



Topic 7.

Competitiveness of countries
in global economy

Definition

Competitiveness of national economy – current and future ability to (1) develop, produce, sale goods, (2) pricing and non-pricing abilities of which seem to be (3) more attractive than the same of competitors on internal and external market (absolute competitiveness)

European World Competitiveness Report

Competitiveness is determined by ability of nation in terms of free and honest competition to produce goods and services, which comply the demands of international markets with *saving on the same level or increasing real incomes of its citizens*. (leading to welfare)

Committee of President of the USA on industrial competition

Competition of national economy in
wide meaning – ability to improve its
real situation on global markets;

Competition of national economy in
narrow meaning – only excising
possibility and ability of
competitiveness.

Factors of international competitiveness of country:

- *Natural* (human resources, natural welfare, geographic location, climat, ect.)
 - use of less developed countries
- *Obtained* (technology, cumulative capital, qualified labor, social-economic situation)
 - use of most developed countries

Evaluation of competitiveness of different countries

World Economic Forum (Report on global competition): 90 factors, 1/3-static data, 2/3-expert evaluations (11 top-managers of companies originating from 125 countries (10 points)). *Index of global competitiveness and Index of competitiveness of business.*

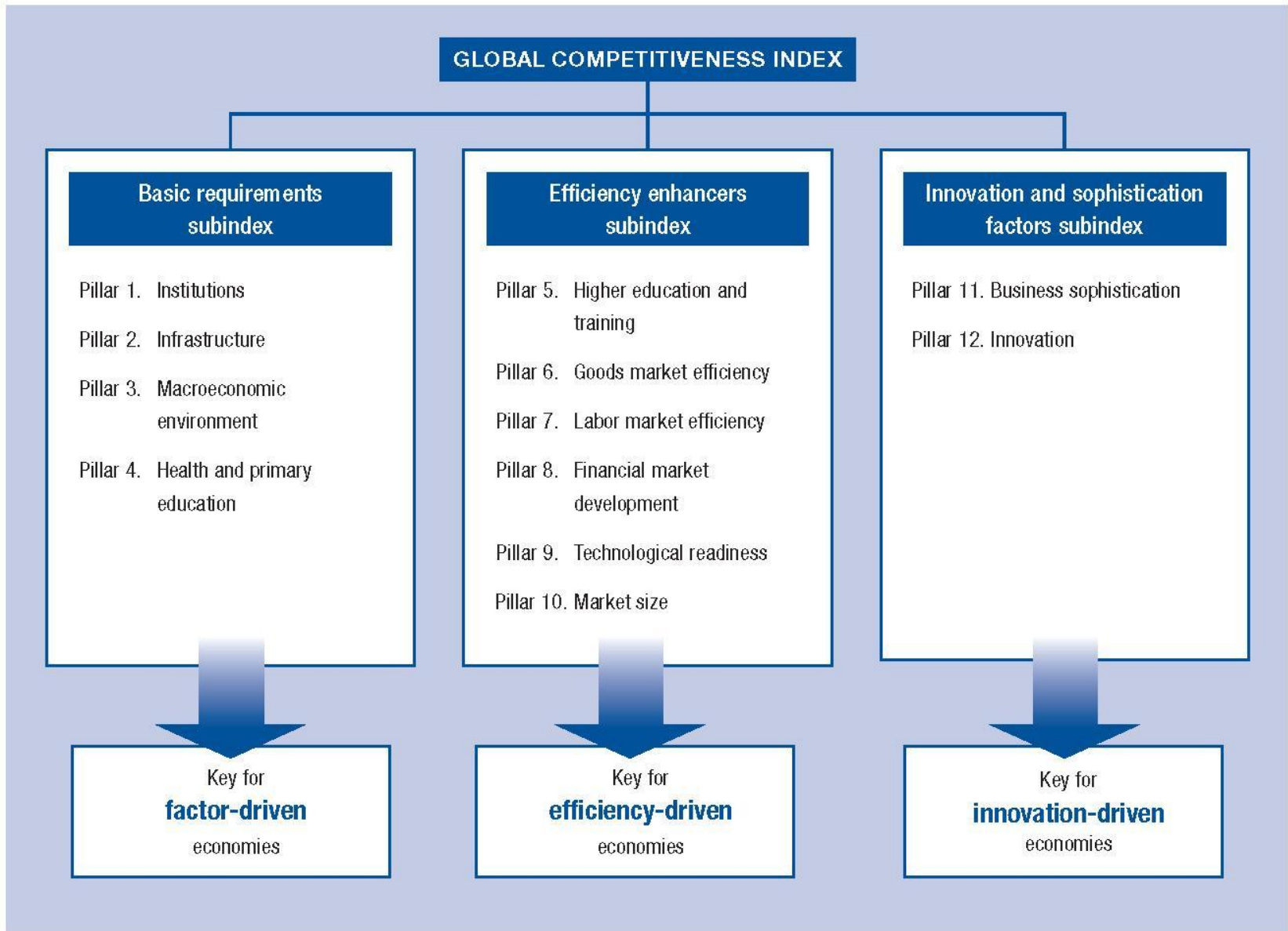
Davos.

Index of global competitiveness

Pillars:

- Institutions;
- Infrastructure;
- Labour market;
- Financial market development;
- Microeconomic environment;
- Technological readiness;
- Health and primary education;
- Market size;
- Higher education and training;
- Business sophistication;
- Goods market efficiency
- Innovation

Global Competitiveness Index



Groups of countries

1. Competitiveness is determined by cheap production factors (labour, resources);
2. Competitiveness is determined by effectiveness of production, increasing of productivity (high level of added value and labour productivity);
3. Competitiveness is determined by production of innovative goods basing on production of new technologies.

