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MASTER'S LEVEL QUALIFICATION PAPER
on the topic "PERSPECTIVES ON GLOBAL COMPETITIVENESS IN TERMS OF
MODERN CHALLENGES"
Specialty 292 "International Economic Relations"

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Master's level degree qualification paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

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SUMMARY

of Master's level degree qualification paper on the theme
“PERSPECTIVES ON GLOBAL COMPETITIVENESS IN TERMS OF
MODERN CHALLENGES”

student Vavilichev Mykola Dmytrovich
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The main content of the master's level degree qualification paper is set out on 47 pages, including a list of used sources of 70 titles, which is placed on 6 pages. The work contains 4 tables and 6 figures.

KEYWORDS: COMPETITIVENESS OF THE ECONOMY, WORLD ECONOMY, GLOBAL COMPETITIVENESS, EXTERNAL ECONOMIC THREATS, NATIONAL ECONOMY

The objective of the master's level degree qualification paper is to examine to study perspectives to form the global competitiveness in the conditions of modern challenges and threats. For its solution the following tasks are set: to consider the competitiveness of the national economy and the factors influencing it, to determine Ukraine's position in world economic rankings, to analyze the latest global trends and research impact on Ukraine's competitiveness in the context of globalization.

The object of the study is the system of economic relations in the process of competitive ability of the national economy in scale of the global economic system including ability of the national economy to compete with other economies and readiness to respond facing external threats that could slow down sustainable economic development and lead to the loss of positions for state in the world economy.

The subject of the study is searching benefits for competitive advantages aimed at improving the economic situation within the country, ways to improve government institutions and the financial system, the ability to enter international markets and strengthen their own positions.

To achieve the goal and tasks there were used following scientific methods of

research: systematization and generalization (by theoretical justification - the concept of competitive ability), comparison (in the process of isolation of the common and different advantages of the largest competitors of the dairy industry), systematic analysis (during the study of the concept competitive ability at different levels), qualitative and quantitative analysis to represent obtained analyzed data.

The information base of the master's level degree qualification paper is analytical information of the State Statistics Service of Ukraine and international organizations, scientific works of domestic and foreign researchers on competitiveness management.

The main scientific results of the work are as follows: 1) author's definition of the concept of "competitive ability" and "competitive advantage"; 2) systematization of factors that determine the competitive position of the country; 3) KEY FACTORS OF THE COMPETITIVENESS OF ECONOMIES 4) proposals to improve Ukraine's competitiveness in a crisis and the threat of economic decline.

The obtained results can be used by public authorities and local governments to analyze the competitiveness of the country and its individual regions in the formulation of strategic plans for improving the competitive advantages at foreign markets, as well as in determining the strategy of international competitive ability of the enterprise.

The results of the approbation of the main provisions of the master's level degree qualification paper were considered at:

1) International Scientific and Practical Conference named by Prof. Balatzkiy Oleg F. "Economical problems of sustainable development" (Sumy, Sumy State University, 11-12 May 2016) [34];

2) VIII Student Conference «First Step to Science» (Sumy, Sumy State University, 11 December 2016) [35].

Year of Master's level qualification paper fulfillment is 2020.

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« __ » _____ 20__ .

TASKS FOR MASTER'S LEVEL DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations")

student 2 course, group ME.m-91a.an
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Vavilichev Mykola Dmytovich

(student's full name)

1. The theme of the paper is PERSPECTIVES ON GLOBAL COMPETITIVENESS
IN TERMS OF MODERN CHALLENGES

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2. The term of completed paper submission by the student is « __ » _____ 20__

3. The purpose of the qualification paper is to examine to study perspectives to form
the global competitiveness in the conditions of modern challenges and threats. For its
solution the following tasks are set: to consider the competitiveness of the national
economy and the factors influencing it, to determine Ukraine's position in world
economic rankings, to analyze the latest global trends and research impact on Ukraine's
competitiveness in the context of globalization.

4. The object of the research is processes of increasing the competitiveness of the
national economy in scale of the global economic system including ability to compete
with other economies and readiness to respond facing external threats that could slow
down sustainable economic development and lead to the loss of positions for state in
the world economy

5. The subject of research is factors of competitiveness of national economies and
improvement of positions in the global economic system

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7. Approximate master's level degree qualification paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1 FUNDAMENTALS OF THE GLOBAL COMPETITIVENESS: ESSENCE AND KEY FACTORS OF THE COMPETITIVENESS OF ECONOMIES

(title, the deadline for submission)

Chapter 1 deals with concept of global competitiveness, defines influential factors affecting the competitiveness of economies and reveals the concept of Globalization and deal with levers of protectionism policy together with trade wars phenomena.

(the content of concrete tasks to the section to be performed by the student)

Chapter 2 SCIENTIFIC AND METHODOICAL APPROACH TO ASSESSMENT OF THE COMPETITIVENESS AND WORLD ECONOMIC THREATS

(title, the deadline for submission)

Chapter 2 deals with methods for assessing the competitiveness of the national economy, reveals the concept of Globalization and deal with levers of protectionism policy together with trade wars phenomena assessment of crisis impact on developed and developing countries. Describes methodology of calculation globalization, define the current economic situation in Ukraine and readiness for further threats and contains analysis of the measures taken by the state to reduce losses during the coronavirus lockdown.

(the content of concrete tasks to the chapter to be performed by the student)

Chapter 3 PROPOSALS TO IMPROVE UKRAINE'S COMPETITIVENESS IN A CRISIS AND THE THREAT OF ECONOMIC DECLINE

(title, the deadline for submission)

Chapter 3 deals with methodology of competitiveness assessment based on the comprehensive analysis of results of 20 countries. Representing the of transformation of the national economy to modern and competitive economy with ability of readiness to face against global threats and challenges.

(the content of concrete tasks to the chapter to be performed by the student)

8. Supervision on work:

| Chapter | Full name and position of the advisor | Date, signature | |
|---------|---------------------------------------|-----------------|------------------|
| | | task issued by | task accepted by |
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| 3 | Shkola V.Y., Assoc.Professor | | |

9. Date of issue of the task: « ____ » _____ 20 __

Research Advisor:

_____ (signature)

_____ (full name)

The tasks has been received:

_____ (signature)

_____ (full name)

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INTRODUCTION

In modern conditions of development of globalization area, the question of formation and maintenance of national competitiveness is especially important [1]. The rapid development of advanced technologies brings competition to a new – innovative level, and the deepening of integration and cooperation requires the state and government to increase economic security and protect the nation from economic threats. Therefore, the study of competitive positions at the national level is currently particularly relevant. In order not to lose its position on the world stage in the period of "blurring of borders", and with them the national identity, the government must clearly define the existing competitive advantages and effective ways to use them. For Ukraine, this topic is of practical importance, because every year the technological gap between Ukraine and economically developed countries is growing rapidly, pushing Ukraine away from key global players.

The question of determining the competitiveness of the national economy is paid attention to by many scholars, in particular, M. Porter [2], J. Sachs [3], who in their works outlined the foundations of national competitiveness, creating the necessary theoretical basis. Later, in response to global changes, both in Ukraine and abroad, scientists began to improve, expand existing scientific achievements.

Among domestic researches of this question the works of L. Antonyuk [4], J. Zhalilo [5], B. Kvasyuk [6], A. Melnyk [7], V. Bazylevych [8] and others deserve special attention. Together they make a significant practical work of thorough work with the analysis of individual factors and recommendations.

However, the current changes in the political map of the world in conjunction with the newly discovered contradictory trends in globalization require a rethinking of the concept of "competitiveness" on a national scale, finding new key components of successful functioning of the state as part of the global macrosystem.

The purpose of the study is the competitiveness of national economy and the factors influencing it. Due the research was analyzed competitiveness of the national

economy and the factors influencing it in the scale of world economic system. For qualitative analysis important to take to account impact of globalization and global economic threats that directly affecting all economies, and Ukraine is not exception. Readiness of the Ukrainian economy to respond and counteract external economic challenges is a very important indicator on the way to improvement welfare of the nation and the power of the economy as a whole. The latest global trends may bring inescapable changes into world economic system that formed recent 20 years. So, the readiness of the national economy to endure threats such as the economic crisis, natural disasters, financial market crashes, pandemic, etc.

Theoretical principles of the concept of "competitiveness of the national economy" are determined, as well as the factors and patterns of formation of the country's competitiveness in the systematized world. Whereas the driving forces of competition are innovations, technologies and human potential. Evaluation of methodological tools for determining the competitiveness of the national economy lead to the conclusion that in international practice it is optimal to use the index method, on the basis of which world competitiveness ratings are formed. Prospects for further research in this area are the optimization of national competitive advantages under the influence of global challenges, constant monitoring of the latest trends in the world economy and analysis of the impact of globalization processes on the formation of the country's competitiveness.

1 FUNDAMENTALS OF THE GLOBAL COMPETITIVENESS: ESSENCE AND KEY FACTORS OF THE COMPETITIVENESS OF ECONOMIES

1.1 The global competitiveness concept

The country's international competitiveness is an ability of countries to create such a national business environment in a free and fair market in which domestic producers can constantly develop their competitive advantages, occupy and form stable positions in certain segments of the world market, due to the strong economic potential that provides economic growth of the economy on an innovative basis, a developed system of market relations, possession of significant intellectual capital and investment resources, flexible response to changing world conditions and, accordingly, diversification of production, maximally defending the realization of national interests for economic security and high living standards.

