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COMPARATIVE ANALYSIS OF TRENDS IN THE UKRAINIAN AND CHINESE ECONOMIES

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Su Rui. Comparative Analysis of Trends in the Ukrainian and Chinese Economies

Nowadays, the global economic environment is full of uncertainties. Affected by the novel coronavirus epidemic, the economies of various countries are developing slowly or falling into recession. In this case, countries face different uncertainties. The article analyzes the economic development direction of China and Ukraine. Judging from the GDP per capita of both Ukraine and China in the past ten years, China has been growing steadily every year, while Ukraine has changed more. Therefore, the article analyzes the strengths and weaknesses of the 12 pillars of the Global Competitiveness Index for the two countries through the period of 2018–2019, an indicator that measures a country's ability to grow in the medium and long term. It is found that Ukraine has problems in stability and macroeconomic stability, while China has problems in social cohesion and innovation ability, and puts forward corrective opinions to determine the direction of development. In addition, by analyzing the overall ranking of China and Ukraine in the Global Competitiveness Index from 2009 to 2019, it is found that the economic growth capacity of these countries has partially developed in the same direction in the past decade. However, due to the influence of political and macroeconomic factors, the focus of the development of these countries is to hope that the countries will correct the existing problems as soon as possible, formulate corresponding policy plans, and strengthen and ensure the implementation of the relevant policy. In addition, our countries will continue to strengthen the construction of global integration, reduce trade barriers, increase the liquidity of commodities, speed up the processes, promote the circulation of production factors, accelerate economic growth, and enhance competitiveness. The future can be expected.

Keywords: China, Ukraine, comparison of economic development directions, GDP per capita, Global Competitiveness Index.

Fig.: 3. Tabl.: 2. Bibl.: 13.

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Су Руй. Порівняльний аналіз напрямків розвитку економік України та Китаю

На сьогоднішній день глобальне економічне середовище сповнено непевності. Постраждалі від сучасної епідемії коронавірусу економіки різних країн розвиваються повільно або впадають в рецесію. У багатьох випадках країни стикаються із різними видами непевності. Стаття аналізує напрямки економічного розвитку Китаю та України. Зважаючи на ВВП України та Китаю на душу населення за останні десять років, можна бачити, що цей показник щодо Китаю неухильно зростає з кожним роком, а щодо України – постійно змінюється. Тому в статті проаналізовано сильні та слабкі сторони цих країн протягом 2018–2019 рр. згідно з 12 позиціями Індексу глобальної конкурентоспроможності, який оцінює здатність країни до економічного зростання в середньостроковій і довгостроковій перспективі. З'ясовано, що Україна має проблеми зі стабільністю та макроекономічною стабільністю, тоді як Китай – з соціальною згуртованістю та інноваційною спроможністю, застосовуючи коригувальні висновки для визначення напрямку розвитку. Крім того, аналізуючи загальний рейтинг Китаю та України в Індексі глобальної конкурентоспроможності з 2009 р. по 2019 р., з'ясовується, що потенціал економічного зростання обох країн за останнє десятиліття частково розвивався в одному напрямку. У з'язку із впливом політичних і макроекономічних факторів, говорячи про розвиток обох країн, автором наголошується на сподіванні того, що дві країни якнайшвидше скоригують існуючі проблеми, сформулюють відповідні політичні плани, зміцнять і забезпечать реалізацію відповідної політики. Крім того, наші країни продовжать зміцнювати розвиток глобальної інтеграції, знижувати торговельні бар'єри, збільшувати ліквідність товарів, нарощувати швидкість процесів, сприяти циркуляції факторів виробництва, прискорювати економічне зростання, підвищувати конкурентоспроможність. Усе це обов'язково дасть свої результати в майбутньому.

Ключові слова: Китай, Україна, порівняння напрямків економічного розвитку, ВВП на душу населення, індекс глобальної конкурентоспроможності.

Рис.: 3. Табл.: 2. Бібл.: 13.

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Currently, the global economic environment is very uncertain. Under the influence of the new coronavirus epidemic, the economic development of different countries in 2020–2022 stagnates or is in recession. Today, the world economy is recovering slowly, and both China's and Ukraine's economic development is still facing many uncertain factors. Economic development covers all aspects. Analysis and comparison of the overall national competitiveness, strengths and weaknesses in all components of the index will help to find the strengths and weaknesses of the separate country and learn from

the experience of finding effective ways to overcome problems.

