation;
— created unfavourable competitive environment as a result of a stiff fiscal pressure;
— inconsistency and unexpectedness of the economic regulation statutory enactments either have a negative influence on the level of competitiveness of the national economy or cause new problems related to the Ukrainian grey economy.

The topicality of the shadow economy in the macroeconomic context is caused by the nationwide problems of increasing grey economy scales, imperfection of economic institutions, activation of corrupt practices, shadowing of the economic sphere. These problems have a considerable destructive influence on the dynamics of competitiveness and economic development of the country in general.

The tendency to the underground economy growth in the period of transformational shifts was influenced by the inefficacities of the held reforms, which were characterised with incoherence, subjectivity, rigidity, detachment from the object of influence – society.

Provision of effective anticorruption mechanisms must become a foundation of competitiveness. Therefore, the Anticorruption Strategy covers declaration of the public officials’ property status, verification of fair practices of officials and monitoring of their way of living, provides access to the information in the form of "open data". A new institutional anticorruption system was created: a) National Anti-Corruption Bureau of Ukraine (NABU) aimed at detecting and investigating corruption-related crimes committed by senior officials; b) National Agency on Corruption Prevention (NACP) aimed at adopting anticorruption instruments and controlling the officials’ fair play (rules about the conflict of inflicts, property declaration, etc.), judicial system, prosecution service, anticorruption investigation bureau, and at creating an anticorruption court [12].

The main causes of the economic corruption include: increasing government intervention on the economy, aggregate tax burden, decrease of the level of public services rendered by the state, decrease of the profit level remaining in hands of business, complexity and inconsistency of the legislation regulating economic activities, reduction of population incomes.

The carried out analysis of dynamic and structural changes of the Ukrainian economy made possible to determine system problems jeopardizing the Ukrainian competitiveness reinforcement:
1. In the field of institutions:
— inadequacy of the tax system with the requirements to the national economy development on the innovation principles, what conditions a high underground economy level (a high tax burden);
— non-conformance of the Ukrainian law enforcement system with the tasks of forceful protection of legal interests of a person, society, state, economic entities;
— underperformance of the state intelligence and counter-intelligence authorities in protecting the national economic interests;
— imperfection of the system of regulation of financial markets, major exchange risks;
— lack of a consistent and responsible economic policy causing the competitiveness reduction;
— instability of the political situation that causes the inconsistency in implementing long-term strategies;
— lack of the governmental support in operations of clusters;
2. In the field of macro-economy:
— dynamics and structure of the outflow of currency resources from the country;
— misbalance of production, export, import and consumption in the producing and consumer sectors;
— a high level of governmental and corporate foreign exchange debts;
— tendencies to enhance the import dependence, including its critical level in specific sectors of the national market;
— strengthening of structural deformations in economy;
3. In the field of technologies:
— retained preservation of a low scientific and technological development due to the undeveloped national innovation system, degradation of scientific and technological capabilities, scientific labour outflows, loss of scientific schools engaged in key aspects of a stable competitive development of the national economy, increasing scientific and technological dependence on other countries;
— low technology level of the state economy, predominance of industries in a small percent of added value in the industrial structure;
— inefficient use of scientific and technological capabilities (use of foreign technological achievements instead of the domestic ones);
— degradation of scientific and technological capabilities, increasing scientific and technological dependence on foreign countries, what causes some preservation of a scientific and technological level of the national economic growth;
— low costs for the RTD for the last decade limit the potential to expand a high-technology export in the future;
— decreased level of competitiveness of domestic industrial goods at external markets;
— conservation of a formed industrial manufacturing structure and domination of extractive and low-technology industries and consolidation of weakened positions of domestic manufacturers at the domestic market;
— the market reforms held are not supported by the industrial competitiveness reinforcement, just cause the country to lose its technological positions at the global market, such negative tendencies as decline in output, unemployment, disproportion in the industry technological structure to evolve, which are induced by the development of not priority high-technology branches, but resource-based industries that do not assist in the quality economic growth;
— low level of technological readiness of national industrial enterprises due to the unavailability of new technologies for domestic manufacturers because of a lacking funding results in the preservation of technologies and equipment in industrial processes.

4. In the field of innovations:
— immaturity of the national innovation system;
— no stimulation of innovations by designing customs and tax mechanisms, no stimulation of adoption of scientific-technological and intellectual resources in industrial processes of enterprises;
— cutbacks to the funding of innovative activities either by own funds or lending resources, what results in the sales of innovative products that are new only for enterprises, but not for the market.

Main tendencies towards enhancing the national economic competitiveness.

The strategic priorities for reinforcing the national economic competitiveness are targeted at using perspective economic opportunities, protecting national interests of the country. One of the main national economic interests of Ukraine is strengthening of the competitiveness of the economy and its business entities, conquest of new niches at international markets, economic growth with rates that exceed the average global level. Such priorities include:

1. Improvement of institutional technologies for formation of competitiveness of Ukraine:
— for the purpose of improving the anticorruption mechanism, it is appropriate to prepare a specific enactment regulating the lobbying and to improve the methods for assessing the effectiveness of internal systems for detection and prevention of corruption risks in the government agencies and self-government bodies, municipal organisations;
— adding the following instruments to the mechanism of state influence in the grey economy: optimisation of government functions, activation of interactions of government authorities on the basis of a unified anti-crisis strategy.

2. Macroeconomic stabilisation:
— formation of a domestic market by reorienting export-oriented enterprises for satisfying domestic needs of the population, developing such industries that badly use their capabilities and have not entered international markets; to develop the import substitution in the sectors with such capabilities – engineering industries, aviation, transport, agriculture;
— designing of a macroeconomic stabilisation strategy in view of a potent unification of targets at the national social-economic growth, actions and means for achieving goals, and resources necessary for implementing every trend and direction;
— creation and optimisation of operations of free economic zones;
— creation of an environment favourable for the national economy integration into the global economy, retention and expansion of stable advantageous position of the Ukrainian economy in the global competition, production specialisation and cooperation;
— maintenance of an optimal ratio of the export and import structures.