Competitiveness is the main category of a market economy. Attempts to characterize its essence associated with the beginning of economic relations. And as the economic situation in the world changed, the meaning of this term itself improved, expanded and supplemented. Over a long period of evolution, the interpretation of the category of competitiveness gradually became broader and more multifaceted. As a result, the essence of "competitiveness of the national economy" rapidly invaded into economic turnover in the 1980s. It should be noted that scientists began to think about competition at the global level much earlier. But the founder of the theory of competitiveness of nations is M. Porter, who proposed to interpret it as a constant support for productivity at a higher level than competitors, through the use of a continuous process of inventions and innovation [9]. According to M. Porter theory, the state's ability to provide its citizens with a sufficiently high and growing standard of living depends on how productively national resources are used - labor and capital.

This approach formed the basis of the well-known *production concept of competitiveness of the national economy*. J. Sachs, who argued that the object of competitiveness at the national level is no longer the goods of individual firms, and the

conditions of social production. That is, the competitiveness of the national economy is a prerequisite and tool for sustainable economic development of the country [10]. However, some of the authors adhere to this concept instead of "*Productivity of labor*" use another indicator "*GDP per capita*". This concept is wider because it depends on the total productivity of factors of production. In particular, the World Economic Forum defines competitiveness as the country's ability to achieve consistently high GDP growth rates per capita [11].

The focus on competitiveness as a result of the national economy is observed among many other researchers. Conditionally, they can be attributed to the followers of the traditional concept, because the origins of this approach were laid by A. Smith and D. Ricardo in their work on theories of absolute and relative advantages. Based on the works of famous representatives of the classical school, B. Balassa, R. Harris, A. Bolto and others reduce the competitiveness of the national economy to the effectiveness of trade activities of the country [12]. However, in modern realities, this approach is too narrow and does not take into account a large number of factors related not only to the current construction of external relations between countries, but also their internal strategic guidelines.

A more advanced version of the interpretation of the concept of "competitiveness of the national economy" can be considered its consideration not as an already obtained result, but directly in the process of achieving it. Most economists also understood this, so they began to analyze in more detail the experience of forming the competitive advantages of countries in the light of the then globalization processes. [13] Thus, two more concepts appeared - investment and innovation. In the first competitiveness is seen as the ability to generate and attract factors of production, attract investment and human capital. In addition to foreign researchers such as O. Domar, R. Harrod, A. O'Donnell and others, this approach has been preferred by many foreign scholars. For example, from the point of view of Y. Bazyliuk than competitors, socio-economic parameters [14].

Accelerating the market fluctuations with political and social changes have helped modernize the concept of national competitiveness from maintaining a

competitive position in the world market and thus ensuring the country's prosperity to its ability to adapt quickly to innovations. This is a potentially new approach that is conditionally opposed to all other concepts. However, it most accurately corresponds to modern conditions, when the primacy of goods and services is not material but, first of all, intellectual component.

That is why, giving the definition of *the concept of competitiveness of the nation*, were taken as a basis of innovative potential of the country, supplementing it with key elements taken from each concept.

Analyzing the general trends of the concept and highlighting its main features, it was found that the competitiveness of the national economy - a complex category that involves the country's ability to compete with others through efficient use of available resources and constant stimulation of scientific and technological progress. positions on the world stage and ensuring national sovereignty in combination with the overall economic security of the country.

In order to understand what factors, form the ability of one country to compete with others, it is necessary to look at the basics and understand the relationship between the competitiveness of goods, enterprises, industries and, consequently, the economy as a whole.

1.2. Influential factors affecting the competitiveness of economies

It is important to consider the country's competitiveness and its readiness for modern threats: both direct economic and financial, social and rural must separate internal and external processes taking place in the world and have a direct impact on economic development and economic situation in the world. Influential and uncontrolled processes by players include trade wars and the phenomenon of globalization. The world trade as a gateway among economies and role of globalization processes have a direct impact on countries and the global economy as a whole. Those

economic relations that have been formed over many decades and their stability directly affect the economic situation in the world as a whole.

Globalization makes fundamental changes both: in the efficiency of the functioning of the entire economic system and individual national economies. Moreover, the impact of globalization on individual countries has both positive and negative consequences. The positive impact of globalization is associated with the improvement of competitive relations, with the improvement of management systems at the micro, macro and global levels [18].

World trade as a form of international economic relations is associated with international monetary, financial and credit relations in terms of the evolution of the mechanism of international settlements, lending to foreign trade operations by trading partners and supranational organizations, as well as international capital movements. Integration into the world trade area stimulates scientific and technological progress, investment inflows and information exchange, but also risks destabilizing the impact of both global crises and requirements and recommendations (eg on international trade regulation, monetary policy liberalization, sanctions and embargo), which are set by the strongest participants in the world trade area. International trade is intertwined with other areas of the reproduction process, acts as a reflection, consequence and stimulus of these relationships, and its motives affect the foundations of production globalization [19]. Today international trade is the engine of globalization of production and distribution of social product. The dynamic development of advanced technologies and their immediate spread in the global space, and so on. At the same time, globalization leads to increasing polarization of income in different countries. (instead of the projected equalization of prices for factors of production, income, living standards and the achievement of automatic economic harmony on all continents and between all countries). It is becoming increasingly clear that the world is divided into two groups: some countries are taking advantage of globalization, increasing their wealth, expanding their influence on the global economic system not only economically but also politically; others are becoming poorer, risking ceasing to exist altogether.

Globalization becomes more complex and contradictory phenomenon, which both contributes to strengthening cooperation and strengthening competition among countries and economies at all. Due to the fact of beginning of the XXI century regionalization of economic activity became a companion of globalization, trade developed within territorial and economic associations on the basis of mutual liberalization of trade, movement of capital and labor (among the groups as the European Union). Along with the promotion of integration, regionalization leads to increased competition, and countries (even within groups) differ in the level of economic development.

A characteristic feature of the beginning of the XXI century was the acceleration of globalization, which is based on the reduction (until complete elimination) of restrictions on cross-border movement of goods and services, capital, people in general and labor in particular, cultural and ideological trends and heritage. Along with the positive features of globalization, there are growing concerns about the mutual and easy penetration of not only positive components of development (welfare, trade, knowledge), but also "toxic" risks and challenges (economic and financial crises, growing socio-economic gaps) [20]. Otherwise, there are more and more "signals" of weakening the benefits of globalization, reducing the manifestations of positive results while increasing the negative pressures in global and national environments.

1.3. Protectionism as a factor of increasing the competitiveness of the country's economy and causes of world trade wars

Despite the dominance of the principle of free trade in the world economy in certain periods there was an active application of protectionist policies. As an external to globalization, protectionist sentiment is growing today, especially among those with large trade deficits; control of incoming and outgoing trade flows in order to maintain economic security or impact on the economy of the country with trade relations.

The trade war can be called the confrontation of countries that have common trade relations, by imposing tariff and non-tariff restrictions in order to reduce imports, import substitution, change the geographical and commodity structure of trade [21]. During the trade wars, countries used tariff and non-tariff means of regulation to protect the domestic market from harmful goods, protect domestic producers, incline to enter into certain trade agreements, pressure on individual countries and companies, political influence to limit relations with a particular country. (including mutual trade embargoes, mutual trade and logistics restrictions).

Trade wars can appear as a result of fundamental factors in the development of modern society, especially technological, allocation and financial. Thus, the effect of the technological factor materializes as a result of the transition to consumer-oriented industries, as there is a search for new opportunities for high technology and investment imports and markets, as well as accelerated decline in market value of means of production due to the rapid development of artificial intelligence. also due to the emergence of cryptocurrencies as a possible measure of value in the future.

Allocated - due to the movement of productive forces is the formation of new "workshops of the world" and the corresponding migration of investments to reduce production costs, including labor costs - it creates imbalances in commodity and cash flows.

Financial - due to the increasing mobility of international capital flows, there is a war for capital markets between issuers of different levels (including the state) and industries, due to the shift of focus on financial assets instead of real ones. Given the potential impact of the monetary policy of large countries and the fact that world currencies also act as a commodity and as a basic asset of financial instruments operating in the market, there are currency wars, which in turn also affect the subjects of foreign economic activity.

In the process of globalization, production capacity has been transferred from many developed countries to countries with low labor costs, which have gained access to new technologies [22]. The emergence of trade wars may also be due to the fact that "the scale of today's contradictions in a globalized world given the growing gap

between the growth rate of production and the growth rate of money supply" lead to financial instability and growing contradictions. The United States will maintain a strong position in trade wars because its production is market-oriented and its dollar-denominated financial assets are considered reliable and in demand. After all, according to experts, in trade wars, as well as in an attempt to expand the use of the currency of a country

"The main competition is for the allocation and control of production", in pursuit of dynamic and balanced development within Industry 4.0. And in a situation of "new normalcy" [23], which is expressed in the gap between the growth rate of production and money supply, new positions of large developed countries and regional associations will be formed, as well as new supply chains.

1.4. A trade war between United States and China and its influence on the global economy

Currently the most debated is the trade war between the United States and China, in which the United States seeks to address its own trade deficit and reduce the cost of domestic production of goods that compete with imported goods [24], and force China to expand access to American goods and stop using American intellectual property. In addition, the United States accused China of currency manipulation (in particular, in support of the latter's exports).

Trends in world trade in the current round of trade wars. According to the latest comparative data of the WTO in 2017, the United States and the European Union together accounted for 46.8% of world exports of goods and 50.8% of world imports, and China - 13.2% and 10.5%, respectively (diagram "Structure of world trade for countries "). The World Bank calculates the ratio of trade in goods and services, as well as exports to GDP [25]. We observe that the ratio of foreign trade to GDP is for large economies: 28.8% in the United States, 81.1% in the EU, 44.4% in China on average

for the analyzed period 2010-2017. (fig. 1.1 - chart "The ratio of foreign trade in goods and services and GDP"). The share of EU exports relative to GDP, i.e. conditionally - the dependence of the economy on exports in 2010-2017. on average it is 42.1% with a tendency to increase, for the USA this indicator averaged 12.8%, for China - 23.5% with a tendency to decrease (the diagram "Ratio of exports of goods and services and GDP").