The purpose of the article is to identify and to carry out a comparative analysis of trends in both Chinese and Ukrainian economies.

GDP PER CAPITA ANALYSIS AND RECOMMENDATIONS

GDP per capita is an effective tool for assessing the macroscopic operation of a country or a region [4]. It is one of the most important macroeconomic indicators and a standard for measuring people's living standards

which is often used as an indicator to measure economic development. That's why this indicator will be useful in order to describe the general situation in the country.

As can be seen from the Fig. 1, China showed a steady upward trend every year from 2010 to 2020. The popularization of digital technology and the sharing economy has had a positive impact on China, indicating that China was able to mobilize more resources in the past decade to promote social and people's livelihood construction, and promote social equity. The main goals of China's development are harmonization along with optimizing the distribution of resources, creating more value in society and increasing the amount of wealth, accelerating the adjustment of the economic structure, significantly improving the ability for independent innovation, fundamentally changing the mode of economic growth, and building a resource-saving and environment-friendly society. Guided by the Scientific Outlook on Development, it is necessary to properly handle the major relationships between investment and consumption, domestic demand and external demand, market mechanism and macro-control, central and local governments, economic development and social progress, re-

form, development, and stability, and ultimately achieve a fast and sound national economy.

The Fig. 2 presents the dynamics of Ukraine's development.

As can be seen from the Fig. 2, Ukraine's GDP per capita fluctuated greatly from 2010 to 2020. The highest point in 2013 was \$4.029, and the lowest point was \$212.4 billion in 2015. From 2010 to 2013 there was an upward trend, from 2015 to 2015, the decline was relatively large. The main reason for this period was the decline in GDP per capita due to policy factors and the instability of the macroeconomic environment. After the crisis period, Ukraine demonstrated a slow upward trend from 2015 to 2020.

And although GDP per capita has not recovered to the peak in 2013, it is still rising well. Ukraine should pay attention to the resource structure and industrial structure, income, and consumption level of residents, economic policy, labor force level, degree of opening to the outside world, and other influences in the regional resource areas. The more open the outside world, the more is the rise of GDP. Ukraine should increase the improvement of national quality, develop edu-

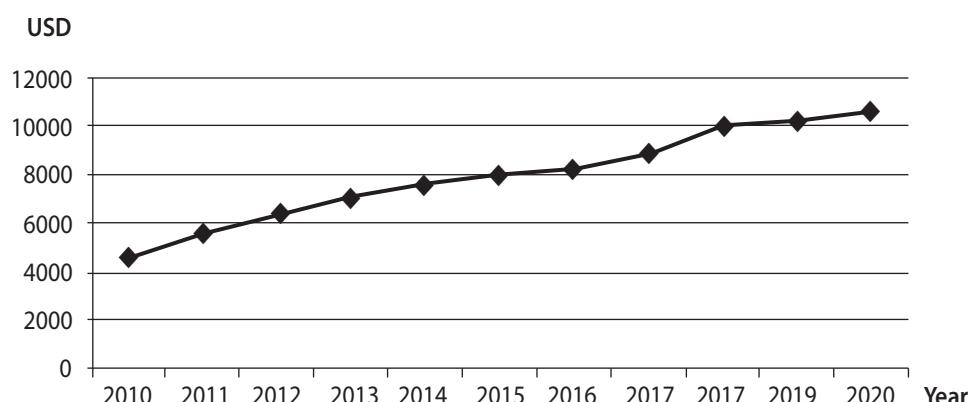


Fig. 1. Changes in China's GDP per capita (2010–2020)

Source: compiled according to [1].

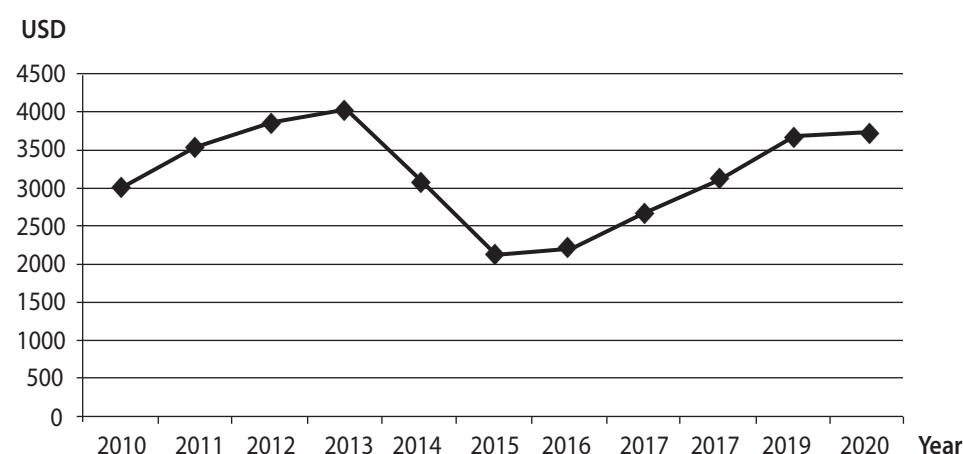


Fig. 2. Changes in Ukraine's GDP per capita (2010–2020)