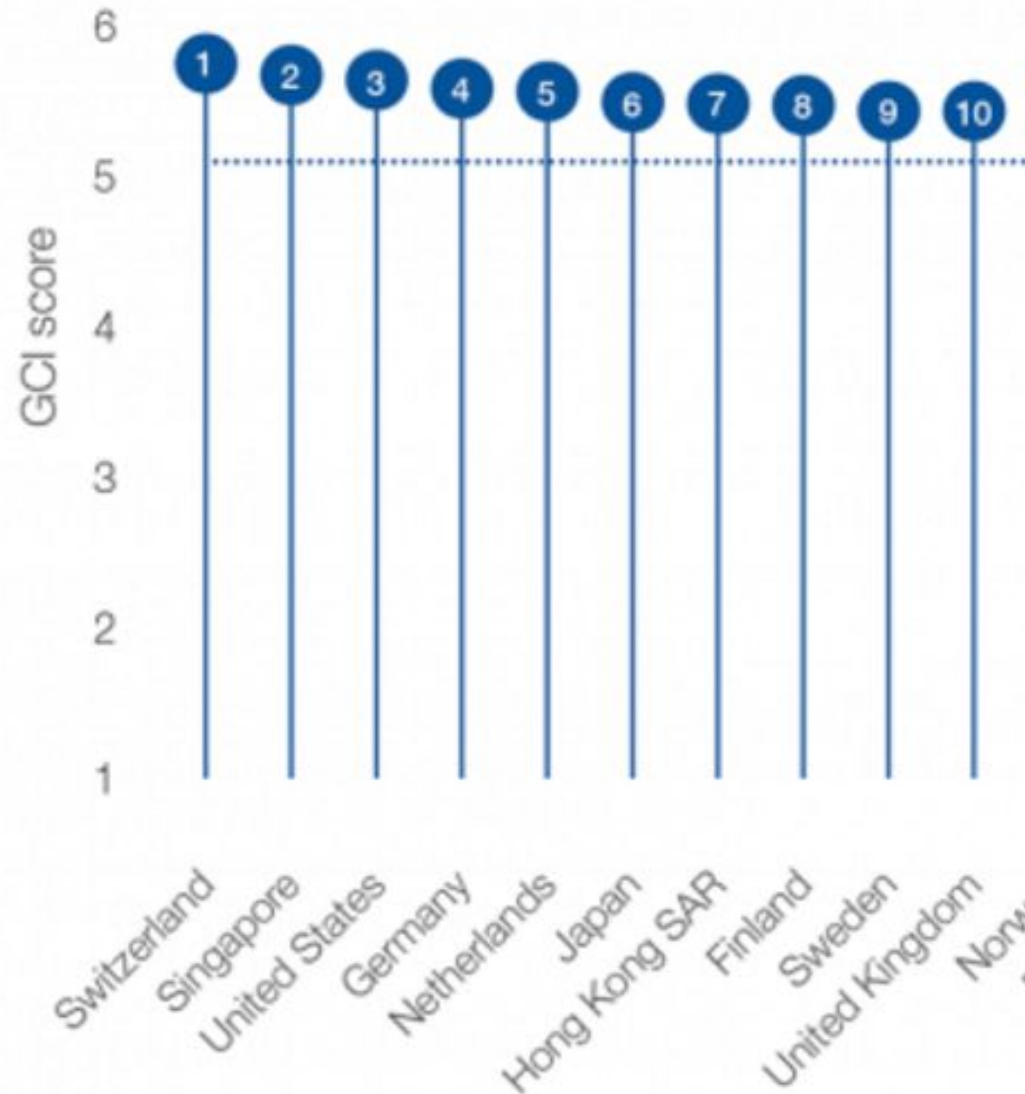
+transition forms

Table 2: Countries/economies at each stage of development

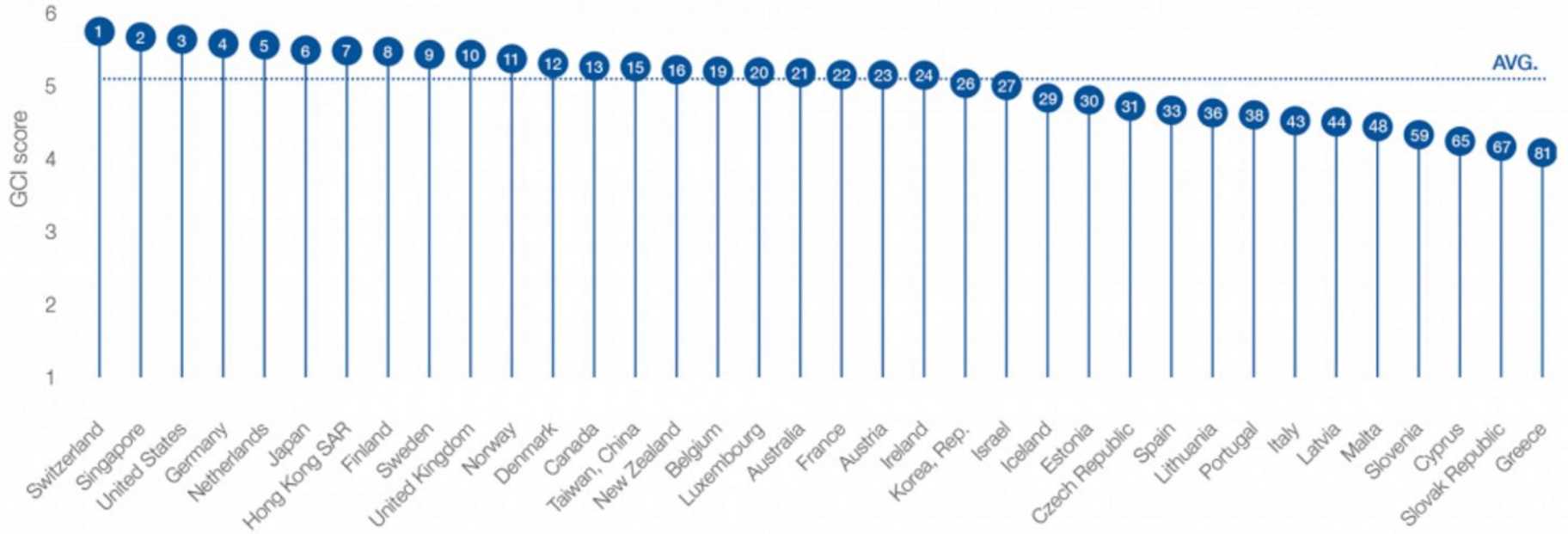
| Stage 1: Factor-driven (37 economies) | Transition from stage 1 to stage 2 (16 economies) | Stage 2: Efficiency-driven (30 economies) | Transition from stage 2 to stage 3 (24 economies) | Stage 3: Innovation-driven (37 economies) |
|---|---|---|---|---|
| Bangladesh | Algeria | Albania | Argentina | Australia |
| Burkina Faso | Angola | Armenia | Bahrain | Austria |
| Burundi | Azerbaijan | Bulgaria | Barbados | Belgium |
| Cambodia | Bhutan | Cape Verde | Brazil | Canada |
| Cameroon | Bolivia | China | Chile | Cyprus |
| Chad | Botswana | Colombia | Costa Rica | Czech Republic |
| Côte d'Ivoire | Gabon | Dominican Republic | Croatia | Denmark |
| Ethiopia | Honduras | Egypt | Hungary | Estonia |
| Gambia, The | Iran, Islamic Rep. | El Salvador | Kazakhstan | Finland |
| Ghana | Kuwait | Georgia | Latvia | France |
| Guinea | Libya | Guatemala | Lebanon | Germany |
| Haiti | Moldova | Guyana | Lithuania | Greece |
| India | Mongolia | Indonesia | Malaysia | Hong Kong SAR |
| Kenya | Philippines | Jamaica | Mauritius | Iceland |
| Kyrgyz Republic | Saudi Arabia | Jordan | Mexico | Ireland |
| Lao PDR | Venezuela | Macedonia, FYR | Oman | Israel |
| Lesotho | | Montenegro | Panama | Italy |
| Madagascar | | Morocco | Poland | Japan |
| Malawi | | Namibia | Russian Federation | Korea, Rep. |
| Mali | | Paraguay | Seychelles | Luxembourg |
| Mauritania | | Peru | Suriname | Malta |
| Mozambique | | Romania | Turkey | Netherlands |
| Myanmar | | Serbia | United Arab Emirates | New Zealand |
| Nepal | | South Africa | Uruguay | Norway |
| Nicaragua | | Sri Lanka | | Portugal |
| Nigeria | | Swaziland | | Puerto Rico |
| Pakistan | | Thailand | | Qatar |
| Rwanda | | Timor-Leste | | Singapore |
| Senegal | | Tunisia | | Slovak Republic |
| Sierra Leone | | Ukraine | | Slovenia |
| Tajikistan | | | | Spain |
| Tanzania | | | | Sweden |
| Uganda | | | | Switzerland |
| Vietnam | | | | Taiwan, China |
| Yemen | | | | Trinidad and Tobago |
| Zambia | | | | United Kingdom |
| Zimbabwe | | | | United States |