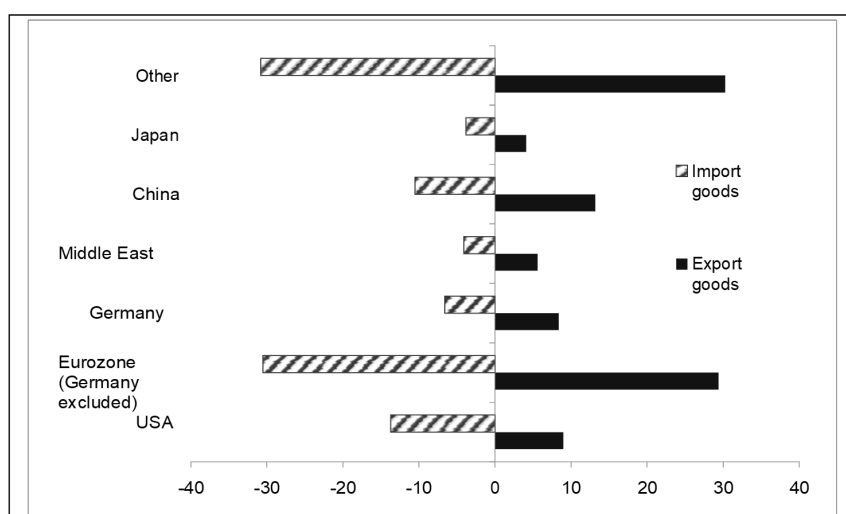


Figure 1.1 – The structure of world trade by country, % of overall, 2017

Improvement of trade conditions due to growing investment demand of emerging economies. Uncertainty about the further development of trade disputes will reduce companies' capital investment, disrupt supply chains and slow down productivity growth, while declining commercial profits will worsen financial market dynamics. IMF experts report resumption of world trade growth and resolution of disputes in the conclusion of interregional and trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (non-US) and the Partnership Agreement EU and Japan (The EU-Japan Economic Partnership Agreement) [26]; trade agreements between WTO members.

2 ASSESSMENT OF THE ECONOMIC SITUATION IN THE WORLD AND ANALYSIS OF ECONOMIC THREATS

2.1. Methods for assessing the competitiveness of the national economy

There are two widely used approaches that allow to assess a competitiveness of the entity: Quantitative (hard data) and qualitative (surveys). Quantitative and qualitative methods also are used to assess the competitiveness of the national economy.

Quantitative – based on the use of mathematical and statistical methods for the analysis of indicators. This mostly applies to market volumes in monetary or physical terms, prices, costs and the factors that affect them. This method is used in their research, primarily by consulting firms that assess the competitiveness of different countries and make specific feasibility studies of different methods and approaches to improve them [15].

Quantitative analysis complements the qualitative one, as not all factors and mechanisms of growth of competitive advantages of accumulation of competitiveness potential can be measured. This method is accurate, although it makes it possible to assess the phenomenon over a period of time [16].

The best-known centers for studying the competitiveness of countries are: the Institute for Strategy and Competitiveness at Harvard University (headed for many years by Professor M. Porter), the International Institute for Management Development (IMD) (Lausanne, Switzerland; current president - Professor J. R. Wells) ; World Economic Forum (WEF, World Economic Forum, Davos, Switzerland). Harvard University studies the competitiveness of the dominant advantage in the corporate sphere, two Swiss centers conduct research in a wider area - to explore the competitiveness ratings of countries and regions. Each of the centers uses its own methodological research and maintains its arteries when compiling a scale of competitiveness of countries and regions. IMD rates below 320 criteria and uses information from 52 research institutes around the world. Since 2004, according to the

methodology of Professor Xavier of Columbia University Sala-y-Martina reveals The Global Competitiveness Index (GCI).

The GCI rating is based on 113 indicators, which formed 12 (pillars) benchmarks (institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, commodity market efficiency, labor market efficiency, financial market development, technological readiness, market size, business compliance with modern requirements, innovation) by three main groups of sub-indices: "Basic requirements", "Performance boosters", "Innovation and improvement factors". The index is evaluated on a scale of 1-7 points, the higher the value of which is the best [17].

The economic situation in the world characterized by significant diversification and contradictory processes in the geoeconomic system, which often require revision or renewed recourse to economic policy levers aimed at both strengthening the current situation and ensuring sustainable long-term growth and development of both countries and the world economy.

The search for ways to resist the crisis processes, as well as the introduction of modern tools to promote positive economic dynamics is especially difficult for emerging (developing) countries (including Ukraine), which have not yet formed and approved macroeconomic and institutional foundations for their own development and active inclusion in global and regional integration associations. Among the large number of processes, challenges and risks that are formed in the world economy today and have a significant impact on the economic environment of Ukraine in the short and medium term, we should single out those that result in or counteract new world economic relations, will determine new directions of stabilization policy and economic growth policy. At the same time, given that the main subject of our attention was and remains Ukraine, this study will focus on finding acceptable solutions and directions of economic policy in these areas (in the context of challenges for the country), because around them are already concentrated significant problems. questions, the answers to which can be the basis of rational anti-crisis actions.

2.2. The calculation of globalization

It is important to understand and evaluate how countries "fit" into a world process and how they meet the requirements generated by such processes. The Swiss Economic Institute (KOF Swiss Economic Institute) created the so-called World Globalization Index (KOF Index of Globalization) [28]. The index, as in most cases of such methods, is a combined indicator by which can be assessed the level of integration and activity of a country in the world, which directly determines the degree of globalization. The generalized index is formed from three sub-indices, which show the level of globalization in the certain areas:

1. *Economic globalization* - the level of international business activity, trade flows, international investment, trade conditions, etc.;
2. *Social globalization* - international contacts, cross-border cash and information flows, international tourism, information and communication infrastructure, etc.;
3. *Political globalization* - the country's participation and activity in international organizations, international missions, ratification of international treaties, representation in other countries and more.

The Index of Globalization clearly shows dynamics since the early 1990s, economic globalization (primarily due to the rapid growth of trade and investment, the formation of value chains) as it became an integral part of globalization in general (among the "significant" events at the global level were the formation of a single common market of the EU and the introduction of the euro, China's accession to the WTO) [29]. However, the crisis in 2008-2009 significantly changed the structure of the components (fig. 2.1).

Thus, in the post-crisis period (times after 2008-2009 crisis), social and political globalization continued, although at a slower pace (as evidenced by the further growth of the general index), but economic globalization shows clear tendencies to weaken (so-called de-globalization). International experts identify two important factors of de-globalization.

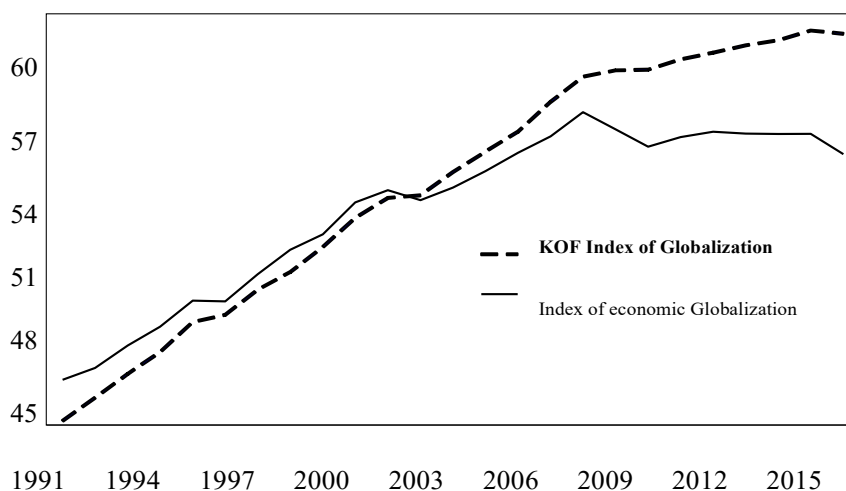


Figure 2.1 - Indices of globalization and economic globalization 1991-2015

The first is due to reduced (marginal) benefits from foreign trade and direct investment due to the growth and rise in price of Asian (primarily Chinese) goods, as well as increased risks of inclusion in the value chain of a wider range of countries (not all of which were reliable partners maintain competitive advantage).

The second factor, which began to manifest itself in recent years and especially intensified in 2017-2019, is due to the intensification of trade and institutional confrontations between the two largest economies (USA and China) [30], as well as increasing populist and protectionist tendencies in many countries. markets, including the argument of "national security"). In addition to trade (exports and imports), financial markets were the first to feel this, where uncertainties in the direct investment and securities markets increased. Therefore, there is reason to believe that *The Index of Economic Globalization* in the coming years will show a downward trend, which, at the same time, will "entail" a weakening of political globalization (deterioration of trust between countries), and thus - a decrease in the *overall index*.

Along with this, it should be recalled that a decade after the global crisis of 2008-2009. In general, the world economy at all and the economies of many countries have not yet entered the stage of sustainable growth and development. Similarly, the underlying factors of such a "braking" process remain debatable. Therefore, the requirements to protect or support national economies can be seen as forms of

contradictory responses to restraining global trends [31].

When considering the issue of growth factors, usually the focus is on the development of world trade. International trade is only one component of the global economy, and the attitude to it (liberalization vs. protectionism) is undefined. At the same time, a single opinion on what is "primary" in the pair "world GDP - world trade" has not yet been received. It remains debatable whether trade expansion causes an increase in global demand and thus stimulates global production, or whether an increase in value added (GDP) requires an expansion of trade (the last is much more sensitive to macroeconomic complications).

