

THE PROBLEMATIC ASPECTS OF POSITION DISBALANCE OF UKRAINE AND ROMANIA IN INTERNATIONAL RATING ESTIMATES

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Abstract:

The article explores the trends of Ukrainian and Romanian competitiveness development, based on competitiveness ratings, that are calculated both by governmental and non-governmental world institutions. The main problems, that hinder and slow down the development of competitiveness were discovered, the positions of Ukraine and Romania in world ratings were analyzed, the recommendations for intensification of country's competitive positions in general were provided.

Key words: competitiveness, rating positions, Ukraine, Romania, development.

JEL classification: A10, B40, N10

1. INTRODUCTION

The exit of national economies from the crisis encourages the search of effective tools of intensification of production activities based on upgrading the production capacities of the enterprises. Under the current global conditions the active implementation of government's innovation policy in the national economy is the determinant of its competitiveness, and consequently should imply to enterprises' innovative capacity improvement, their ability to reach the higher level of functioning, expansion of innovative production and strengthening of competitiveness on local and foreign markets.

The dynamism of economic development observed in recent years indicates that among the main factors of increasing the competitiveness, the introduction of effective mechanisms for implementing innovation policy is the determining one. This is confirmed by the data of the Global Competitiveness Report. Today in the world there are many rankings of competitiveness, which are calculated both by governmental and non-governmental international institutions. The most common ones are:

- KOF, Index of Globalization;
- Global Peace Index GPI;
- Ease of doing business index;
- Index of Economic Freedom;
- Press Freedom Index;
- The Global Competitiveness Index;
- Corruption Perceptions Index, CPI;

- Human Development Index, HDI;
- The Global Innovation Index.

2. METODOLOGY OF FORMING OF WORLD INDICES

Let us consider each of these indices.

1. Index of Globalization is calculated by the american magazine «Foreign Policy» with the help of specialists of consulting and analytical agency A.T. Kearney for 207 developed and developing countries.

The index determines the degree of globalization of separate country through disaggregation of the process into separate components. The index shows the political, social, economic and technological integration of the country into the world community.

Overall, 17 different criteria are monitored. The level of international trade and investment, participation in international organizations and programs, including the UN mission, the development of international tourism, the number of telephone calls from abroad are among them.

Three criteria that determines the Index of Globalisation are given to the level of development of the Internet in the country:

- Number of users.
- The number of hosts.
- The list of friendly services, through which the communication, information search, and cash transactions.

Index of Globalisation measures the level of personal contacts outside the country by combining data on international telephone calls, tourism, remittances and other international transactions.

According to the index Ukraine occupies position 47, and Romania – 37, indicating a high level of integration of society.

2. Global Peace Index – is an attempt to measure the peace in countries and regions. This index is a product of the Institute for Economics and Peace, designed in consultation with the International Panel on world peace institutes and research institutions based on data collected by the Department of Research of «The Economist». List was first published in May 2007. The list includes 162 countries. Factors examined by the authors include internal factors such as the level of violence and crime in the country and factors in external relations countries such as military expenses and wars.

According to the Index, Romania occupies the 26 position, Ukraine – 150. One of the most disturbing trends observed in this study is a sharp increase in the number of countries suffering from the terrorist threat.

3. Ease of doing business index – an annual inquiry of the World Bank. The project provides a possibility to objectively evaluate the various regulations that govern the business of the country. It also allows you to analyze the enforcement of these regulations. Geographically, the study covers 189 countries and some individual cities at the subnational and regional level.

The point of greater attention of the project is the activities of national SMEs and evaluation of regulations governing their activity throughout the life cycle.

For the first time this index was calculated in 2002. It is based on ten indicators (which are the methodology of Doing Business Project): business creation, the work on building permits, connection to electricity, registering property, getting credit, protecting investors, paying taxes, international trade, providing contracts, closing company. Singapore became the leader of ranking 11th time in succession. It is followed by New Zealand, Denmark, South Korea, Hong Kong and UK. Finland closes the top ten. Ukraine in the new ranking has taken 83 place (risen by 13 positions). Overall, this result – the best from 2006. Regarding our geographical neighbors, Poland takes the best position (25th), followed by Slovakia (29 place), Romania (37 place), Hungary (42 place), Belarus (44th), Russia (51 place), Moldova (52 place).

However, this rating does not always reflect the real economic situation in the country due to the complex and ambiguous methodology, but getting good rankings helps to attract external financial resources.

4. Index of Economic Freedom is composed by an American think tank «The Heritage Foundation» and the newspaper «The Wall Street Journal» and in accordance with the methodology, report in 2015 was formed according to the second half of 2013 and first half of 2014. The main components of the index are 10 freedoms:

- 1) freedom of business;
- 2) freedom of trade;
- 3) Tax freedom;
- 4) freedom from government;
- 5) monetary freedom;
- 6) freedom of investment;
- 7) financial freedom;
- 8) property rights protection;
- 9) freedom from corruption;
- 10) freedom of employment.

All countries are divided into types such as «free», «mostly free», «moderately free», «mostly unfree», «repressional».

In the Index of Economic Freedom 2015, during the year Ukraine's position dropped by 7 points. Now Ukraine takes 162 place out of 178 countries and according to the classification it is a country with repressive economy, neighbouring Bolivia (163) and Birma (161). Due to almost all the hallmarks, situation here became worse, except freedom from corruption and financial freedom.

Romania fell into the category of «mostly free» and ranked 61 position. By such criteria as freedom of property rights, investment freedom and freedom of public expenses, Romania has the largest advantage.