- 2006: Switzerland, Finland, Sweden, Denmark, Singapore, USA, Japan, Germany, Netherlands, UK...78. **Ukraine**....123. Chad, 124. Burundi, 125. Angola
- 2010-2011: Switzerland, Sweden, Singapore, USA, Germany, Japan, Finland...83. **Greece**...89. **Ukraine**...136. Zimbabwe, 137. Burundi...139. Chad
- 2013-2014: Switzerland, Singapore, Finland, Germany, USA, Sweden, Hong Kong, Netherlands, Japan, UK....84. **Ukraine**...89. Moldova...91. Greece... 146. Burundi, 147. Guinea, 148. Chad.
- 2014-2015: Switzerland, Singapore, USA, Finland, Germany, Japan, Hong Kong, Netherlands, UK, Sweden...18. Belgium....75. Slovak Republic...76. **Ukraine**...77. Croatia....143. Chad...144. Guinea

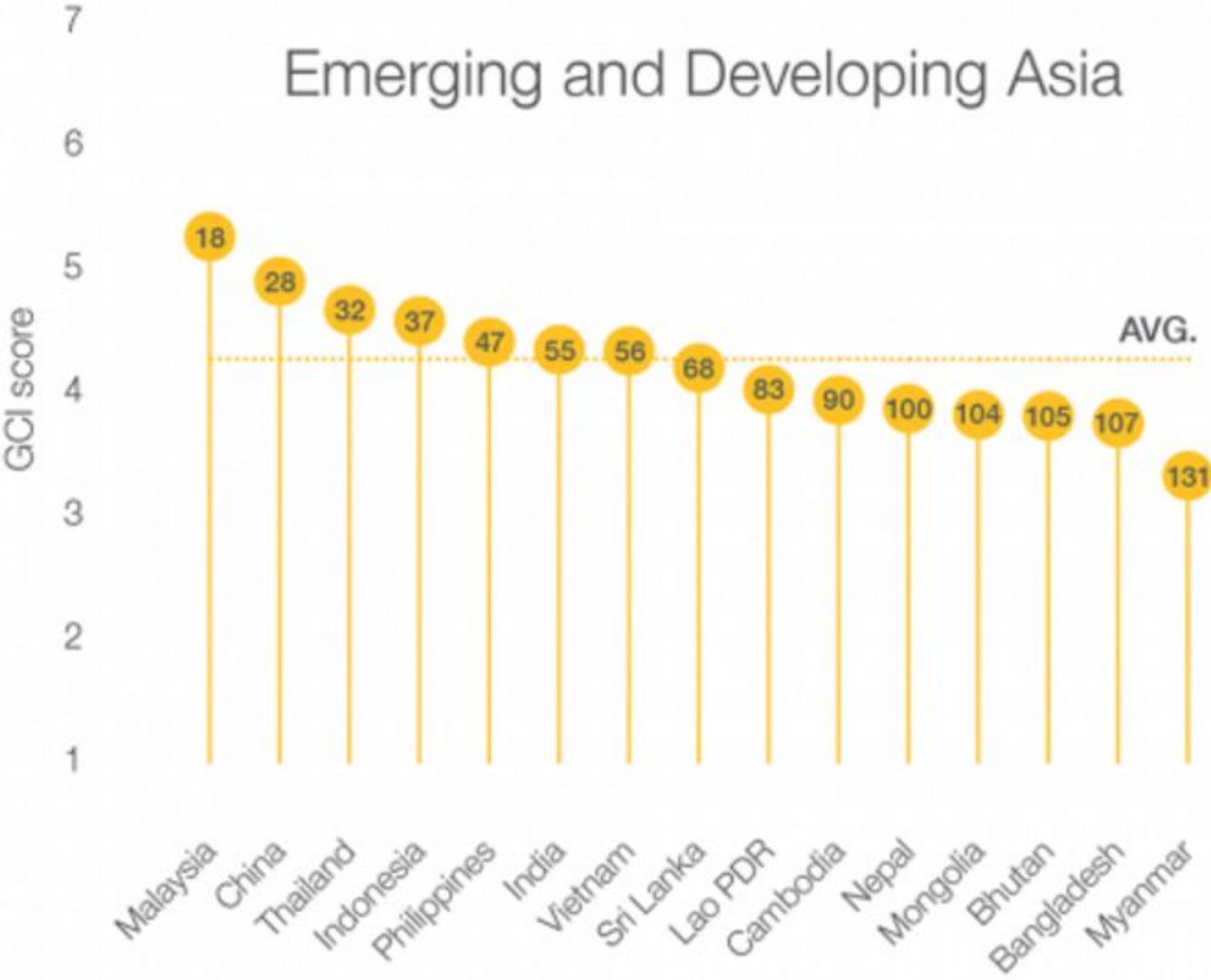
TOP-10 in WEF Report 2015-2016



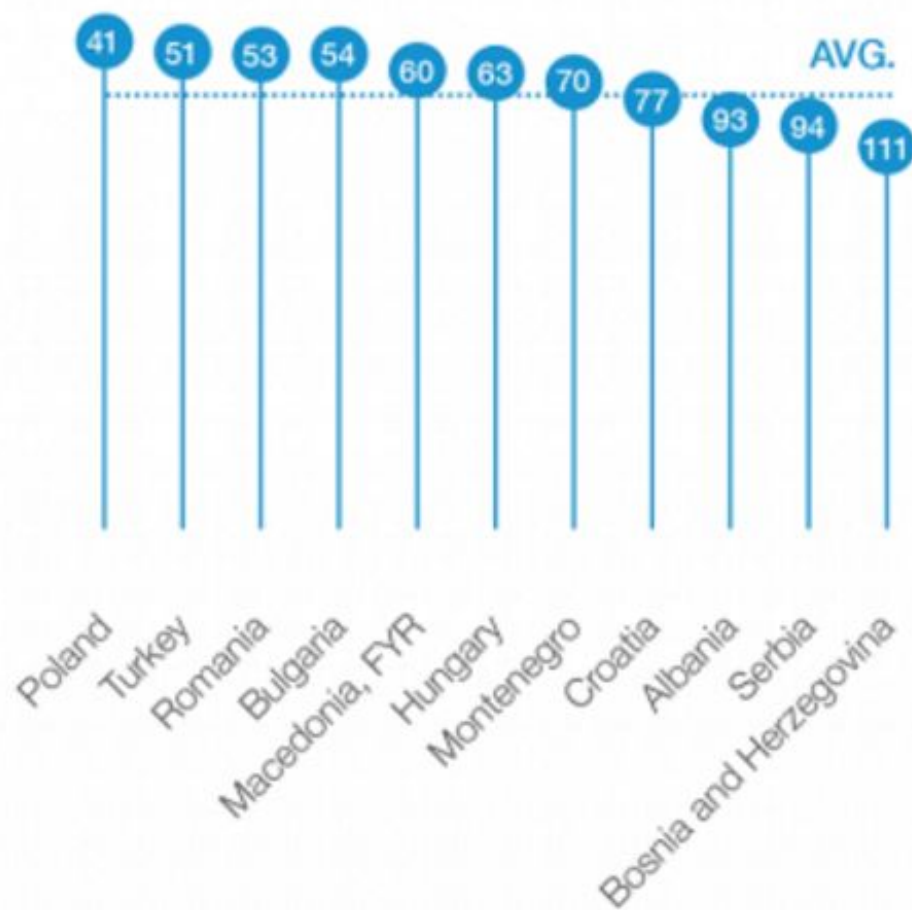
Advanced Economies



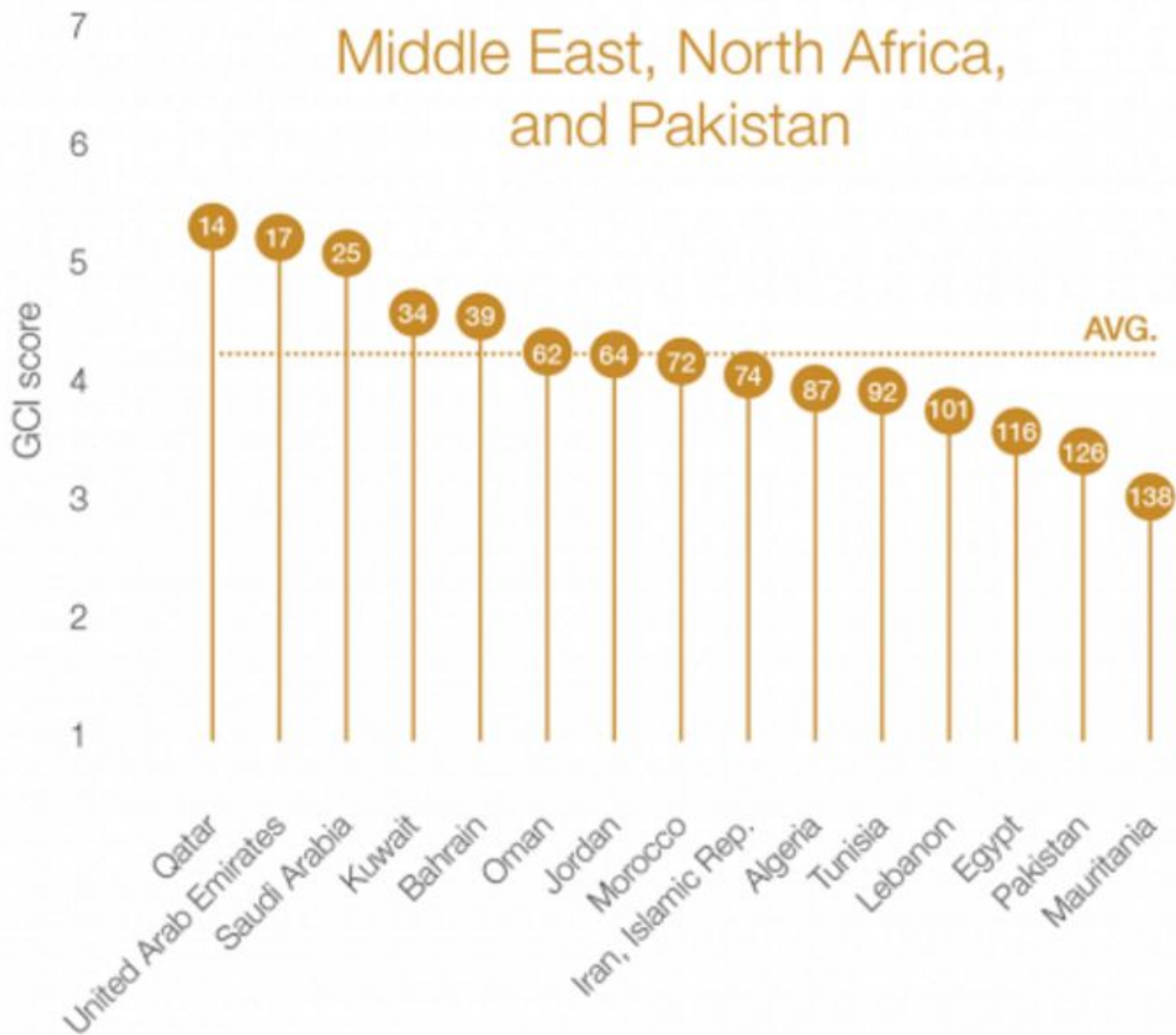
Emerging and Developing Asia



Emerging and Developing Europe



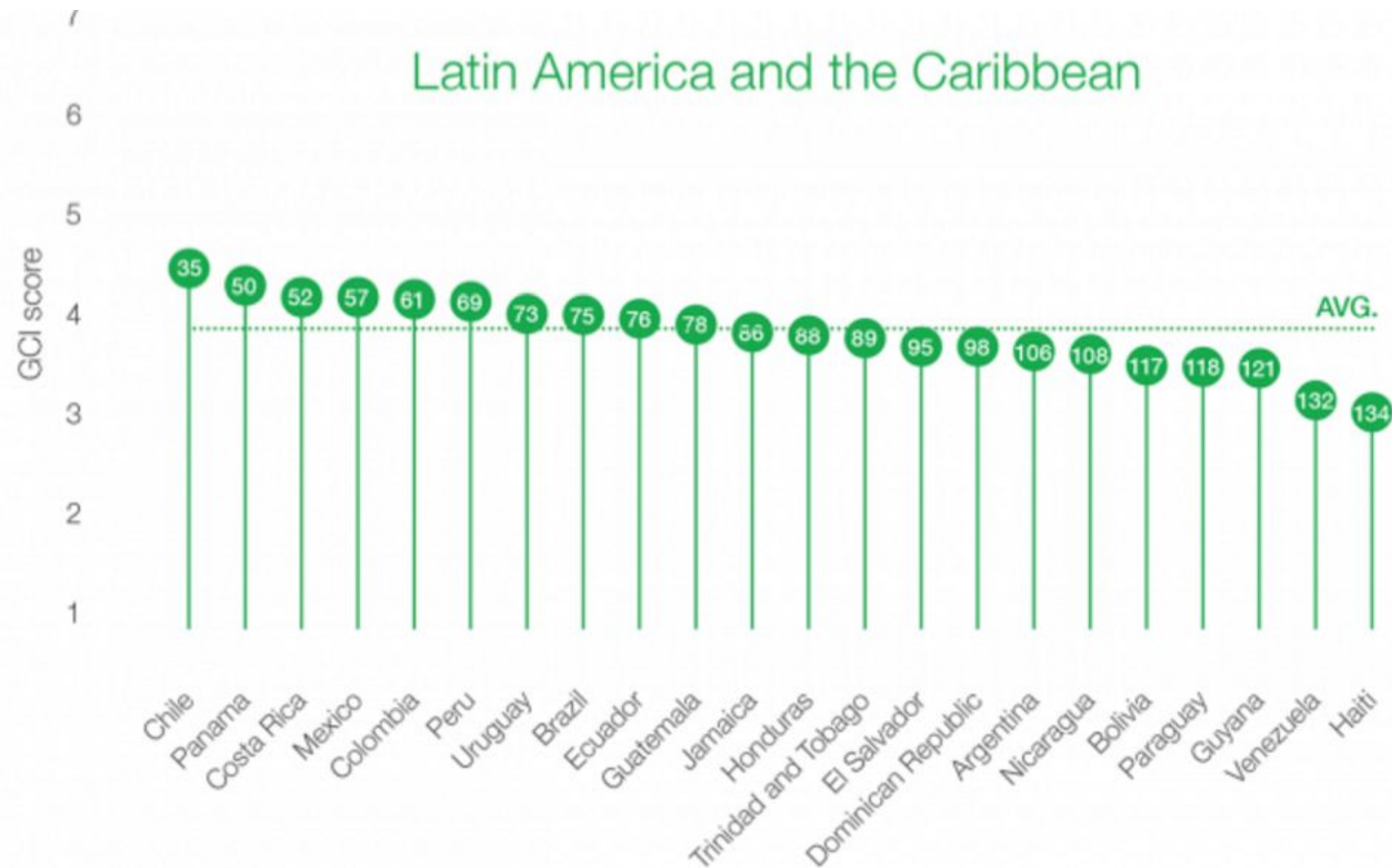
Middle East, North Africa, and Pakistan



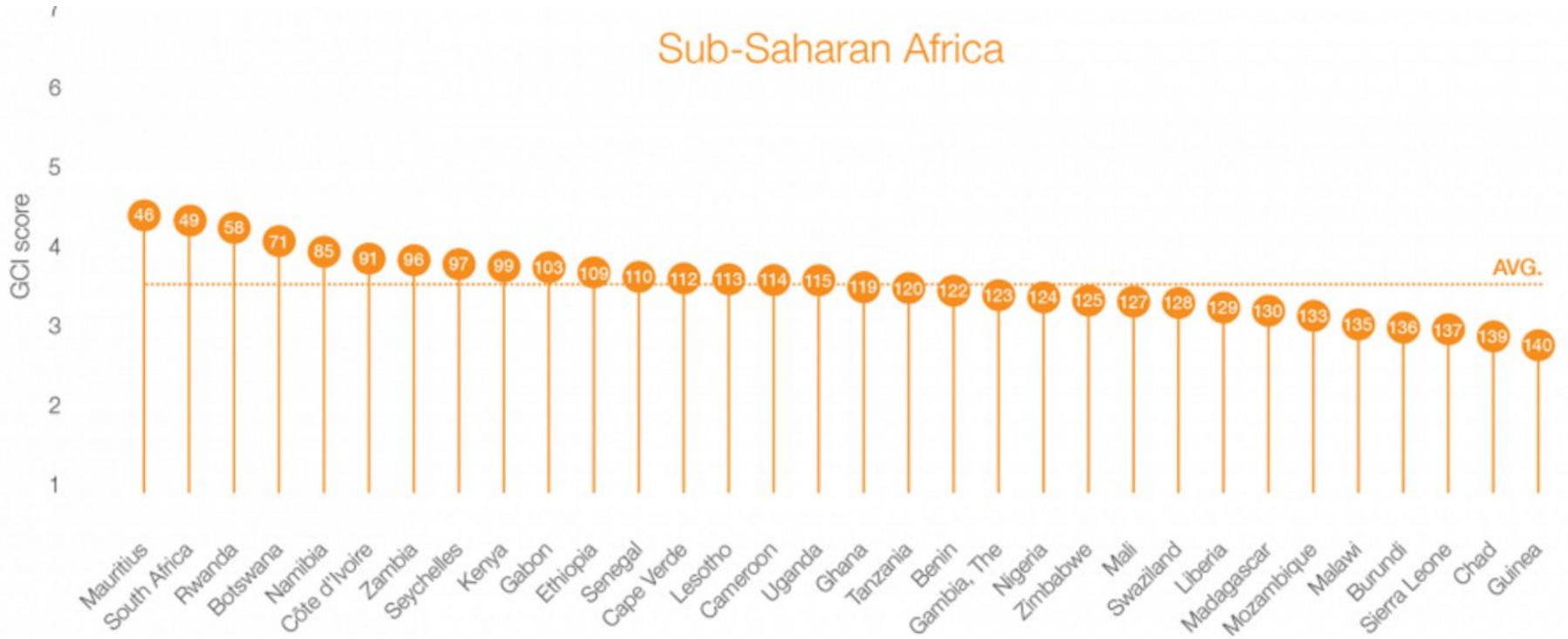
Commonwealth of Independent States



Latin America and the Caribbean

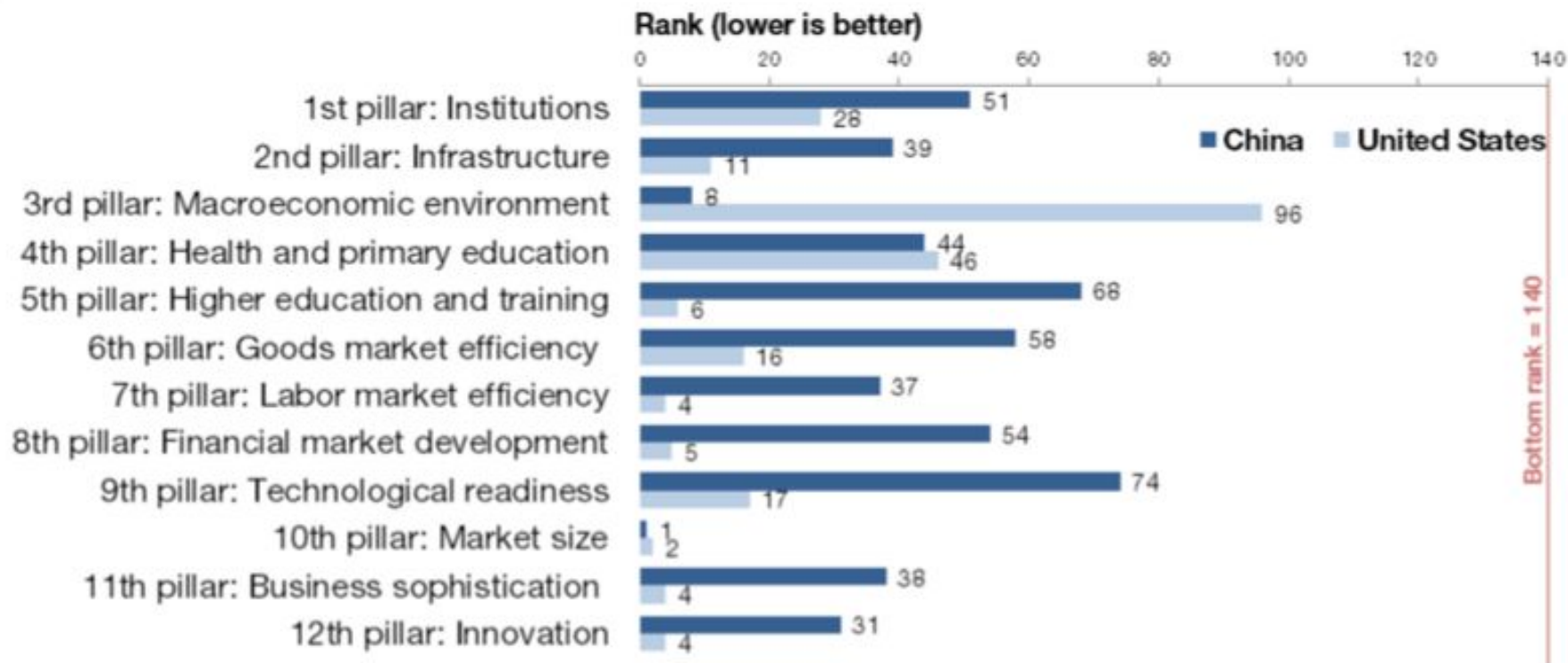


Sub-Saharan Africa



How competitive are China and the US?

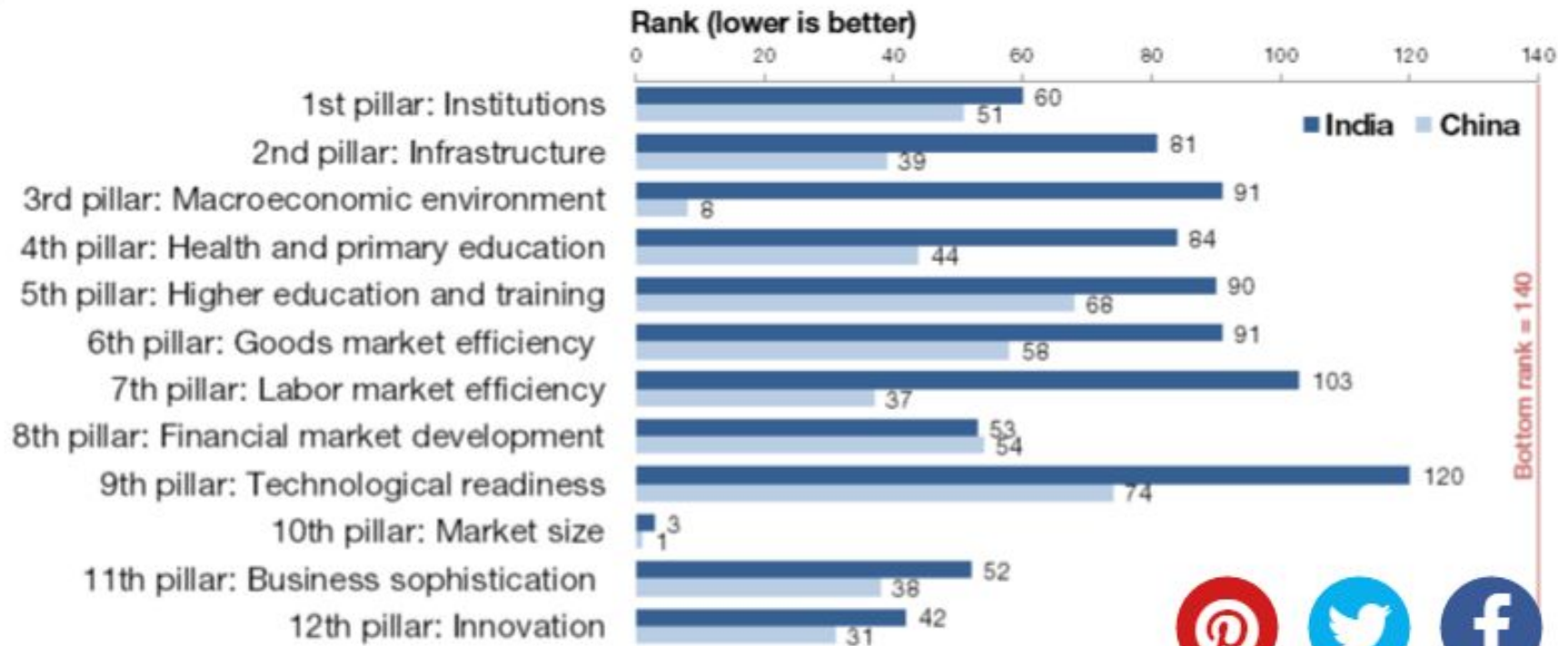