However, it is clear that a slowdown in economic growth (the world economy) means a decrease in demand for imports of goods and services (with a corresponding decrease in exports to exporting countries), as well as a weakening of capital supply. At the same time, it should be noted that a slowdown in the volume or volume of international trade will force a decline in investment in fixed capital (and thus a weakening of capital flows in general), which is a deterrent to accelerating global growth. That is, in the macroeconomic sense, "trade-investments-economic growth" looks solid and inseparable.

Thus, in the pre-crisis period, the export expansion of many countries (primarily ascending) supported and accelerated global economic dynamics. However, over the last five years [32]:

- the growth rate of world trade no longer exceeds the growth rate of the global economy;
- the dynamics of global GDP today is significantly lower than the dynamics of the pre-crisis period. In any case, the dynamics of world GDP and international trade accompany each other with relatively weak tendencies to expand (fig. 2.2 - chart "Volumes of World GDP and exports of goods and services").

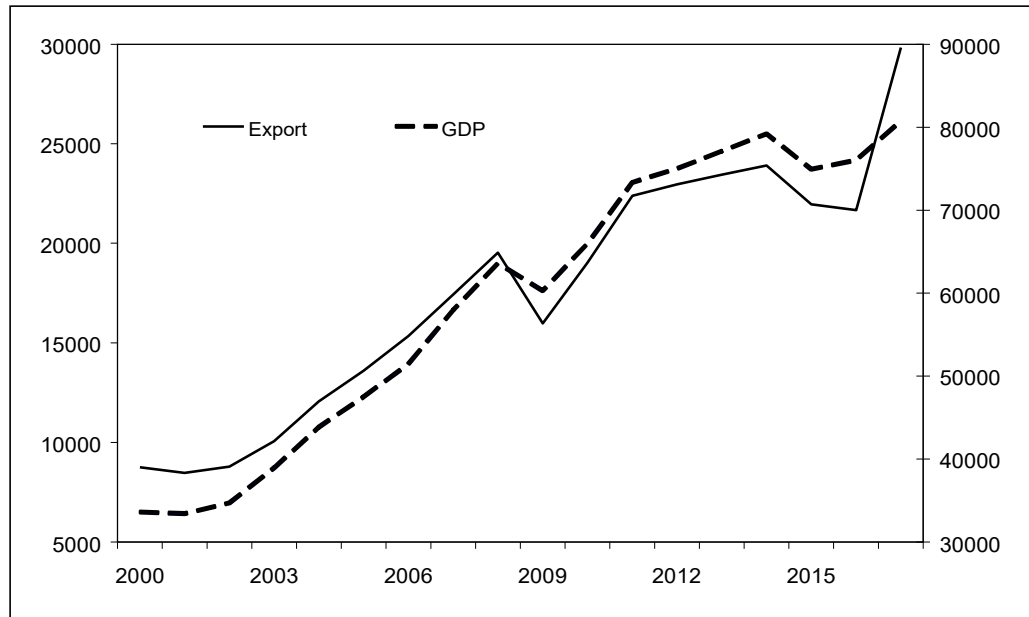


Figure 2.2 - World GDP (right side values) and exports of goods and services (left side values), US \$ billion

Therefore, economic inhibition will inevitably have a reduction in trade, which for many small emerging countries (along with declining exports, which often determines the country's economic potential) can have extremely negative socio-economic consequences. Conversely, restrictions on international trade, primarily due to the introduction of protectionist restrictions, will lead to significant deteriorating global economic dynamics with negative consequences for welfare.

2.3. Analysis of measures taken by the state to reduce losses during the coronavirus lockdown

The *COVID-19* pandemic is the first experience in recent history when a purely biological factor has acquired almost independent life in the social sphere and super powerful effectiveness in influencing the political, legal, socio-economic spheres, interstate relations and lifestyles of communities [42]. The "coronavirus" was created

in the network "consciousness" as an independent information and network artifact, and it became the main effective factor that led to the restructuring of the hierarchy of values under the influence of obvious risk to health and life, formed expectations of government action at regional and national levels. needed to counter these risks [43].

Due to the combination of the direct biological impact of the COVID19 pandemic and the network coronavirus "infodemia", the global community plunged into a deep systemic crisis in March 2020. Due to its unique nature, the introduction of a special term "corona crisis" seems reasonable. This crisis is not a "classic" epidemic crisis. The main loss of labor potential occurs through quarantine measures. Rising protests are forcing governments to speed up the end of quarantine, even outside of biological indications.

This crisis is not a "classic" economic crisis. The economic lockdown occurred as a result of the slowdown of economic processes by quarantine restrictions and the corresponding reaction of the markets (fig. 2.3.). Therefore, the usual countercyclical policy is ineffective. This crisis is changing the standards of behavior of the main "players" in the markets of the economic space. Behavioral changes lead to unexpected reactions to economic policy levers, change the competitive environment and can be a major factor in post-crisis depression [44].

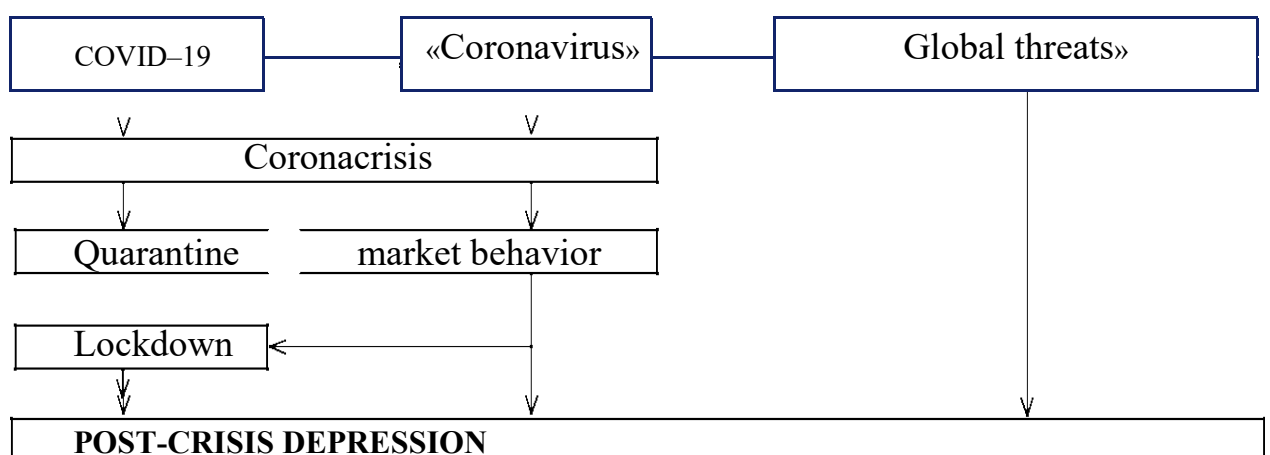


Figure 2.3. - Factors of post-crisis depression

Consequently, ensuring the anti-epidemic stability of economies and

communities (in the broadest sense of the term) becomes an independent and important anti-crisis factor. Regardless of the model of further development of morbidity, the task of rehabilitation of the economy after the period of "total" quarantine and its adaptation to the possibility of full functioning in the conditions of flexible quarantine restrictions of indefinite duration is unalterable [45]. At the same time, the corona crisis has become a "universal manifestation" of the unresolved contradictions accumulated in the global community, which will slow down the post-crisis recovery.

Active steps to combat the spread of COVID-19 have been taking place in Ukraine since March 12, 2020. The chosen model of quarantine restrictions was aimed at the maximum delay of reaching the "peak" of morbidity ("Curve smoothing") to reduce the burden on the health care system and strengthen its capacity through additional organizational measures and funding. On May 25, there was a transition to adaptive quarantine restrictions, the severity of which is determined by the epidemic situation in a particular region [46].

Almost from the beginning of 2020, the Ukrainian economy found itself in a new system of risks associated with the global economic recession, which laid the foundations for the slowdown in economic dynamics. The sudden cessation of a significant share of enterprises in various spheres of economic activity has significantly worsened the situation in the economy. During March-April, measures were taken to mitigate the negative effects of quarantine on the Ukrainian economy and society.

Three "packages" of legislative changes provided tax support for business. First of all - tax benefits for small businesses and entrepreneurs. As well as additional support for workers who have lost their jobs to vulnerable groups. A long-term refinancing mechanism has been introduced in the banking sector banks for up to 5 years, changed the reserve requirement algorithm, recommended the restructuring of bank loans to borrowers affected by pandemic restrictions, relaxed a number of requirements related to the management of distressed assets [47].

3 PROPOSALS TO IMPROVE UKRAINE'S COMPETITIVENESS IN A CRISIS AND THE THREAT OF ECONOMIC DECLINE

3.1. Assessment of the current economic situation in Ukraine and readiness for further threats

The deterioration of trade conditions is observed in Ukraine, which in 2018-2019, along with political tensions, highlights the challenges and risks associated with the deterioration of the balance of payments, foreign economic, with that and macroeconomic, balance sheets (growth of foreign trade and budget deficits, strengthening of debt load, about what in more detail further). However, a consistent prudent policy aimed at changing the structure of production and exports will minimize the negative impacts.

Dynamics and structure of GDP. It is necessary to clarify external influences on the macroeconomic environment and prevent its deterioration appeal to the structure of GDP. As indicated, the relevant analysis will affect not only Ukraine but also the three European emerging countries, which will more clearly illustrate the losses of the domestic economy and the omission of economic policy [33].

First of all, we should pay attention to the macroeconomic stabilization conditions for the development of certain countries. Most European emerging countries (EEUs) have managed to achieve positive results over the past two decades and maintain a generally sustained growing economic dynamic. In fact, we can talk about two waves - a fairly high growth [34]:

- pre-crisis period (2000-2008), as well as moderate growth
- post-crisis period (2010-2016).

However, if during the first period Ukraine showed even higher growth rates (average annual - 7.5%) compared to partner countries, during the second - the country has a clear crisis dynamics and lags far behind its neighbors. (fig. 3.1-3.2 "Real GDP growth").

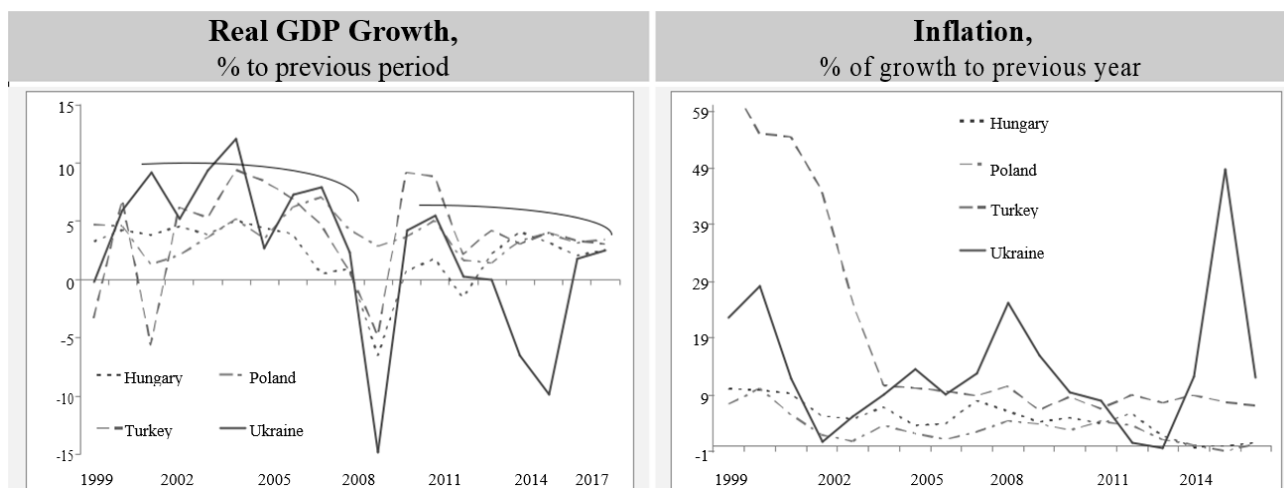


Figure 3.1-3.2 - Real GDP growth and Inflation dynamics

At the same time, it is too early for EU countries to talk about the stability of the second wave of growth, as economic slowdown in the "old" EU member states may have a limiting effect on the European economy as a whole [35]. The greater the difficulties of Turkey, where after the political crisis of 2016. (unsuccessful attempt at a "coup d'etat") is likely to worsen (in the coming years) macroeconomic dynamics.

It is necessary to pay attention to inflationary features. If for European countries anti-inflationary policy was a component of European integration processes, Turkey and Ukraine have still not been able to maintain low growth rates of the consumer price index (inflation) ("Inflation" chart). However, the peculiarity of Turkey is that the country, although at the beginning of the century had significant inflation shocks, but managed to maintain high growth rates of real GDP. That is, even "increased" inflation, as evidenced by the experience of Turkey, with proper monetary and fiscal policy to support the real sector and its structural transformations, is not a brake on economic growth - which is an important example for Ukraine in choosing and implementing stabilization policy [36].

Unfortunately, it should be noted that unfavorable external challenges (first of all, the continuation of Russian aggression in eastern Ukraine), the spread and deepening of internal confrontations between leading political forces (which should become centers of sound economic policy), the weakness of anti-corruption measures and a global pandemic have not yet allowed Ukraine to become a model of

transformational reforms, to establish itself as a modern competitive country.

First of all, the permanence of crisis manifestations during the years of independence. Thus, after the release in 2000 from the long-lasting crisis (about 10 years) in which Ukraine found itself after the collapse of the USSR, the country had (at best) only medium-term crisis-free periods. However, the crisis processes, firstly, haunted the country every 4-5 years, and secondly - there was an extension of their duration [27]. There is no doubt that such a "tradition" must be broken but the new challenges as covid-19 pandemic doesn't let to avoid a stage of periodical crises. Although each of the crisis periods had its own characteristics, but most of them have common features:

- intensification of political tensions and political confrontations, which led to a change in the political "elite";
- a sharp decline (over 6%) in real GDP (except in 2004), primarily in terms of industrial production;
- loss of investment component and investment potential (sharp reduction of investments in the structure of GDP), as well as investment and business attractiveness of the Ukrainian economic environment;
- deterioration of the foreign economic sector - growth of trade deficits, loss of reserves, devaluation of the national currency, etc.

In order to explore more broadly, this issue should be understood that one of the most important factors that allows a country to maintain a sustainable level of balanced growth and development *is the level of national savings* (in the structure of GDP), which is determined by the share of household income that is not consumed (and therefore can potentially be a source of investment). It will be recalled that the low level of domestic savings, on the one hand, may worsen the banking system's capacity for economic stimulus [37], reduce investment and investment potential (already medium-term), on the other hand - lead to deterioration of the current account balance (imbalances). "Savings-investments", inset "Macroeconomic relationship of savings, investments and current account"), which in the short term requires expanding access to external borrowing resources with deterioration of the country's debt situation.

Considered the first, third and fifth vectors in the era of modern and especially future trade wars to be the main priorities. But here Ukraine's position is significantly threatened by a large share of the shadow economy.

The difference in the processes of development of the shadow economy in Ukraine is that inside the country a shadow part of the economy was formed rapidly, on the basis of a sharp change in property relations and planned socio-economic relations in the market [38]. The shadow acted as a protective reaction of business, and more - without the adaptation of legal and organizational and managerial support of transformation processes. However, in the shadow segment, according to official data after the crisis are from one third to 40% of GDP (table 3.1). The shadow grew especially in 2009-2010 and 2014-2015, as a reaction of business entities to the crisis.

**Table 3.1 - Volumes of the shadow economy of Ukraine, % of GDP
(official MEDT data)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|
| Integral | 28 | 34 | 39 | 38 | 34 | 34 | 35 | 41 | 40 | 35 | 32 | 30 |
| Unprofitable enterprises | 14 | 30 | 31 | 30 | 25 | 27 | 27 | 31 | 26 | 22 | 22 | 18 |
| Monetary | 28 | 39 | 41 | 30 | 26 | 24 | 24 | 33 | 37 | 26 | 24 | 23 |
| Electrix | 27 | 26 | 36 | 37 | 29 | 29 | 30 | 39 | 35 | 31 | 28 | 27 |
| Population' expenditures / retail turnover + services | 14 | 40 | 45 | 34 | 48 | 49 | 57 | 65 | 60 | 56 | 55 | 54 |

*source: used data presented by ukrstat.

Digitalization of relations between the shadow economy and the use of new financial technologies - ordering goods in foreign online stores, payment not through traditional payment banking systems and online receipt of parcels without payment of wholesale customs duties requires changes in approaches to contain these negative phenomena and government measures for quality effective de-shadowing, not just the development of programs to combat it [39]. The modern shadow digital economy with the development of national and international economic relations and financial and

economic technologies acquires new, increasingly threatening properties. Today, the digitalization of the shadow economy with a certain sequence, intensity and volume is manifested in all countries and will be a new "battlefield" in trade wars between the leading powers of the 2020s.

One of the key trends in the development of Ukrainian economy today is reaching a global level of meeting the demand for goods and services and gradually increasing its place in the global rankings (table 3.2). Areas of regional specialization are gradually becoming subjects of global competition. Accordingly, increasing the competitiveness of these regions becomes an important factor not only in the socio-economic development, but also in increasing its competitiveness in general.

Table 3.2 – Assessment of competitive positions of Ukraine in world ratings

| Index | | Ukraine scores (rank) at the GCI (position: less – better; score: more - better) | | | | | | | | | |
|--|------------------|---|---------------|---------------|----------------|---------------|----------------|----------------|---------------|-----------|-----------------------------|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Value range (best-worst) |
| The Global Competitiveness Index (GCI) | Position | 89 | 82 ↑7 | 73 ↑9 | 84 ↓ 11 | 76 ↑8 | 79 ↓3 | 85 ↓6 | 83 ↑2 | 85 ↓2 | 1-141 |
| | Overall Score | 3,90 | 4,00 ↑0.10 | 4,14 ↑0.04 | 4,05 ↓ 0,09 | 4,14 ↑0.09 | 4,03 ↓ 0,11 | 4,00 ↓ 0,03 | 4,11 ↑0.11 | 4,11 – | 7-0 |

*source: used data presented by world economic forum ratings reports

Improving the institutional structure of the economy, spreading incentives for transparent and legal profitable economic activity should be the basis for deep de-shadowing of the Ukrainian economy. The potential for forced de-shadowing, which has occurred as a result of streamlining tax administration, abolishing benefits, reducing the differentiation of customs tariffs, allocation of budget expenditures, financial control measures, etc., is gradually being exhausted [40]. Further involvement in the official economic turnover of funds that serve shadow economic operations, or

exported abroad, requires the development of a special long-term policy of legalization of shadow capital of non-criminal origin with maximum preservation of positive technological, organizational, financial and human potential accumulated in this sector.

The competitiveness of the region depends on the ability to innovate, modernize production and technological processes [41], adapting to changing environmental conditions. In modern conditions, the competitive economic position of regional economic entities is determined by their ability to carry out economic activities in a market environment on the terms of independence and self-financing. This fundamentally new phenomenon deeply permeates all areas of activity of enterprises and organizations, their competitiveness can be defined as a potential opportunity to occupy a niche in the market of goods and services that provide the subject of market relations stable financial and economic position. The competitiveness of the region, in contrast to the competitiveness of the national economy, is characterized by indirect competition of regions within a single economic system. An important aspect of competitiveness is the uniformity of the country's development.

