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COMPETITIVENESS OF A COUNTRY AS A SOCIO-ECONOMIC CATEGORY AND DEVELOPMENT STRATEGY

The article aims at defining socio-economic categories such as 'competitiveness,' 'development strategy,' 'innovation' as well as factors and components, which have a direct and indirect impact on competitiveness of a country; at analyzing leading strategies to economic development from a historical retrospective. An integrated approach regarding prosperity and social welfare growth has been specified, based on a well known development strategy of a 'country competitiveness.'

Стаття присвячена розкриттю сутності таких соціально-економічних категорій, як «конкурентоспроможність», «стратегія розвитку», «інновація», визначенню чинників та компонентів, які прямо і опосередковано впливають на конкурентоспроможність країни, аналізу провідних стратегій економічного поступу в історичній ретроспективі. Виокремлено комплексний підхід підвищення суспільного процвітання та добробуту населення на основі апробованої стратегії розвитку «конкурентоспроможності країни».

Key words: competitiveness of a country, subject of economic activity, international community, globalization, development strategy, innovations, economic breakthrough.

Modern tendencies of development of world economies, the main indicators of which happened to be mass globalization of financial markets and dissolution of borders between regional and state control of markets, help form new features and definitions of socio-economic phenomena and occurrences.

XXI century enabled us to take a new look at the role of human capital regarding the growth of economic competitiveness; at the role of education, science and knowledge factor in the development of innovation activities of enterprises, regions and countries; at the formation of the new imperative for the society in the light of ecological responsibility, etc.

All these factors make it crucial to define the notion of 'competitiveness,' including all the contents features that this notion has acquired over the last years within the bounds of contemporary economic science. Being employed in many countries as an ideological tool for political activity, the strategy of competitiveness of a country growth, or the strategy of advancing development, has become some cross state, highly-effective pragmatic way to unite the nations and raise societal welfare.

The purpose and objectives of this article lie in highlighting the main approaches of exploring of competitiveness of a country as a category of economic science, defining of the main factors and components that influence the formation of a highly-competitive state, specifying of the main definitions of 'development strategy', analyzing of international experience of competitiveness of a country strategy introduction in such countries as Japan, Ireland and Greece.

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Speaking of the competitiveness of a country, on one hand, one should not narrow it down to the mere competitiveness of certain enterprises in the global markets. On the other – one should remember that business remains a key concept in this regard. Global challenges in the countries where the development of economy of knowledge is taking place, push for a new role of business – as an actor in the international markets under conditions of global competition, as well as a driving force for raising competitiveness of one's state, in general. Without business competitiveness, there can be no competitiveness of a country [8, p.5].

For defining the test subject – competitiveness of a country – it is important to give a precise definition of the notion of a 'category', which will enable us to better perceive how this term is going to be employed later on. According to contemporary philosophy, the category is defined as '**a universal form of thinking and consciousness that reflects general characteristics and relations of objective reality, general mechanisms of development...of occurrences**' [23; P.269]. Therefore, there arises a need for permanent perfection or development of new scientific categories, which are 'nodes' of the exclusive network of cognition ensuring adequacy of this test subject and method of testing network evolution.

Vital problems of economic cooperation and effective development of states in a global community are directly reflected in the decreasing level of influence of state economies, control over them exercised by the global community, enlargement of transnational corporations (TNC) etc. All these are a consequence, as well as a reason for establishment of new forms of counteraction between economic players; secondly, these are a source of contradictions and socio-political conflicts on the regional, state and global levels.

Among foreign scholars that have in-depth expertise in exploration of the theoretical principles of competitiveness, modern forms of competition, international competitive community, analysis of factors, advantages and disadvantages of ensuring of high competitiveness of certain countries [22] are worth being mentioned: G. Gruber, R. Kanter, P. Katzenstein, S. Linder, F. List, V. Marzinkewich, J. Mill, R. Nelson, M. Posner, D. Ricardo, J. Robinson, J. Saks, P. Samuelson, A. Smith, J. Shumpeter, F. Hayek, E. Heckscher, J. Hicks etc.

The most crucial results of exploration in this field have been made by the research centres of Europe and USA [22]. In particular, it is worth mentioning a research team headed by Michael Porter (USA), Professor of Business Administration at Harvard Business School, who contributed to analysis of competition in the global markets, competition between states and regions, as well as developed a theory of competitive advantages of states, believed to be a new paradigm in the economic subject; research school led by Professor of International Business Alan Rugman (Canada) focused on elaboration of management strategies for TNC competitiveness, trade and investment policy growth; research team headed by J. Dunning (UK), Professor of Reddington university, working on analytical explanation of necessity of introduction of 'way of investment development of nations' etc.

Speaking of the research in this problematic conducted among Ukrainian scholars, first and foremost, it is worth pointing out the institutes uniting prominent economists of the country who present their concepts of Ukrainian competitiveness of a country growth. Among them:

- Institute of International relations of National Taras Shevchenko University of Kyiv and Institute of world economy and international relations – V. Andriychuk, V. Budkin, I. Burakovskiy, V. Vergun, M. Dudchenko, H. Klymko, Y. Matseiko, V. Novytskyi, Y. Pakhomov, O. Rohach, V. Rokoch, A. Rumiantsev, V. Sidenko, S. Sidenko, A. Filipenko, O. Shnypko, O. Shnyrkova etc. The main topics of exploration include models of transformation in the structure of the world economy and their globalization dimension; modern tendencies of internalization and international economic integration; elaboration of external economic strategic for Ukraine and its competitive advantages on the international arena etc.

- Institute for Economics and forecasting of NAS of Ukraine – V. Heiets, V. Aleksandrova, O. Balakirieva, O. Baranovskyi, V. Holovenko, A. Danylenko, I. Lunina, L. Moldavan, B. Overchenko, V. Tochylin, V. Yurchyshyn etc. – focusing on definition of theoretical and methodological principles of competition and competitiveness of a country in XX-XXI cc., elaboration of micro- and macro levels of state economy etc. A range of exploration of this institute was published in a system forming research regarding strategic and transformational development of Ukraine – ‘Economy of Ukraine: strategy and long-term development policy’, ‘Strategy of economic and social development of Ukraine (2004-2015). Through European integration’ (2004), ‘Strategy of innovative development of Ukraine for 2010-2020 under conditions of globalization challenges’ (2010) etc.

- Economic development research institute of Vadym Hetman National Economic University – D. Lukianenko, A. Poruchnyk, L. Antoniuk, A. Honcharuk, I. Kaleniuk, O. Mozhovyi, T. Obolenska, Y. Panchenko, P. Petrashko, L. