

Ukraine in the System of Economic Rivalry Between Countries in Conditions of Global Instability

Maksym Zhyvko

Oleh Ivashchuk

Igor Gonak

神戸学院経済学論集

第53巻 第3号 抜刷

令和3年12月発行

Ukraine in the System of Economic Rivalry Between Countries in Conditions of Global Instability

Maksym Zhyvko*

Oleh Ivashchuk**

Igor Gonak***

Abstract

The article examines the positions of strategic imperatives of Ukraine's economic rivalry in the global economy, which significantly change the business environment of the countries and force them to seek new opportunities to realize their potential and interests in a global instability. The growth of risks under the influence of globalization which lead to increase in intensity and aggravation of economic rivalry that aggravate global instability has been considered. The analysis of the use of restrictive measures in international trade, military and economic power, which reflects the uneven economic development of the regions of the world has been done. Drivers of Ukraine's global competitiveness have been assessed, which made it possible to identify areas that hinder the country's competitiveness. A SWOT analysis of Ukraine's positioning in the global system of economic rivalry has been conducted.

Key words: global economy, global instability, economy of Ukraine, competitive advantages, competitiveness, international trade, protectionism.

* Deputy Director of B. Havrylyshyn Education and Research Institute of International Relations, Candidate of economic sciences, West Ukrainian National University

** Lecturer at the Department of International Relations and Diplomacy, West Ukrainian National University

***Candidate of economic sciences, West Ukrainian National University

Introduction. In the last decade, the global environment has become so unstable that researchers are increasingly talking not about competition between countries, but about rivalry, because in practice they actively use various forms of economic rivalry and non-economic methods of influence, including military. Economic rivalry of the countries is becoming an objective process, shaped by both global determinants and their domestic economic policy, including reforms, and political stability. The urgency of the issue increases because of rising tensions in economic relations between countries and the emergence of global centers of conflict that are slowing economic growth rates. Coordination of economic interests of all subjects of international economic relations remains a priority, as there are such trends as: the emergence of “special economic interest”, which reflects the selfishness of individuals who influence the economic policy of the country (foreign politicians, oligarchic capital, heads of state corporations and natural monopolies) [1]; exacerbation of conflicts in the realization of economic interests between private companies and the state, which represents national interests [2]. In practice, countries that are fighting for the realization of their interests are increasingly using hidden measures of protectionism, introducing elements of national economic selfishness. Researchers confirm that economic selfishness is an essential characteristic of social relations, so it is present in almost all evolutionarily developed socio-economic systems, without threatening the latter in the presence of effective institutional and legal infrastructure [3]. Otherwise, economic selfishness, with short-term consequences, contributes to tensions between countries and confrontation.

Under the influence of the basic imperatives of economic rivalry, especially such as informatization, innovation, militarization of economies, the environment of countries is changing significantly, forcing them to seek new opportunities to realize their potential and interests in an unstable global economy.

The Problem. Ukraine is a full-fledged subject of international economic relations, so it forms its positions in the system of economic rivalry and global competitiveness under the influence of internal challenges and external threats. The sustainability of its socio-economic development, its place in the global economy, the degree of protection of national economic interests, the effectiveness of appropriate regulatory measures in the medium term are determined by how successfully competitive positions are secured in conditions of growing global instability. At the same time, Ukraine has sufficient domestic natural resources, food and human potential for development, but does not improve its position in the ranking of global competitiveness. This requires in-depth research to determine the challenges, opportunities and strengths of Ukraine's positioning in the global system of economic rivalry.

Results and Discussion. At the end of the second decade of the XXI century under the influence of globalization processes in the conditions of permanent economic instability, the situation has worsened in the most economically important regions of the world - Europe, the Middle East, and the Asia-Pacific region. As a result, there is a growing risk of increased intensity and intensification of economic rivalry, which in turn will have a negative impact on international trade, high technology exchange, debt growth, increased uncontrolled migration and reduced control of pollution and global climate change.

We propose to include a change in technological ways to the reasons for the growing turbulence of global economic development, which is accompanied not only by the actual technological, but also political, social, institutional and other transformations. The Global Risk Report 2021 focuses on environmental risks, which are among the leaders, and given the recent negative effects of the pandemic, the risk of infectious diseases ranks first in the top 10 in terms of impact [4]. At the same time, the risk of the collapse of the system of international rela-

tions is increasing, as evidenced by the events of recent years. It must be admitted that there are problems that the countries cannot cope alone.

Uneven economic development of regions of the world, different political systems of individual countries, the presence of different (often opposite) economic interests of global economies, current socio-political and economic events lead to changes in established principles of international economic relations and rules of international activity, the use of restrictive measures in international trade. In 2019, there was a certain slowdown in the introduction of interventions in international trade in goods: according to Global Trade Alert, 1,025 measures were applied, of which - 800 restrictive, 225 - liberalization measures. From the beginning of 2020, a new tension in trade relations between the countries began, to which were added restrictive measures in the investment and migration spheres. In the structure of restrictive measures in the field of trade in goods in 2019, 39.4% were subsidies, 27.7% - conditional trade protection measures, 14.2% - tariff measures, 13.9% - measures related to exports, including export subsidies. Among the instruments of liberalization policy in 2019, the largest share was tariff measures - 52.4%, nonautomatic licensing, and quotas - 22.7%.

When analyzing the level of economic rivalry, countries should take into account the state of their military and economic power, which is assessed by the Index of Global Firepower (GFP) - determined on the basis of more than 50 indicators and reflects not only the military component but also infrastructure development, geographical indicators resources, defense budget expenditures, etc. According to the results of assessing the positioning of countries on such indicators as the Military Strength Index and the Global Competitiveness Index, it was found that many competitive countries support their positions by military factors led by the United States, Russia and China. This trend will continue in the future, as no country feels safe due to the growing ambitions of countries to claim world

leadership, the deterioration of relations between them, the emergence of local armed conflicts, and the growing likelihood of terrorist threats. The question of combining hard and soft tools in the country's foreign policy to solve security problems in practice remains open [5]. Therefore, the tool of force is increasingly becoming decisive in resolving disputes.

Changing of the global trends has led to the emergence of new players in the global market in the form of multinational companies, regional and interregional alliances, trade blocs and other associations, which increase their direct influence on the structure of countries' competitive advantages in the context of globalization. The assessment of the spatial positioning of companies indicates the significant advantages of many countries in their location and concentration in the US, China, Japan, EU countries, however, it should be recognized - the activities of multinational companies have contradictory consequences for national economies. On the one hand, they enable countries to join the processes of globalization, accelerating their global integration, bring new technologies and innovations to the country, create a basis for economic growth in the country, but on the other hand - their activities do not always overcome asymmetries in development of the countries, sometimes they even resort to supporting authoritarian regimes in the country [6], social policy is determined solely by the company's desire to pursue it, there is a depletion of resource potential of countries, reducing domestic investment activity. The above conditions affect the reduction of the role of the state as a regulator.

Given the emergence of another unforeseen risk - the COVID-19 pandemic, which affected all countries without exception, the existing problems of the global economy have been even more exposed, showing its volatility and unpreparedness for such challenges. Closing of the borders and prioritizing of the national interests could be a catalyst for future trade disputes and wars. In addition,

there is already a restructuring of production, the transfer of resources from one industry to another, a change in global value chains [7], which will require countries to develop new positioning strategies in the global economy and adjust existing ones. According to the forecasts of the International Monetary Fund, in 2021 the world economy will grow by 5.5%, in 2022 - by 4.2%, because countries are financially depleted, the problem of unemployment is urgent as well as finding resources to recover economies [8].

Thus, global instability exposes weaknesses in the application of national regulators of economic processes. To increase competitiveness it is necessary to ensure the adaptability and flexibility of the economy at the level of enterprises, industries, countries; to form innovative ecosystems; to profess a human-centered approach to economic development, which in the long run will strengthen competitive positions in the global economy.

The country's competitiveness largely depends on its ability to comprehensively use the sources of competitive advantage in the formation and implementation of competitive advantage. Meanwhile, Ukraine, having enormous potential, including natural resources, is not realizing it enough. With significant scientific achievements, intellectual potential, the country is uncompetitive in many industries. The presence of a large number of different sources does not guarantee a competitive advantage, but expands the country's ability to achieve high performance, which assesses competitiveness.

Assessing the driver of Ukraine's global competitiveness in 2018-2019, we note that in terms of macroeconomic stability, the state of development of the financial system, it has entered the top ten countries in 2019, but there are areas that hinder the country's competitiveness - innovation, infrastructure development, market size, field of study (Fig. 1). Therefore, it is necessary to state the unsatisfactory management of resources in Ukraine and incompetent use of its potential,

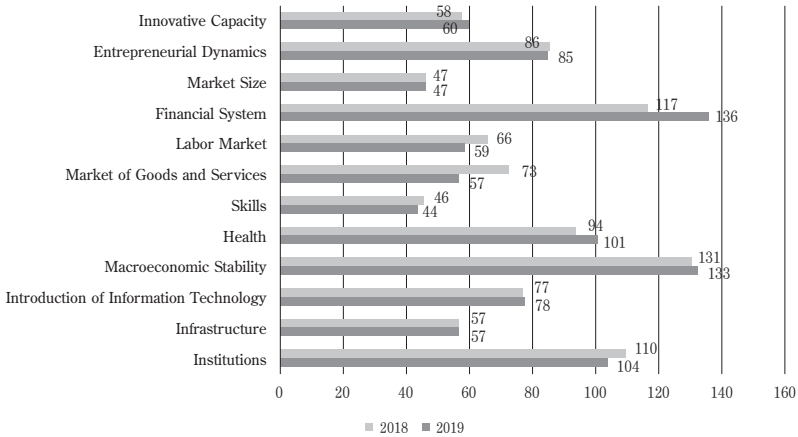


Fig. 1. Positions of Ukraine on the components of the Global Competitiveness Index 4.0 in 2018-2019*

** built according to data of the World Economic Forum*

including natural resources, food and human.

The scatter diagram of the positioning indicator (rank) of Ukraine according to the global competitiveness index for 2007-2019 indicates the presence of significant fluctuations (from 72 to 89) in different periods (Fig. 2) among about 140 countries. This heterogeneity of positions in the index is due to the international division of labor, national conditions and factors of production, as well as the ability of its goods and services to compete effectively in world markets, even in comparison with its nearest neighbors.

If we analyze Ukraine's participation in world trade, in 2019 it ranked 52 nd position in exports (49 in services) and 47 in imports of goods (51 in imports of services) in the world. In 2019, more than 40% of Ukraine's foreign trade turnover was accounted for by EU member states, and trade in goods and services with China increased by 30%. Among the main trading partners in 2020 remains the European Union, at the same time there is a reorientation of trade flows of

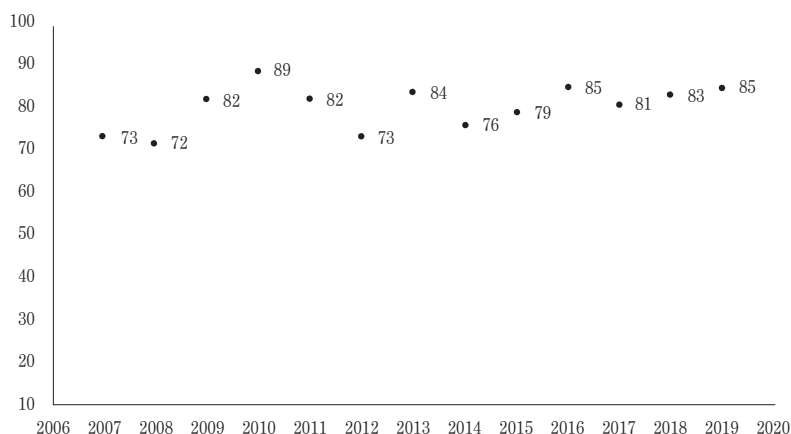


Fig. 2. Dynamics of Ukraine’s positions on the Global Competitiveness Index for 2007-2019*

** built according to data of the World Economic Forum*

Ukraine in search of new partners (Table 1). In recent years, the number of Ukrainian companies exporting goods to the European Union is growing (10002 companies in 2014 and 13329 in 2020). In 2020, the negative trends from the pandemic affected the dynamics of exports and imports of goods: exports of goods from Ukraine amounted to 49.2 billion US dollars (98.3% compared to 2019), imports - 54.1 billion US dollars (89.0%).