Source: compiled according to [1].

cation, improve the level of science and technology, culture, industry and agriculture, the tertiary industry, and increase the employment rate.

MAIN ANALYSIS AND RECOMMENDATIONS CONCERNING THE GLOBAL COMPETITIVENESS INDEX FOR CHINA AND UKRAINE, RESPECTIVELY

The Global Competitiveness Index measures a country's ability to achieve sustained economic growth and provides a comprehensive picture of the state of competitiveness of world countries at different stages of development. An indicator that assesses a country's productivity and economic prosperity helps to understand what drives innovation and development, making it more obvious for the countries and the related stakeholders [5].

The Global Competitiveness Index is divided into 12 pillars, respectively Institution, Infrastructure, Macroeconomic stability, ICT adoption, Health, Skills, Product market, Labor market, Financial system, Market size, Business dynamism, Innovation capability [5].

The computation of the GCI 4.0 is based on successive aggregations of scores, from the indicator level (the most disaggregated level) to the overall GCI score (the highest level). At every aggregation level, each aggregated measure is computed by taking the average (i. e. arithmetic mean) of the scores of its components. The overall GCI 4.0 score is the average of the scores of the 12 pillars. For individual indicators, prior to aggregation, raw values are transformed into a progress score ranging from 0 to 100, with 100 being the ideal state [2].

China and Ukraine have their own advantages and disadvantages according to the Global Competitiveness Index. The following represents an analysis for the period of 2018–2019 for China (*Tbl. 1*) and Ukraine (*Tbl. 2*) in accordance with the Global Competitiveness Index.

As can be seen from *Tbl. 1*, China's overall ranking from 2018 to 2019 is relatively stable, scoring 28, and its performance in Institution is poor. Although the ranking has risen by 7, it is still out of 50, especially in terrorism incidence, social capital, freedom in terms of the press and shareholder governance. There has been considerable progress in shareholder governance, ranking from 90 to 37, and we hope that this positive tendency continues. The poor performance in Skills is affected by mean years of schooling and school life expectancy, which will affect the country's talent coefficient and innovation ability, which is not conducive to future development.

In terms of the Product market, which has a low ranking due to the poor performance of trade tariffs, if we want to improve this situation we need to continue to strengthen the construction of global integration, reduce trade barriers, increase commodity liquidity, and speed up the circulation of production factors.

The labor market suffers due to the poor performance of flexibility of wage determination and labor tax rate. This will directly affect the residents' happiness index, which needs to be improved appropriately.

Table 1

**Ranking of China's Global Competitiveness Index
by pillars, 2018–2019**

| Indicator | 2018 | 2019 |
|-------------------------|------|------|
| GCI Rank | 28 | 28 |
| Pillars: | | |
| Institution | 65 | 58 |
| Infrastructure | 29 | 36 |
| ICT adoption | 26 | 18 |
| Macroeconomic stability | 39 | 39 |
| Health | 44 | 40 |
| Skills | 63 | 64 |
| Product market | 55 | 54 |
| Labor market | 69 | 72 |
| Financial system | 30 | 29 |
| Market size | 1 | 1 |
| Business dynamism | 43 | 36 |
| Innovation capability | 24 | 24 |

Source: compiled according to [2].

In terms of infrastructure, 7 places were dropped due to efficiency of air transport services, exposure to unsafe drinking water, and reliability of water supply, and needs to be corrected in time.

The outstanding performance in the market size is due to the population advantage of the new generation of young adults in China, the advantage of the super-large-scale consumer market, the scale of technological innovation and technology industrialization application, the advantage of the super-large-scale financial market, and the unbalanced regional economic development providing sustainable economic development, potential, opportunities and vitality, with a hope to be maintained continuously. The rest of ICT adoption, macroeconomic stability, health, financial system, business dynamism, innovation capability remain unchanged or move forward steadily with a hope to be maintained.