China and United States global competitiveness ranks across 12 pillars. The US is more competitive across 9 pillars



Source: World Economic Forum Global Competitiveness Report 2015-2016

How competitive are China and India?

China and India global competitiveness ranks across 12 pillars. China is more competitive across 11 pillars



Source: World Economic Forum Global Competitiveness Report 2015-2016

Ukraine in WEF Report 2013-2014

Global Competitiveness Index

| | Rank (out of 148) | Score (1-7) |
|--|----------------------|----------------|
| GCI 2013-2014 | 84 | 4.1 |
| GCI 2012-2013 (out of 144) | 73 | 4.1 |
| GCI 2011-2012 (out of 142) | 82 | 4.0 |
| Basic requirements (40.0%) | 91 | 4.3 |
| Institutions | 137 | 3.0 |
| Infrastructure | 68 | 4.1 |
| Macroeconomic environment | 107 | 4.2 |
| Health and primary education | 62 | 5.8 |
| Efficiency enhancers (50.0%) | 71 | 4.0 |
| Higher education and training | 43 | 4.7 |
| Goods market efficiency | 124 | 3.8 |
| Labor market efficiency | 84 | 4.2 |
| Financial market development | 117 | 3.5 |
| Technological readiness | 94 | 3.3 |
| Market size | 38 | 4.6 |
| Innovation and sophistication factors (10.0%) | 95 | 3.4 |
| Business sophistication | 97 | 3.7 |
| Innovation | 93 | 3.0 |