5. Press Freedom Index – a relatively new global ranking which highlights the negative impact on freedom of information and its main carriers by armed conflict. The positions of some countries have declined because of too broad interpretation of the national security abuse, detrimenting the right to provide information. The media organisation consider this trend becoming increasingly dangerous in the world and threatens even democratic countries.

Finland leads the Press Freedom Index the fourth consecutive year. After it, same as previous year, it is followed by the Netherlands and Norway. Ukraine takes 129th place, and Romania – 52nd.

The index highlights the negative correlation between freedom of information and open and unannounced conflicts. In an unstable environment media becomes strategic objectives for groups or individuals who, contrary to the International Covenant, try to control news and information flows.

6. The Global Competitiveness Index is composed by World Economic Forum, ranking countries in terms of economic competitiveness and contains 114 indicators for 140 countries, with input from the statistical data and surveys of business leaders.

Due to the index, Ukraine took the 79th place, 3 points worse than last year. The lowest ratings comes from the indicators such as the macroeconomic environment (134th among 140 countries) primarily because of the great inflation jump; legal independence (132 place), loss of business due to the threat of terrorism (133), protection of minority shareholders (134), wastefulness of government expenses (134).

Top position are in the block «Innovation», which reflects the high innovation potential of the country: the presence of scientists and engineers, the quality of scientific research institutions, the number of patents.

This is due to the Soviet past of Ukraine, including the high demand for engineering personnel and a large number of scientific institutions. However, the methodology for compiling the index, unfortunately, does not account for the quality and efficiency of institutions and

professionals, and practical need of inventions. Linked with innovative, educational block is also one that leads, occupies 34th place in higher education and vocational training

Romania's position is much higher and reached 59th place.

The lowest ratings in the indicators such as legal independence and the stability of banks.

Top position of Romania are in the effectiveness of antitrust policy and the quality of roads.

7. Corruption Perception Index – an annual ranking of countries of the world, reflecting the assessment of the level of corruption perception analysts and entrepreneurs on a ten scale and composed by Transparency International since 1995.

Today Ukraine ranks 130 among 167 countries, describing the lack of effective changes in 2015 in the fight against corruption.

The main reason for this is the monopolization of businesses, the inability of long-term planning and a high level of public corruption. However, there is hope that in the report for 2016 the situation has improved.

Positions vary considerably in Romania and are higher almost twice. The Corruption Perceptions Index is 58th position, indicating the presence of effective methods of fighting the corruption. This indicator has improved especially after the entry of Romania to the EU.

8. Human Development Index – is the integral index, calculated each year by the United Nations for interstate comparisons and determine the standard of living, literacy, education and longevity as the main characteristics of the human potential of the study area.

Thus, the key indicators in compiling the index are:

- life expectancy;
- the literacy rate of the population;
- standard of living, estimated by GNI per capita at purchasing power parity (PPP) in US dollars.

According to the index, our state ranks 81st, and Romania is ranked 52nd position among 188 countries. Both countries are among the countries with high human development. This result can be reached due to the high level of education.

9. Global Innovation Index is compiled by the World Intellectual Property Organization, Cornell University and the international business school Insead. According to this index, taking into account 79 indicators in 2015, our country ranked 64 among 141 countries. While in Romania this index is 10 points higher.

Table 1. Ukraine and Romania in international rating estimates

№	International Global Indices	Positions of countries in 2014-2015	
		Ukraine	Romania
1	Index of Globalization (207 countries)	47	37
2	The Global Peace Index (162 countries)	150	26
3	Ease of doing business index (189 countries)	83	37
4	Index of Economic Freedom (178 countries)	162	61
5	Press Freedom Index (180 countries)	129	52
6	Global Competitiveness Index (140 countries)	79	59
7	Corruption Perceptions Index (167 countries)	130	58
8	Human Development Index (188 countries)	81	52
9	The Global Innovation Index (141 countries)	64	54

Compiled by authors basing on [1-9]

In 2015 both Ukraine and Romania had the greatest increase on the following parameters:

- human capital and research;
- education;
- business environment;
- intangible assets;
- knowledge workers.

Maximum observed decrease in position comes from such indicators as political

environment, the general infrastructure, online creativity.

According to another global innovation index, compiled by «Bloomberg», in 2015. Ukraine took the 33rd and Romania 21st – among the 50 most innovative, and the best (fifth) position in Ukraine was in terms of «higher education» and in Romania – in «business environment».

These ratings confirm once again that Ukraine and Romania have considerable innovative potential that is not used.

Studies of such information helps to determine the place of Ukraine and Romania in international rankings (Table. 1) and analyze the nature of the identified processes and patterns.

3. CONCLUSIONS

All of the indexes indicate that Ukraine happens to be in the condition of economic, political and social instability for a long time. Currently, some steps have been made in the promotion of our country in international rankings. This is mentioned in the Strategy for Sustainable Development «Ukraine-2020» [10].

As for the ranking position of Romania, it is in the «middle ground», but in general to promote international rankings in both countries the following measures are necessary:

- detailed study of international ratings methodology and the development of the concepts of changes needed to correct the worst positions where possible;
- effective anti-corruption policy –one of the most difficult areas, because the high level of corruption is an obstacle to improving Ukraine's position in almost all rankings;
- implementation of tax reform deregulation, increasing protection of property rights as key to strengthening the position in rankings in the Ease of doing business index, Index of Economic Freedom, Global Competitiveness Index, the Global Innovation Index, etc.;
- an effective policy to promote Ukraine and Romania on the international scene – starting with the country's exports and cultural values;
- allocation of «growth points» which are innovation focused, and enhance the development and support of innovative entrepreneurship.
- Promotion of Ukraine and Romania in international rankings should not be an end in itself, but only an additional option for positioning in the world and improve investment attractiveness.

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