3.2. Assessment of the dependence of the financial sector on external financial resources

According to the modern theory of international competitiveness of the national economy on the way with WEF methodology [48], the competitiveness of the financial market is one of the important factors in strengthening its efficiency. A stable financial system of the country is one of the basic elements of the national business environment. Financial sector has a direct impact on the country's productivity at the micro level. Analyzing the competitiveness of the financial system, it is necessary to consider the level of the financial system itself and financial institutions to compare them. The competitiveness of the financial sector of European countries, whose financial systems are bank-oriented, depends on environmental indicators and indicators of the banking

system, which have different levels of influence on its efficiency:

The openness of national markets, on the one hand, creates new opportunities for economic development for the country, and on the other - exacerbates the problems. To get the maximum positive effects from integration processes, it is necessary to have a competitive financial sector at the international level [49]. At present, competitiveness can be considered both a goal and a means to improve living standards due to the efficient use of the country's scarce resources (natural, human, financial, technological, etc.) for the production of quality goods and services that can withstand global competition. That is why countries seek to create an institutional and regulatory environment that is most conducive to investment mobilization, business stimulation, and productivity growth, leading to long-term economic growth.

The financial sector of Ukraine is developing in the direction of global trends and the European level of development in accordance with the selected regional integration priorities. Thus, the general index of globalization of Ukraine for 1991-2016 has improved more than twice, due to active globalization processes in the economic, social and political spheres. The overall index of economic globalization has more than tripled, and in 2016. amounted to 63.7 due to the increase in foreign trade in goods and services, reaching trade globalization 71.5 (more than doubled), as well as due to the inflow of foreign investment, reaching financial globalization at 56 (an increase of more than 6 times). With such a rapid integration of Ukraine's economy into globalization, its economy and financial sector appear to be fully interconnected and interdependent at both the national and global levels, and therefore need to be internationally competitive.

Ukraine's economy is increasingly dependent on external financial resources. As of the end of the first quarter of 2017, the net external debt of the public sector approached \$ 28 billion. US, which, taking into account the peculiarities of its service over the next two or three years will require additional external borrowing, primarily from the IMF (in particular, by the end of 2018 - 8.5 billion US dollars) [50]. The situation, which will persist in the coming years, is characterized by the fact that this degree of dependence on external borrowing will not decrease, but is likely to increase.

In addition, according to the IMF recommendations in Ukraine, additional borrowing will be inevitable to successfully combat inflation by targeting in anticipation of low economic growth (1.5-2.5%) and the current account deficit to meet external commitments, accumulation necessary reserves, currency liberalization. However, such a scenario will not lead to economic recovery in the long run, which would allow to withstand external pressures.

The working population (labor force) significantly affects the competitiveness and productivity of the country. Sick workers will not be able to realize their potential and will work less productively [51]. It also negatively affects the financial results of the business. That's why investing in health care is an important factor in economic and moral terms. In turn, secondary education increases the productivity of each employee. Lack of secondary education among workers reduces the pace of development of companies, which leads to a decrease in the level of value added. According to the component of health care and primary education, Ukraine improved its result by one position (53rd place).

Examining the data of 20 European countries, an econometric model of the competitiveness of the country's financial sector depending on environmental indicators and indicators of the banking system using a software environment was created [52].

The research included EU and Eurozone countries with a bank-oriented financial system: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia. Spain, Ukraine [53].

The main methodological approaches are macroeconomic analysis to determine the environmental factors affecting the competitiveness of the financial sector, structural analysis of indicators of the banking system and mathematical modeling of the competitiveness of the financial sector depending on environmental indicators and indicators of the banking system.

The following indicators were involved:

1) *environmental indicators*: subindex - Financial sector of the Global

Competitiveness rating of the World Economic Forum [54]; subindex of financial globalization rating KOF Globalization Index [55];

2) *indicators of the banking system*: indicators of competition in the banking sector according to the Herfindahl-Hirschman concentration index [56] and the concentration index of the 5 largest banks [56]; level of risk-weighted regulatory capital of the 1st level [57]; share of liquid assets in total assets; the share of non-performing loans in total loans; indicator of return on assets and capital of the banking sector.

Data for the calculation were taken from the reports of the Global Competitiveness of the World Economic Forum, the Globalization Index of the Swiss Economic Institute [57], the Financial Structure of the ECB and the NBU, as well as from the report on the financial stability of the IMF [58-60].

Collected results include:

- Subindex “Financial Sector of the World Economic Forum Global Competitiveness Rating” was used to measure the competitiveness of the financial sector [61];
- To measure the level of financial globalization of the country used the sub-index of financial globalization rating KOF Globalization Index [62];
- To measure the indicators of the banking system, the following indicators were used: competition of the banking sector according to the Herfindahl-Hirschman concentration index and the concentration index of the 5 largest banks;
- Level of risk-weighted regulatory capital of the 1st level; share of liquid assets in total assets; the share of non-performing loans in total loans; indicator of return on assets and capital of the banking sector.

Thus, the model of forecasting competitiveness rating of the financial sector of Ukraine will look like this [63] (formula (3.1)):

$$FinSysFCI = \alpha_0 + \beta_1 * FiGi + \beta_2 * HHI + \beta_3 * CR5 + \beta_4 * RegT1 + \beta_5 * LiqAs + \beta_6 NPerLon - \beta_7 ROE + \beta_8 ROA + \xi_j \quad (3.1)$$

where *FinSysGCI* - the place of the country on subindex “Financial sector of the Global Competitiveness rating of the World Economic Forum”;

FiGI - the level of financial globalization of the country according to the rating of the Globalization Index KOF;

HHI - Herfindahl-Hirschman banking sector concentration index;

CR5 - concentration index of the 5 largest banks;

RegT1 - level 1 risk-weighted regulatory capital;

LiqAs - share of liquid assets in total assets;

NPerlon - the share of non-performing loans in total loans.

ROA - return on assets of the banking sector;

ROE - indicator of return on capital of the banking sector;

By studying the data of 20 European countries, it is possible to create an econometric model of competitiveness of the country's financial sector depending on environmental indicators and indicators of the banking system (table 3.3).

After building more than 10 different variants of the modified models, the model with the highest bond density was selected.

Estimation Equation: $FINSYSGCI = C(1)*CR5 + C(2)*FIGI + C(3)*HHI + C(4)*LOG_REGT1_ + C(5)*NPERLON + C$

$$\begin{aligned} FinSysGCI = & 2.07997923375*CR5 - 2.20010359139*FiGi - \\ & 0.0580217790817*HHI + 124.007163232*LOG(RegT1) + 1.66740148663*NPerLon \\ & - 3.90050153806 \end{aligned}$$

Thus, we obtained a model that determines the level of competitiveness of the financial sector of the country depending on indicators of the external environment and indicators of the banking system:

Table 3.3. – 20 European countries and financial indicators data

| Indicator (Factor) | Return on Assets | KOF Fin. Glob. | Pillar 9: Financial market of GCI (2018*) | Regulatory Tier 1 Capital to Risk-Weighted Assets | Return on Equity | Non-performing Loans to Total Gross Loans | Concentration ratio of 5 biggest banks | Banking Herfindahl-Hirschman Index | Liquid Assets to Total Assets (Liquid Asset Ratio) |
|--------------------|------------------|----------------|---|---|------------------|---|--|------------------------------------|--|
| Symbol | ROA | FiGi | FinSys GCI | RegT1 | ROE | NPerLon | CR5 | HHI | LiqAs |
| Austria | 0,5 | 78,04 | 28 | 14,5 | 0,7 | 2,7 | 34 | 358 | 25,4 |
| Belgium | 0,6 | 88,84 | 24 | 16,2 | 9,4 | 3,4 | 66 | 1017 | 32,6 |
| Cyprus | 0,2 | 83,79 | 95 | 16,4 | 1,7 | 36,7 | 66 | 1372 | 22,5 |
| Estonia | 1,6 | 83,65 | 46 | 31,4 | 12,8 | 0,9 | 88 | 2406 | 22,5 |
| Finland | 0,6 | 86,58 | 3 | 21,9 | 10,6 | 1,5 | 66 | 1790 | 19 |
| France | 0,4 | 83,92 | 17 | 14,5 | 6,7 | 3,6 | 46 | 572 | 13,9 |
| Germany | 0,4 | 81,55 | 21 | 16,3 | 6,6 | 1,7 | 31 | 277 | 44,8 |
| Greece | 0,1 | 67,44 | 114 | 16,8 | 0,8 | 36,3 | 97 | 2332 | 27 |
| Ireland | 1 | 90,42 | 37 | 25 | 7,8 | 13,6 | 44 | 644 | |
| Italy | -0,5 | 71,06 | 49 | 11,3 | -7,7 | 17,1 | 43 | 452 | 16 |
| Latvia | 1,7 | 78,65 | 94 | 17,1 | 16,7 | 3,7 | 67 | 1080 | 35,3 |
| Lithuania | 1,2 | 70,76 | 76 | 19,1 | 13 | 3,7 | 87 | 1938 | 15,3 |
| Luxemburg | 0.8 | 94,98 | 9 | 0,8 | 10,9 | 260 | 28 | 23,9 | 21,2 |
| Malta | 1.2 | 88,37 | 29 | 1,2 | 16,1 | 1599 | 80 | 13,6 | 26,6 |
| Netherlands | 0.6 | 89,29 | 16 | 0,6 | 10,1 | 2097 | 85 | 17,7 | 21,88 |
| Portugal | 2.2 | 82,82 | 38 | 2,2 | 20,8 | 1181 | 71 | 13,4 | 9,3 |
| Slovakia | 1.4 | 79,45 | 54 | 1,4 | 13 | 1264 | 73 | 16,2 | 31,7 |
| Slovenia | 1.1 | 69,14 | 60 | 1,1 | 8,8 | 1147 | 61 | 18,7 | 29,4 |
| Spain | 0.4 | 80,43 | 27 | 0 | 5,5 | 937 | 62 | 13,1 | 14,4 |
| Ukraine | -12.5 | 55,95 | 117 | -12,5 | -122 | 876 | 55 | 9 | 48,5 |