Thus, the following suggestions are proposed:

- ◆ Strengthen the supervision of terrorism incidence, focus on prevention, and provide more rights to anti-terrorism agencies.
- ◆ Increase social cohesion, social cohesion and engagement, community and family networks, political participation and institutional trust, which will be more conducive to building a peaceful, harmonious and sustainable society.
- ◆ Freedom of the press can strengthen the supervision of the government or citizens, provide and disseminate information so that citizens can exercise their right to know, and this aspect needs to be relaxed appropriately.
- ◆ Strengthen the popularization of education, increase the number of years of education, pro-

vide appropriate welfare policies, and encourage continuing education.

- ◆ Improve the salary system, give the market a certain power to price the salary, reduce the labor tax rate, increase the personal threshold, and enhance the happiness of people's livelihood.
- ◆ Efficiency of air transport services starts from the four aspects of frequency, punctuality, speed and price, and targets one by one to improve.
- ◆ Strengthen green and sustainable development, protect the environment, and cherish water resources.

China needs to improve the performance of its soft drivers of innovation, such as diversity, collaboration and openness, and its domestic market needs to be more efficient, open and fair to increase corporate competitiveness and allocate resources.

Tbl. 2 shows the ranking of Ukraine's Global Competitiveness Index.

Table 2

Ranking of Ukraine's Global Competitiveness Index by pillars, 2018–2019

| Indicator | 2018 | 2019 |
|-------------------------|------|------|
| GCI rank | 83 | 85 |
| Pillars: | | |
| Institution | 110 | 104 |
| Infrastructure | 57 | 57 |
| ICT adoption | 77 | 78 |
| Macroeconomic stability | 131 | 133 |
| Health | 94 | 101 |
| Skills | 46 | 44 |
| Product market | 73 | 57 |
| Labor market | 66 | 59 |
| Financial system | 117 | 136 |
| Market size | 47 | 47 |
| Business dynamism | 86 | 85 |
| Innovation capability | 58 | 60 |

Source: compiled according to [1].

As can be seen from *Tbl. 2*, Ukraine has dropped 6 places between 2018 and 2019, which is poor in terms of Institution. The related stability is very weak in Terrorism incidence, Judicial independence, Incidence of corruption, Property rights, and Government ensuring policy.

In terms of Macroeconomic stability, the ranking of Inflation is poor, the inflation rate is extremely high, and the value of the currency has dropped too much, which affects the quantity of imported goods, and the economic order is chaotic, which leads to economic recession.

In terms of Health, the performance is poor due to the factor of Healthy life expectancy, but from the data point of view, it is still in a state of good growth, with a hope to continue the hard work. In 2019, healthy life

expectancy for Ukraine was 64.3 years. The healthy life expectancy of Ukraine increased from 59.6 years in 2005 to 64.3 years in 2019 growing at an average annual rate of 1.91%.

In the financial system, the ranking is poor because of the non-performing loans and low soundness of banks, which has a greater impact on financial stability and security.

Ukraine is basically on the rise in other aspects, especially in terms of innovation capability, skills, and market size, which will greatly improve Ukraine's innovation capability, have great development potential and enhance competitiveness, which hopefully be maintained. However, in terms of infrastructure, there are problems in the quality of road infrastructure, which seriously affect the economic development and people's livelihood in Ukraine. In terms of the labor market, there are problems with the flexibility of wage determination and the labor tax rate.

Thus, after the analytical study, the following suggestions can be made:

- ◆ Ukrainian authorities should clarify their own political positions and formulate policies with a long-term perspective on this basis to increase public confidence in the country and strengthen the protection of property rights, thereby increasing the innovation of companies and the public. In addition, the government should increase the independence of the judiciary, intensify anti-corruption efforts, and tackle corruption from political, cultural, institutional, and salary aspects.
- ◆ The level of foreign exchange is an important factor affecting Ukraine's inflation rate. Improve the foreign exchange management system, make the hryvnia as stable as possible, adopt a stable monetary policy, and increase domestic demand.
- ◆ The soundness of banks and the ratio of non-performing loans need to be adjusted and revised, and the supervision should be strengthened. Banks need to carefully assess loan objects and conduct multi-faceted assessments to reduce non-performing loans.
- ◆ The quality of road infrastructure needs to establish a sound management system, increase the level of supervision, strengthen the quality responsibility system, enhance the quality, and strengthen the qualities and abilities of the staff.
- ◆ Ukrainian authorities also need to focus on strengthening the medical system and health care.
- ◆ To balance technology integration and human capital investment, improve talent adaptability, form talent pool, and form incentive measures. Establish a sound and flexible salary system at the national level and appropriately reduce the labor tax rate to improve people's well-being.