For Ukraine, agricultural exports remain important in the structure of exports, the share of which has been growing in recent years (Fig. 3). At the same time, in the first three quarters of 2020, Ukraine’s agricultural exports decreased to \$15.5 billion. US dollars, but by the end of the year have reached the level of 2019 - 22.2 billion US dollars. In the structure of agricultural exports the leading place is occupied by sunflower and grain oil, in geographical terms the main market is the European Union. However, the current situation in the Ukrainian food market is largely due to the underestimation of its role as the most important seg-

Table 1

Geographical structure of exports of goods from Ukraine*

The name of the country	Export of goods, million dollars	2020 p. till 2019 p., %	The specific weight of Ukraine in total exports of goods from Ukraine, in %
EU (28)	18 612,1	89,7	37,8
China	7 112,7	198,0	14,5
Russian Federation	2 706,0	83,4	5,5
Turkey	2 436,3	93,0	5,0
India	1 972,1	97,4	4,0
Egypt	1 618,2	71,8	3,3
Belarus	1 335,3	86,2	2,7
The USA	983,9	100,5	2,0
Indonesia	735,6	100,1	1,5
Saudi Arabia	719,0	96,6	1,5

* compiled according to the State Statistics Service of Ukraine

ment of the market system and one of the factors of socio-economic well-being. In 2020, there was a decline in exports of dairy products (by 23%), eggs and egg products (13%), meat and offal (8%), etc. At the same time, honey exports showed significant growth.

Growth of agricultural exports of Ukraine in the future may make it a guarantor of EU food security, but it is necessary to focus on adapting legislation to EU norms and standards, and not just on increasing quotas and changing tariffs. Domestic producers almost completely use quotas for the supply of honey, sugar, cereals and flour, processed tomatoes, grape and apple juices, corn, poultry and butter to EU countries. According to the agreement between Ukraine and the EU, quotas have been introduced for the supply of 36 groups of goods to the EU. Everything above the norm is taxed. Since 2017, in accordance with the parameters of the free trade zone between Ukraine and the EU, tariff quotas have been

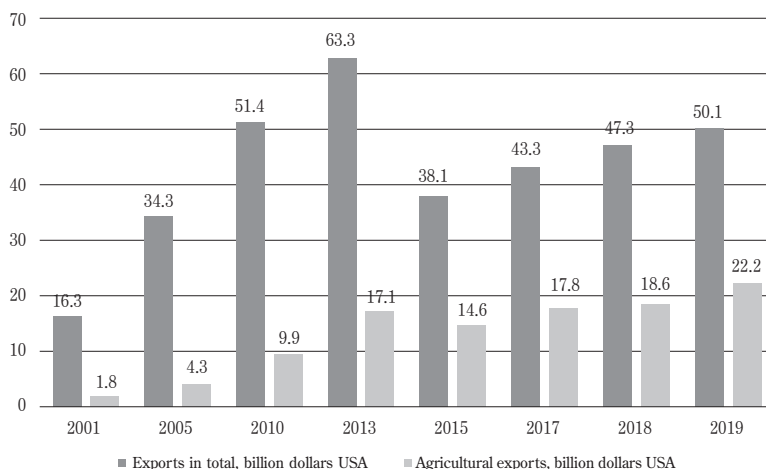


Fig. 3. Dynamics of agricultural exports of Ukraine, million US dollars*

** compiled according to the State Statistics Service of Ukraine*

increased for 18 agricultural goods. Additional quotas have already been applied to honey, grape juice, barley groats and flour, processed tomatoes and oats. Since 2018, additional preferences for wheat, corn and barley have come into force. In 2016, Ukraine used 26 tariff quotas, in 2017 - 29 tariff quotas, in 2018 - 32, in 2019 - 32. In 2020, out of 40 quotas, 31 were used, and 11 - fully used.