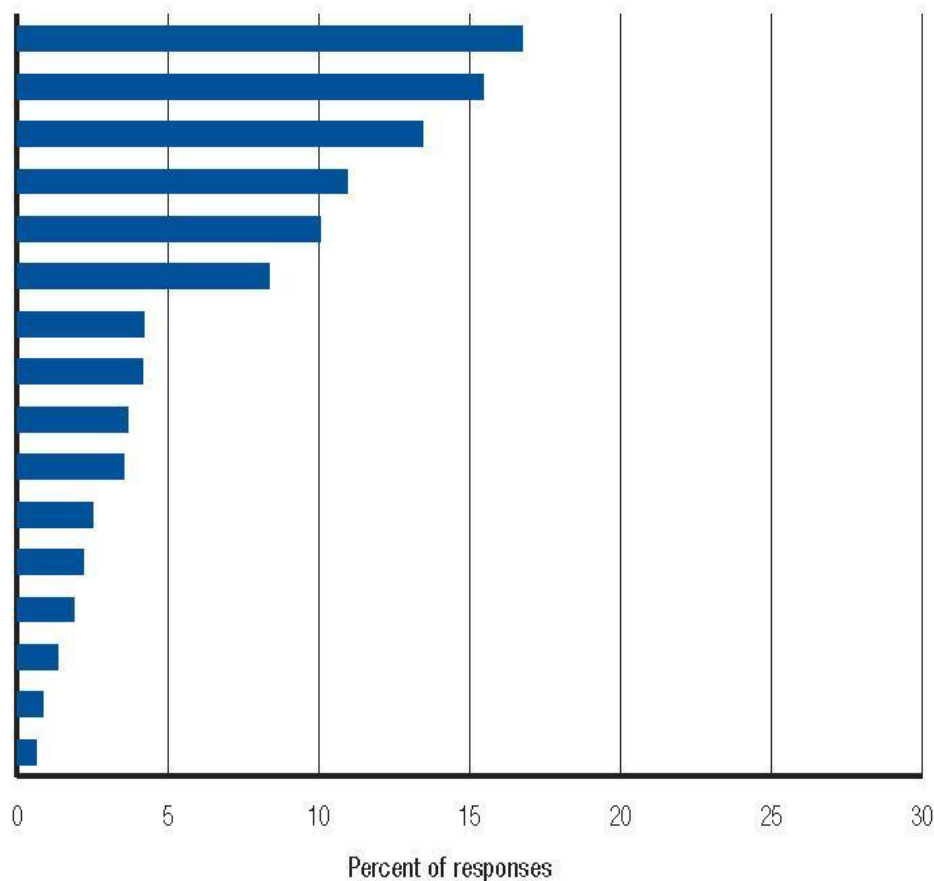
Stage of development



Ukraine in WEF Report 2013-2014

The most problematic factors for doing business

| | |
|---|------|
| Access to financing | 16.7 |
| Corruption | 15.5 |
| Inefficient government bureaucracy | 13.4 |
| Tax regulations | 11.0 |
| Policy instability | 10.1 |
| Tax rates..... | 8.4 |
| Foreign currency regulations..... | 4.2 |
| Insufficient capacity to innovate..... | 4.1 |
| Inflation..... | 3.7 |
| Government instability/coups | 3.5 |
| Crime and theft | 2.5 |
| Inadequate supply of infrastructure..... | 2.2 |
| Restrictive labor regulations..... | 1.9 |
| Poor public health | 1.3 |
| Inadequately educated workforce..... | 0.8 |
| Poor work ethic in national labor force | 0.6 |



Ukraine in WEF Report 2014-2015

Global Competitiveness Index

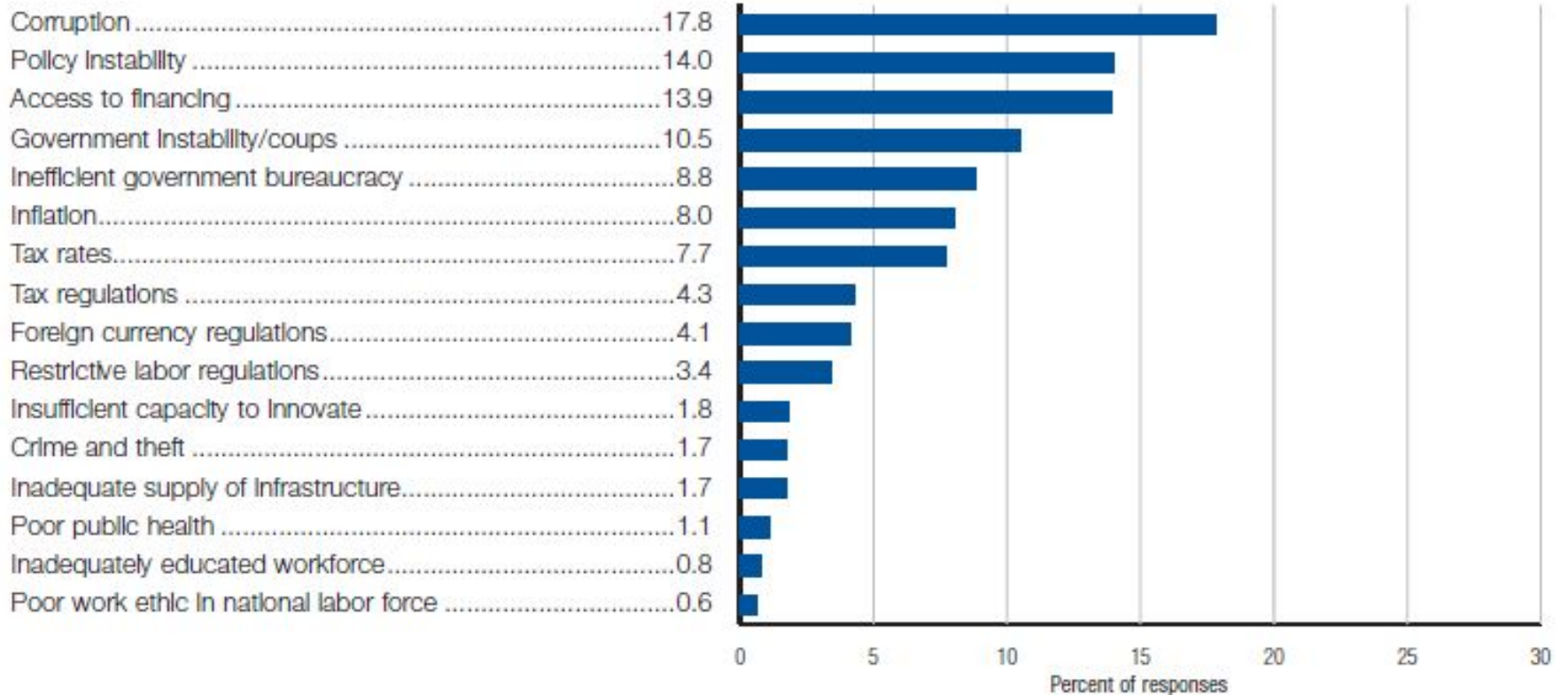
| | Rank (out of 144) | Score (1-7) |
|--|----------------------|----------------|
| GCI 2014-2015 | 76 | 4.1 |
| GCI 2013-2014 (out of 148)..... | 84 | 4.1 |
| GCI 2012-2013 (out of 144)..... | 73 | 4.1 |
| GCI 2011-2012 (out of 142)..... | 82 | 4.0 |
| Basic requirements (40.0%) | 87 | 4.4 |
| Institutions..... | 130 | 3.0 |
| Infrastructure..... | 68 | 4.2 |
| Macroeconomic environment..... | 105 | 4.1 |
| Health and primary education..... | 43 | 6.1 |
| Efficiency enhancers (50.0%) | 67 | 4.1 |
| Higher education and training..... | 40 | 4.9 |
| Goods market efficiency..... | 112 | 4.0 |
| Labor market efficiency..... | 80 | 4.1 |
| Financial market development..... | 107 | 3.5 |
| Technological readiness..... | 85 | 3.5 |
| Market size..... | 38 | 4.6 |
| Innovation and sophistication factors (10.0%) | 92 | 3.4 |
| Business sophistication..... | 99 | 3.7 |
| Innovation..... | 81 | 3.2 |