3. Industry recovery and building-up through the structural and technological modernisation of industries:
— formation of a strategy for developing the Ukrainian industry, which is targeted at strengthening the national economic competitiveness and enabled to solve social-economic development tasks and prove that Ukraine is a high-technology state in the climate of the European Integration and increasing economic openness;
— formation of an effective economic structure, reformation of property relations, switch to an innovative model of economic development for accelerating the economic structural transformations;
— attraction of direct foreign investments into high-technology production sectors targeted at creating and implementing government target programs for modernisation and reconstruction of the domestic manufacturing industry;
— development of clusters as a tendency towards increasing the national economic competitiveness;
— formation of industrial clusters by integrating scientific-technological, innovative and production capabilities of enterprises, what will allow developing high-technology and research-based productions, creating a new class of manufacturing systems, elaborating advantages in companies’ specialisations for causing a considerable synergetic effect in the economy;
— activation of the state’s role in the formation of clusters through the public-private partnership;
— creation of cross-border clusters targeted at increasing the inflow of financial and intellectual resources into domestic enterprises from foreign partners, supply of new technologies due to the "overheating effect"; Ukraine has new opportunities for cooperation with foreign companies as 19 of 25 regions are borderline.

4. Implementation of an innovative model of economic development:
— switch to an innovative model of economic development of the country by attracting direct foreign investments, improving laws in the field of investments attraction, developing the market of investments, public-private partnership;
— governmental support of innovation activities of technological parks by targeted subsidies and exemptions from entry charges in imports to Ukraine for implementing projects of technological parks with new devices, equipment and parts, and materials;
— increase of budget costs for supporting scientific-technological sectors, capabilities of which are appropriate for making a breakthrough to the global level of competitiveness;
— creation of a coordinating body on attraction of direct foreign investments;
— creation of a favourable environment for using domestic investment resources.

Conclusions

This work studies one of the most topical problems of global progress – problem of international competitiveness closely related to achievements of the dynamic economic growth of the country and increase of living standards of its population.

The author carried out a structural and dynamic analysis of the Ukrainian competitive relationship, which allowed detecting main structural changes of the national economy for 10 years (2007-2017), determining main trends in its changes and setting strategic priorities for the competitiveness strengthening.

The results of the analysis of the Ukrainian competitiveness dynamics and structure in 2007-2017 show the intensification of the negative tendencies formed in the previous years: macroeconomic and political instability, inflation, corruption, high tax level, growing disproportions, inconsistency and unexpectedness of enactments, growing grey economy, competition of jurisdictions, considerable exchange risks, imperfection of the system of regulation of financial markets, immaturity of the national innovation system, participation of the national economy in the global economy under the materials and low-technology scenarios.

Therewith, a positive dynamics was registered in those sectors that were minimum dependent on the global markets conjuncture and foreign policy changes:
— the rating of the factor "Health and primary education" increased by 21 points moving from the 74th to 53rd place;
— the rating of the factor "Higher education and training" strengthened its positions by 18 points and went up from the 53rd to the 35rd. It was caused by a good general education level of the population and competent human resources thanks to the developed education system: almost a third of the population employed in the national economy has a higher and secondary special education.

A successful application of new anticorruption mechanisms will make possible to significantly reduce the Ukrainian corruption, reduce state budget and business costs due to the corruption, and increase positions of Ukraine in the international ratings.

The article presents opportunities found for the national economy to determine and use competitive advantages of a higher level, on particular, of an innovative type, and to define approaches for optimising the process of development of a national strategy for increasing the state competitiveness: improvement of institutional technologies for formation of competitiveness of Ukraine; macroeconomic stabilisation, recovery and increase of the industrial capabilities by means of a structural-technological modernisation of industries; implementation of an innovative model of economic development.

The scientific and practical value of this research makes possible: to determine main competitive advantages of the Ukrainian economy and its problems; to give an opportunity for assessing the level and causes of the competitiveness lagging behind other compared countries; to elaborate priority strategic directions in the reinforcement of the national economic competitiveness as a basis for strategic managerial decisions.

Abstract

Topicality of the research. The current stage of Ukrainian economy growth is characterized by a further extension and expansion of the European Integration processes. Under these conditions, the promotion of the long-term competitiveness of the national economy and strengthening of strategic positions at the world market are becoming particularly relevant.

Target setting. With the development of the competitive market relations, the types of benefits are complicated from resource to strategic, and the competitive struggle actually turns into a strategy fight at all levels. Therefore, the choice of strategic priorities for strengthening the competitiveness of the national economy becomes one of the key issues.

Accentuation of unstudied aspects of the general problem. At the same time, there is a lack of scholarly works that cover the impact of permanent dynamic changes in the world on the economic, political, technological environment of Ukraine, which serve as a basis for making strategic managerial decisions.

Research objective. To determine priority strategic aspects and directions for reinforcing the competitiveness of Ukraine in the context of the European Integration.

Statement of basic materials. The problems of enhancement of the Ukrainian competitiveness as an instrument of economic development were investigated. The dynamics of changes in the rating and structure, the regularities and trends of changes in the level of competitiveness of the country forming a basis for strategic decisions were analysed. Priority strategic directions in strengthening the competitiveness in the light of the European Integration corresponding to the national interests of the state were determined.

Conclusions. The authors defined main problems and priorities for reinforcing the competitiveness of Ukraine in the context of the European Integration.

References:


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