*source: calculated by the author on data [7,9,51,54]

Given the results obtained, it can be assumed that in European countries with a banking-oriented system, the greatest positive impact on the competitiveness of their financial sector have:

1. Deepening of the level of financial globalization of the country according to the rating of the Globalization Index KOF (increase of this factor by 10% will increase the level of the resulting indicator by 301%);

2. Increase in the level of regulatory capital of the 1st level, weighted by risk (increase of this factor by 10% will increase the level of the resulting indicator by 113%);

3. Reduction of the concentration index of the 5 largest banks (reduction of this factor by 10% will increase the level of the resulting indicator by 44%);

4. Increase in the concentration index of the banking sector (increase of this factor by 10% will increase the level of the resulting indicator by 16%);

5. Reduction of the share of non-performing loans in total loans (reduction of this factor by 10% will increase the level of the resulting indicator by 2%).

This suggests that the decisive factors in ensuring the competitiveness of the financial sector is the level of financial globalization of the country, compliance with the conditions of Basel III banking sector, as well as limited competition in the banking sector (moderately concentrated market:

$1500 \leq \text{HHI} < 2500$), which will ensure financial stability in the country [63].

Thus, as a result of the study, an experimental model was developed that determines the level competitiveness of the financial sector of European countries depending on environmental indicators and indicators of the banking system. This model can be used for forecasts for Ukraine.

Now we forecast the competitiveness rating of the financial sector of Ukraine GCI, using the actual indicators of Ukraine, as well as forecast the desired level of data improvement indicators, namely:

- deepening of the level of financial globalization (increase of the factor indicator);

- decrease in the concentration index of the 5 largest banks (decrease in the factor indicator);

- decrease in the Herfindahl-Hirschman concentration index (decrease in the factor index);

- increase in the level of regulatory capital (increase in the factor indicator);

- reduction of the share of non-performing loans (reduction of the factor indicator).

At the same time, it is necessary to take into account the peculiarities of the methodology of the World Economic Forum, according to which the country's rating is based on the country's data from the year before last. Therefore, substituting the actual indicators of Ukraine for 2019 [64] in the obtained econometric model, we can get a forecast of its rating for 2020-2021 (table 3.4).

Table 3.4 - Forecast of the level of competitiveness of the financial sector of Ukraine by sub-index “Financial sector of the Global Competitiveness Rating of the World Economic Forum for 2020-2021”

| № | Indicator | 2019 data | 2020 data | Improvement of indicators in 2020 on 10% | Improvement of indicators in 2020 on 20% | Improvement of indicators in 2020 on 30% |
|---|--|--|--|--|--|--|
| 1 | The level of financial globalization of the country according to the rating of the Globalization Index KOF | 56 | 56 | 61,6 | 67,2 | 72,8 |
| 2 | Concentration index of the 5 largest banks | 55 | 62,5 | 56,8 | 52,1 | 48,1 |
| 3 | Herfindahl-Hirschman banking sector concentration index | 876 | 1188 | 1080 | 990 | 914 |
| 4 | Regulatory capital Level 1, risk-weighted | 9 | 12,1 | 13,3 | 14,5 | 15,7 |
| 5 | Share of non-performing loans in total loans | 30,5 | 54,5 | 49,5 | 45,4 | 41,9 |
| Financial sector of the WEF Global Competitiveness Rating | | 2020 actual | Forecast for 2021 | Forecast | Forecast | Forecast |
| | | 117 | 159 | 138 | 119 | 101 |
| | | ↑ rating by 10% compared to 130 in 2019. | ↓ rating by 26% compared from 117 for 2020 | ↓ 15% rating compared to 117 in 2020. | ↓ rating by 2% compared to 117 in 2020 | ↑ 16% rating compared to 117 in 2020 |

Thus, the results of the forecast of the level of competitiveness of the financial sector of Ukraine in 2020 indicate that in fact, in 2018 Ukraine will not be able to maintain the current level of rating 117 on the world market in 2021:

- Increase the concentration of the banking sector by 36% and an increase in

the share of non-performing loans by 79% in 2019 compared to 2018 will lead to a deterioration in the competitiveness of the financial sector of Ukraine in 2021 by 26% (the rating will fall by 42 positions);

- In case of improvement of actual indicators of Ukraine for 2020 by 10%, the competitiveness rating of its financial sector is projected to improve by 15% (the rating will rise by 21 positions), but will not rise to the actual level of 117 in 2019;

- In case of improvement of actual indicators of Ukraine for 2019. by 20%, the competitiveness rating of its financial sector is projected to improve by 34% (the rating will rise by 40 positions), but this is not enough to reach the actual level of 117 in 2021;

- In order to regain the lost positions in the international rating, the financial sector of Ukraine needs to improve its actual indicators for 2019 by 30%: deepening the level of financial globalization, reducing the concentration of the 5 largest banks, increasing the concentration index of the Herfindahl-Hirschman banking sector, increasing the share of regulatory capital, and reducing the share of non-performing loans, which will increase the competitiveness of Ukraine's financial sector by 16% 101.

With such low positions in the ranking of the competitiveness of the financial sector, it will be very difficult for Ukraine to obtain positive effects in global integration processes and effectively realize its existing economic potential. Therefore, it is necessary to deepen its financial globalization (improve the qualitative and quantitative indicators of financial sector integration) and improve the banking sector (increase the share of regulatory capital, reduce the concentration of the 5 largest banks, reduce the share of non-performing loans), which will help raise its international financial rating. sector.

3.3 Analysis of factors increasing the competitiveness of the financial sector of Ukraine

In order to move away from the classic economic model, which is designed to improve economic performance, increase production and demand on the world stage, a country like Ukraine needs to implement very important changes in the economic system. Which will allow to build long-term economic development together with the recommendations of the world communities, such as the International Economic Forum, the World Bank, etc [65].

The peculiarity of Ukraine's economy is that before the beginning of market transformations, it was an administrative-command type, where total monopoly dominated: property, centralized decision-making and technological monopoly. There were many enterprises that produced 60-100 percent of a certain type of product. Such a monopoly is not a market one. It does not provide for competition, market relations, makes the business entity a system of government agencies, and enterprises perform only production functions.

The fact that its economy is large-scale with an unfinished production cycle has a negative impact on the formation of market relations in Ukraine, and also reflects the specialization in the former Soviet Union in heavy industry, military-industrial production and extractive industries. This is what today reproduces the shortage of consumer goods, on the one hand, and technical and technological backwardness, on the other [66]. This creates a huge need to purchase oil and gas on the world market, and hence problems with the trade balance, distortions in prices in the domestic market.

The creation of a sufficient number of enterprises in Ukraine, which would form a competitive environment, can be done in two ways: by reforming existing enterprises and creating new ones. The first way involves: “demonopolization”; privatization and privatization; attraction of domestic and foreign investments for structural restructuring of enterprises; diversification. The second way aims to promote the development of small and medium-sized businesses; attracting domestic and foreign investment to

create new enterprises, as well as restructuring obsolete ones that need to be completely renovated.

A feature of the development of the world economy at the end of the XX century is the transition to the phase of globalization. Generated by the internationalization of economic life, world economic relations have become an important prerequisite for economic growth. The globalization of the economy turns these ties into a decisive factor in the progress not only of individual national economic complexes, but also of the production sector itself [67].

The total economic power of a state determines the growth of its role as a potential or real competitor in the world market. Never before have foreign economic relations been as important for all actors in the production process as they are today. And, of course, the dependence of the general economic success of individual countries on their activity in the world market will increase.

In the context of globalization, there is an increase in the interdependence of countries as a result of intensified cross-border movements of goods, services and international capital flows, rapid and wide diffusion of technologies [68]. World economic relations are moving into a new qualitative state, characterized by the fact that the economic community from a simple set of more or less interdependent countries becomes a holistic economic system, where national societies become part of the economic organism and are increasingly determined by the development of this organism as a whole.

Like other post-socialist countries, Ukraine is rapidly growing into this system, feeling both its positive and negative effects. In the conditions of geoeconomic competition it is extremely important to determine and put into practice the comparative and competitive advantages of Ukraine [69].

The formation of a rational structure of external relations in modern conditions is not only and not so much the result of the government's identification of certain existing factor advantages, but the result of the implementation at various levels of a coordinated strategy to create and build advantages, not only factor but also those related to the nature of demand, the presence of complexes (or clusters) that support

the main production, the nature of competition in the domestic market and the strategy of the firm.

It is clear that to solve these problems it is not enough to rely only on liberal approaches to the trade regime. It is important to ensure a consistent and focused development strategy aimed at reaching the highest levels of international competitiveness. It should be noted that, in fact, economic theory is evolving towards the recognition of the systemic nature of competitiveness, in contrast to paying attention in the past only to certain factors of competitiveness. Only those countries that acquire systemic rather than partial competitiveness can be at the highest level.

In Ukraine, there are major problems in almost all areas of integration, which hinders the implementation of existing and development of new comparative advantages, does not allow to create competitive advantages. The country's participation in international integration groups, which reduces the cost of access to alternative, better and / or cheaper sources of resources, increases the level of competition.