Stage of development

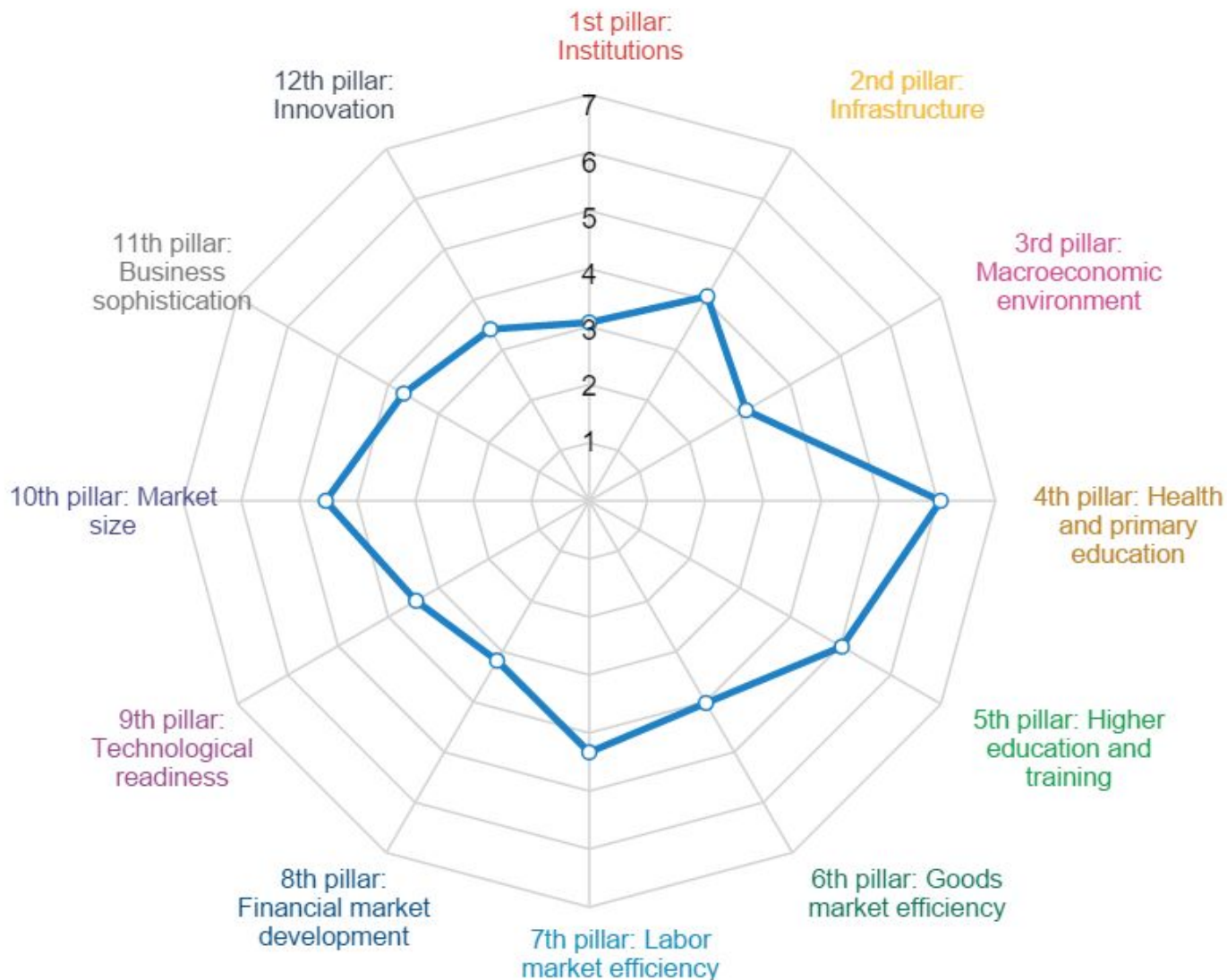


Ukraine in WEF Report 2014-2015

























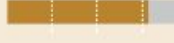

The most problematic factors for doing business



Ukraine in WEF Report 2015-2016



Ukraine in WEF Report 2015-2016

| | | | | | |
|---|---|------------|------------|---|---|
| <p>Global Competitiveness Index 1-7 (best)</p> |  | <p>79</p> | <p>4.0</p> |  |  |
| <p>Subindex A: Basic requirements 1-7 (best)</p> |  | <p>101</p> | <p>4.1</p> |  |  |
| <p> 1st pillar: Institutions 1-7 (best)</p> |  | <p>130</p> | <p>3.1</p> |  |   |
| <p> 2nd pillar: Infrastructure 1-7 (best)</p> |  | <p>69</p> | <p>4.1</p> |  |   |
| <p> 3rd pillar: Macroeconomic environment 1-7 (best)</p> |  | <p>134</p> | <p>3.1</p> |  |   |
| <p> 4th pillar: Health and primary education 1-7 (best)</p> |  | <p>45</p> | <p>6.1</p> |  |   |

Ukraine in WEF Report 2015-2016

| | | | | | | | |
|--|--|---|-----|-----|---|---|---|
| Subindex B: Efficiency enhancers 1-7 (best) | |  | 65 | 4.1 |  |  | |
|  | 5th pillar: Higher education and training 1-7 (best) |  | 34 | 5.0 |  |  | ▼ |
|  | 6th pillar: Goods market efficiency 1-7 (best) |  | 106 | 4.0 |  |  | ▼ |
|  | 7th pillar: Labor market efficiency 1-7 (best) |  | 56 | 4.3 |  |  | ▼ |
|  | 8th pillar: Financial market development 1-7 (best) |  | 121 | 3.2 |  |  | ▼ |
|  | 9th pillar: Technological readiness 1-7 (best) |  | 86 | 3.4 |  |  | ▼ |
|  | 10th pillar: Market size 1-7 (best) |  | 45 | 4.5 |  |  | ▼ |

Ukraine in WEF Report 2015-2016

Subindex C: Innovation and sophistication factors

1-7 (best)



72

3.6



11th pillar: Business sophistication 1-7 (best)



91

3.7

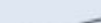


12th pillar: Innovation 1-7 (best)



54

3.4



International Institute of management development (Lausanne)

314 factors, 2/3 –statistic data, 1/3 expert evaluations, 60 countries. Criteria: Economic forces, production, finance, internationalization, infrastructure, management, sciences and technology, population. Ukraine is not listed.

National industrial association of the USA

Parameters:

- Ratios of economic growth;
- Price stability;
- Level of unemployment;
- Level of effectiveness;
- Indicators of external trade balance.

Ukraine is not included.