OVERALL ANALYSIS OF THE GLOBAL COMPETITIVENESS INDEX RANKING FOR CHINA AND UKRAINE, 2009–2019

The Fig. 3 shows the evolution of the ranking in the Global Competitiveness Index for China and Ukraine.

As can be seen from the Fig. 3, China's ranking was basically stable from 2009 to 2019. The best year was 2011, which ranked 26th, and the worst year was 2009, which ranked 29th. The overall performance was stable.

The ranking of Ukraine was unstable from 2009 to 2019, and it showed an upward trend from 2010 to 2012. In 2012, the ranking was the highest at 73. In 2012, thanks to the external stable macro-environment, the ranking of various pillars basically rose. (Except for institutions and labor market efficiency, which are down one place each).

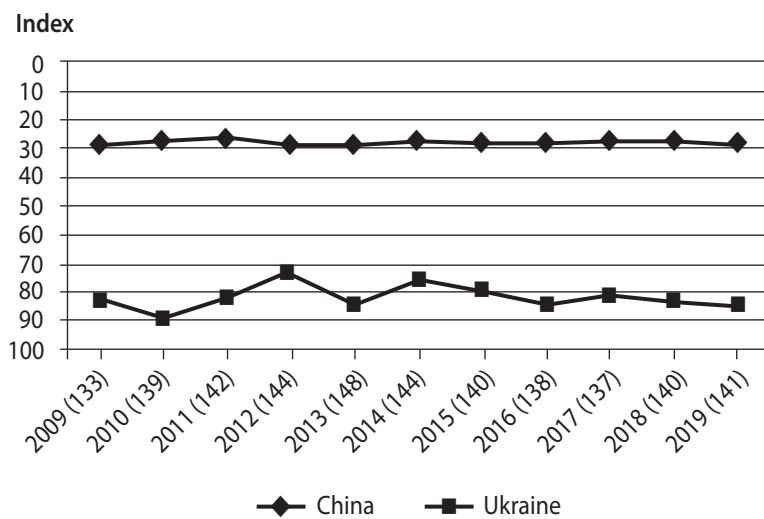


Fig. 3. The Global Competitiveness Index Overall Ranking (2009–2019)

Source: compiled according to [3; 6–13].

In order to make economic growth more stable in the future, Ukraine needs to address important challenges. Arguably the most important challenge for the country is the necessary reform of its institutional framework, which needs to be improved due to red tape, lack of transparency, and favoritism. Ukraine can further improve efficiency by strengthening the goods market efficiency to join more competitive levels and continue to develop financial market. However, from 2014 to 2019, there was an overall downward trend as to the place in the ranking, mainly due to three aspects: Institution, Macroeconomic stability, and Financial system. Among them, Corruption, Access to financing, Inflation, Policy instability, Tax rates, Inefficient government bureaucracy, and other reasons. Actions must be determined because the slow resolution will lead to a decline in competitiveness, which will be detrimental to the Ukrainian economy.

SUMMARY

As for the second-largest economy in the world, China's GDP per capita has increased year by year from

2010 to 2020. The digital economy and the sharing economy have promoted China's economic development. In recent years, China's resource allocation has been continuously optimized, and the economic growth model has gradually moved towards resources with the purpose of creating an environment-friendly society.

But the country still needs to accelerate the pace of resource-saving and environment-friendly society, enhance social cohesion, appropriately relax the freedom of news, benefit people's livelihood, improve the soft driving force of innovation, diversity, collaboration and openness. Moreover, it's necessary to improve the competitiveness of enterprises, enhance domestic demand, and accelerate economic development.

Ukraine's GDP per capita fluctuated greatly from 2010 to 2020. Unfortunately, according to 2020 data, GDP per capita did not reach the level of 2013.

According to the indicators of the Global Competitiveness Index, Ukrainian authorities need to ensure as much as possible long-term political stability, and on this basis provide a stable macro-environment, establish a sound system with regard to economy, environment, education, justice, and other aspects, increase the circulation and efficiency of production factors, balance technology integration and human capital investment, improve the adaptability of talents, form a talent pool, form incentive measures, and start from various aspects to speed up economic growth and increase the competitiveness of the country. ■

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