This factor is poorly used in Ukraine, the main reason for which is the inefficiency of the CIS structures and unwillingness to join the more developed economic entities of the EU. The following factors partly go beyond macroeconomics and cover macroeconomic structures.

Availability of developed market infrastructure. This, above all, implies the existence of an extensive and efficient system of banking, financial, investment, trade, intermediary (exchange, brokerage), auditing, legal institutions, organizations, as well as modern information networks. It is these institutions that contribute to the adaptation of the structure of production activities to market requirements. In Ukraine, the market infrastructure is underdeveloped and of insufficient quality by the nature of its activities, which significantly impairs the opportunities for the development of comparative and competitive advantages.

Availability of developed production infrastructure - networks of transportation, storage, supply, communication, system of research activities, etc. In Ukraine, this area is in relatively good condition, but its condition is deteriorating due to lack of sufficient

funding and needs significant modernization.

Existence of developed systems of human potential development, including systems of education and vocational training, medical care, recreation, culture, etc. In Ukraine, some of these components (education, vocational training, culture) have traditionally been at a high level, but in recent years have suffered heavy losses due to insufficient funding [70]. The systems that ensure the health of the population are in deep crisis, and this has a negative effect on the state of the main factor of competitiveness in the modern economy - human performance. At the macroeconomic level, the level of competitive advantage is influenced, there are also sectoral and intersectoral structures that:

- promote cooperation between producers and attract additional development resources, such as financial-industrial groups, associations, consortia;
- optimize the allocation of resources internationally and ensure the concentration of production and commercial activities - MNCs;
- facilitate marketing in the development of foreign markets, such as joint trading firms and associations, commercial offices, joint firms and banks abroad, etc.

Such structures in Ukraine are only in the initial stage of development and cannot compete with similar structures from developed countries. When assessing comparative advantages, it should notice that even with some erosion of such advantages that have occurred in recent years, Ukraine can still be considered a country with relatively high quality and inexpensive resources in the following areas:

- reserves of some minerals that are significant in volume and advantageously located: iron and manganese ore, sulfur, titanium, rare earth metals, uranium, mineral salts, gypsum, alabaster, granite, marble, kaolin, etc;
- potentially very fertile agricultural lands, which make up about 1/4 of the world's chernozem reserves;
- relatively high level of qualification of certain categories of labor and workers with a relatively low level of wages;
- developed system of research, design and experimental facilities as a basis for the development and implementation of new technologies;

- the scale of fixed assets in certain sectors of the economy: metallurgy, chemistry, refining, heavy engineering, etc;
- favorable transport and geographical position and the presence of an extensive transport infrastructure;
- attractive climatic conditions in a number of regions of Ukraine, especially in the Crimea and Transcarpathia.

Based on the above, can be generally assumed that under appropriate organizational and financial conditions, as well as with proper commercial work in foreign markets, Ukraine's economy can maintain comparative advantages in the following industries and industries:

- extractive industry for the extraction of the above minerals;
- agriculture: primarily production of sugar, oil, fresh vegetables and fruits;
- food industry (confectionery industry, production of soft drinks and juices, products based on meat and milk processing, etc.);
- tobacco industry;
- production of alcoholic beverages;
- some low-tech industries in chemistry (sulfuric acid, mineral fertilizers, bromides, etc.);
- material-intensive, especially metal-intensive products of heavy engineering, including complete power equipment, equipment for metallurgical plants, production of machine tools, road construction equipment using imported components and components;
- rocket and space technology;
- production of heavy transport aircraft;
- separate subsectors in shipbuilding;
- certain sectors in agricultural engineering;
- production of computer equipment and other electronic and electrical devices on the basis of imported components, parts and components;
- development of certain types of weapons and military equipment;
- separate high-tech productions (production of welding equipment, powder

metallurgy, production of new types of materials with specific properties, etc.);

- provision of certain types of services (transport, health tourism, engineering services, in the field of education, especially in the fields of technical sciences).

It should be noted that today Ukraine is gradually losing its position in capital-intensive industries, as well as in high-tech industries. If, according to factor conditions, it, as can be seen from the above, still retains certain advantages, then for other components of competitive advantage, this, unfortunately, cannot be said.

CONCLUSIONS

The formation of the competitiveness of the regions is an important condition for increasing the competitiveness of the national economy. The study of these issues will effectively contribute to solving the complex socio-economic problems facing Ukraine. In modern conditions, the priority factor is the innovative vector of economic development. Acquisition of the region's competitive status at the global level should begin with increasing the level of competitiveness within the national economy. This approach will allow analyzing and improving more region-specific growth factors in international competitiveness.

Increasing the competitiveness of the regions of Ukraine and the state as a whole implies the transition to qualitatively new, innovative forms of organization. This form is clusters, territorial and sectoral voluntary informal associations of enterprises and organizations, which in developing and implementing strategies for the development of the relevant sector of the economy work closely with scientific, educational, financial, consulting and other organizations, local authorities. in order to increase the level of competitiveness of all members of the association.

The formation of clusters should be based on the objective competitive advantages of the region, taking into account their possible changes in the future. The cluster as an element of the regional development strategy must take into account and not contradict the general strategic line of development of the territory. Theoretical / methodological bases of clusters functioning are a perspective direction of research both for scientists, and for workers of real sector of economy, apparatus of public administration, heads.

The role of efficient and stable operation of the national financial system against the background of global crises is growing and is a necessary condition for economic growth in the long run period.

Data survey of 20 European countries (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg,

Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain, Ukraine) found that in European countries with a banking-oriented system on the competitiveness of the financial sector has the greatest positive impact on the deepening of the level financial globalization according to the rating of the Globalization Index KOF, increasing the level of regulatory capital Level 1, risk-weighted, decrease in the concentration index of the 5 largest banks, increase Herfindahl-Hirschman banking sector concentration index and a decrease in the share of non-returnees loans in total loans.

Increasing the level of concentration of the banking sector of Ukraine by 36% and increasing the share of non-performing loans by 79% in 2019 compared to 2018 will lead to a deterioration in competitiveness financial sector of Ukraine in 2020 by 26% (the rating will fall by 42 positions). To regain the lost positions in the international rating, the financial market of Ukraine needs to improve its actual indicators for 2017 by 30%: deepening the level of financial globalization, reducing the concentration of 5 largest banks, increasing the share of regulatory capital, as well as reducing the share of non-performing loans, which will increase the competitiveness rating of the financial sector of Ukraine by 16% to 101th position.

The formation of the international competitiveness of the financial sector, which is the result of state-mode investments in factors of sustainable economic growth, should become a strategic task of the country.

The resilience of the new information and network structure of the economy to the challenges of trade wars and economic crises is influenced by government policies in such areas related to the banking system.

Monetary policy has an impact on exports and industrial policy, primarily through the interest rate channel, which affects lending in the country. Reducing the real values of refinancing rates and extending the terms for which resources are provided to banks will stimulate lending for technological upgrades of industrial equipment and accelerate digital transformations in logistics and quality management, which will increase the competitiveness of industrial enterprises.

Ensuring the stability of the currency is the main function of the central bank - the currency channel must also be fully involved, especially in periods when inflation

in the country is mostly non-monetary, which limits the NBU in the current inflation targeting regime to use effective tools to stimulate economic growth.

Financial policy affects the digitalization and productivity of primarily industrial production and increase its competitiveness by creating conditions for mobilizing the maximum possible financial resources, ensuring the rational allocation and efficient use of financial resources and organization, regulation and stimulation of economic processes through various financial instruments. This requires the development of an appropriate financial mechanism that can develop in the face of changing goals and objectives under the influence of external shocks to the trade balance.

The destruction of effective demand and a significant reorientation of consumer priorities towards imports creates extremely unsatisfactory conditions for the evolution of competitive advantages. As direct forms of influence of financial policy on stimulation of transformation of the industrial enterprises in the conditions of carrying out by the countries-competitors of actions that can be carried to elements of trade wars it is expedient to use subsidies on material and technical high-tech resources; subsidizing the interest rate by the established Export Credit Agency for loans for export projects; compensation for the share of capital expenditures in new industrial parks; compensation of part of the costs of business risk insurance in the digital and foreign trade spheres. Indirect forms of influence of financial policy on the activities and technical re-equipment of industrial enterprises include the purchase of products of enterprises for state needs and the protection of the interests of producers in the implementation of foreign trade activities. To indirect forms of influence of financial policy on credit.

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Appendix

SUMMARY

Vaviliev M.D. Perspectives on global competitiveness in terms of modern challenges. - Masters-level Qualification Thesis. Sumy State University, Sumy, 2020.

The master's theses focused on significance of the competitiveness of the national economy in the conditions of modern trade relations between the countries is. Exerted quantitative and qualitative analysis of internal and external factors that affect the position in the world economy and determine further economic development. The main purpose of this study is to develop a recommendation to increase country's competitiveness in modern challenges and threats.

Keywords: competitiveness of economy, economic threats, world economy, state of the economy, social and economic system, economic development.

АНОТАЦІЯ

Вавілієв М. Д. Перспективи міжнародної конкурентоспроможності в умовах сучасних викликів. – Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2020 р.

У роботі досліджено значимість конкурентоспроможності національної економіки в умовах сучасних торгівельних відносин між країнами. Проведено кількісний та якісний аналіз внутрішніх та зовнішніх факторів, які впливають на позиції у світовій економіці та визначають подальший економічний розвиток. Основною метою цього дослідження є розробка рекомендації щодо підвищення конкурентоспроможності в умовах сучасних викликів та загроз.

Ключові слова: конкурентоспроможність економіки, загрози економічного характеру, світова економіка, економічний стан, соціально-економічна система, економічний розвиток.