The competitiveness of any country is based on competitive advantages, which are formed and realized through economic rivalry. To analyze the potential of the Ukrainian economy and the possibilities of changing the country's place in the global economy, it is necessary, first of all, to identify the sources of the country's competitive advantage and assess the prospects for their use. This is due to the fact that some sources are actively used and influence the development of the national economy, while others remain unclaimed. Due to the historical preconditions and resource potential, for a long time only those sources of competitive advantages that brought profit to business entities have been realized in Ukraine.

Such sources were natural resources. For a long time, GDP growth, Ukraine's exports to the world market and shares of world GDP have been ensured by growing exports of natural resources. But global trends have shown that there are technologies of economic rivalry that not only provide sustainable competitive advantages, but also become necessary elements of public policy in developed countries. Therefore, Ukraine, given the European integration vector of development, expanding partnerships with other countries, has enough opportunities to change the trajectory, strengthen its competitive position, take advantage of competitive advantages and direct the economy in the direction of innovation.

In the context of economic transformations in Ukraine in recent years, rapid reforms, radical, results-oriented, and the development of strategic documents to increase competitiveness in the global economy are needed. By the Decree of the President of Ukraine in 2015, the Sustainable Development Strategy "Ukraine - 2020" was approved [9]. In this document, in accordance with the identified priorities of the country and the focus on "implementation of European living standards in Ukraine and Ukraine's entry into leading positions in the world" the indicators that our country had to achieve by 2020 were announced. Analyzing some of them, it should be noted that not all the planned 62 reforms and government programs have been fully implemented, but the reforms are ongoing and there are positive results. Assessing the Strategy, it should be noted that it declared that according to the Global Competitiveness Index, Ukraine will enter 40 countries, but it has not significantly increased its position compared to previous years. And the reason for this is not only economic and domestic factors, but also the war in the east of the country, the annexation of part of its territories, the loss of traditional markets, the protracted conquest of new ones and others.

Strategic documents that address the issues of increasing the competitiveness of Ukraine and the use of its competitive advantages in the world market include

the Strategy for the Development of the sphere of Innovation for the period up to 2030 [10]. Among the competitive advantages of Ukraine, the Strategy identifies: high market capacity, quality of higher, secondary and professional education; human capital, i.e. the knowledge and skills that people possess. In 2018, the Strategy for the development of the defense-industrial complex of Ukraine for the period up to 2028 was approved [11], in 2019 - the Strategy for the development of exports of agricultural products, food and processing industry of Ukraine for the period up to 2026 [12]. These and other strategic documents create the pre-

Table 2

SWOT analysis of Ukraine’s positioning in the global system of economic rivalry

Strong sides:	Opportunities :
<ul style="list-style-type: none"> - natural resources - educated human capital - membership in international organizations - developed transport infrastructure - high level of training of IT specialists - high potential of the agricultural sector and processing industry; 	<ul style="list-style-type: none"> - formation of a combat-ready army - increasing the level of employment - increasing the capacity of export-oriented industrial enterprises, etc.; - associative membership in the European Union - cooperation with NATO - development of high-tech industries - reduction of energy consumption of products
Weak sides:	Threats :
<ul style="list-style-type: none"> - inhibiting the development of industry, high technology, agriculture; - high unemployment; - dependence on energy resources; - raw materials economy; - low level of government spending on R&D - technological gap with developed countries - low participation of the state in the implementation of innovations - energy intensity of production 	<ul style="list-style-type: none"> - military aggression in eastern Ukraine - annexation of Crimea and occupation of part of the territory of Donbass - reduction of the level of economic security under the influence of the economic crisis; - low level of social security - high probability of emigration from the country of young people and skilled workers - low level of competitive products on the world market

conditions for Ukraine to use the competitive advantages that ensure its positioning in the global economy.

Assessing the domestic macroeconomic environment, integration processes, global challenges, strategic imperatives of economic rivalry, based on SWOT-analysis, we highlight the main strengths and weaknesses of Ukraine from the standpoint of realizing its competitive advantages (Table 2). The following weaknesses in ensuring Ukraine's positioning in the global system of economic rivalry have been identified: slowing down the development of industry, high technologies, and agriculture; high unemployment; dependence on energy resources; raw materials of the economy; low level of government spending on R&D; technological gap with developed countries; low participation of the state in the implementation of innovations, etc.

Conclusions. Summing up, we note that Ukraine in the global system of economic rivalry has basic natural factors that can provide it with competitive advantages, in addition, cheap labor with a large capacity of the labor market, relatively cheap raw materials and energy, skilled labor capable of performing technologically complex types of works, strong export potential in certain industries allow it to choose strategies to ensure competitiveness in international markets.

Ukraine can increase its own status in the processes of economic rivalry through the following areas: increase of positions in the rating of global competitiveness (for this purpose, based on factor analysis, the indicators that most influence the position of Ukraine have been identified); militarization of the economy along with effective stimulation of the increase in the export of armaments and military equipment; revision of the structure of exports, which has a raw material nature; creation of a stable cluster of agricultural products (both raw materials and finished products) on world markets, as Ukraine is among the leaders in some positions, and food security is becoming more acute every year; expansion of politi-

Ukraine in the System of Economic Rivalry Between Countries in Conditions……
cal and economic cooperation, which will open new markets.

References

1. Squintani, Lorenzo. Balancing nature and economic interests in the European Union: On the concept of mitigation under the Habitats Directive. *Review of European, Comparative & International Environmental Law*. 29.1 (2020): 129–137.
2. Hicks, Raymond, Helen V. Milner, and Dustin Tingley. “Trade policy, economic interests, and party politics in a developing country: The political economy of CAFTA-DR.” *International Studies Quarterly* 58.1 (2014): 106–117.
3. Hall, Peter A. *The political power of economic ideas: Keynesianism across nations*. Princeton University Press, 2020.
4. *The Global Risks. Report 2021. 16th Edition*. URL: <https://www.weforum.org/reports/the-global-risks-report-2021>
5. *Is military power still the key to international security? NATO Review*. URL: <https://www.nato.int/docu/review/articles/2002/12/01/is-military-power-still-the-key-to-international-security/index.html>
6. Kordos Marcel, Vojtovic Sergej. *Transnational corporations in the global world economic. Environment. Social and Behavioral Sciences* 230 (2016). P. 150–158. URL: https://www.researchgate.net/publication/308739337_Transnational_Corporations_in_the_Global_World_Economic_Environment
7. Bamber Penny, Fernandez-Stark Karina, Taglioni Daria. *Why global value chains remain essential for COVID-19 supplies*. 2020. 27 May. URL: <https://voxeu.org/content/why-global-value-chains-remain-essential-covid-19-supplies>
8. *The Global Competitiveness Report. 2020. How Countries are Performing on the Road to Recovery*. URL: <https://www.weforum.org/reports/the-global-competitiveness-report-2020>
9. Ukaz Prezý ‘denta Ukrainý «Pro Strategiyu stalogo rozvýtku Ukrainý - 2020» vid 12.01.2015r. # 5/2015. URL: <https://zakon.rada.gov.ua/laws/show/5/2015#Text>
10. Rozporyadzhennya Kabinetu Ministriv Ukrainý «Pro sxvalennya Strategiyi rozvýtku sfery innovacijnoyi diyalnosti na period do 2030 roku» vid 10.07.2019 r. #526-r. URL: <https://zakon.rada.gov.ua/laws/show/526-2019-%D1%80#Text>
11. Rozporyadzhennya Kabinetu Ministriv Ukrainý «Pro sxvalennya Strategiyi rozvýtku oboronno-promýslovogo kompleksu Ukrainý na period do 2028 roku» vid 20.06.2018 r. #442-r. URL: <https://zakon.rada.gov.ua/laws/show/442-2018-%D1%80#Text>
12. Rozporyadzhennya Kabinetu Ministriv Ukrainý «Pro sxvalennya Strategiyi rozvýtku eksportu produkciyi sil’skogo gospodarstva, xarchovoyi ta pererobnoyi promýslovosti

Ukrayiný na period do 2026 roku» vid 10.07.2019 r. #588-r. URL: <https://zakon.rada.gov.ua/laws/show/588-2019-%D1%80#Text>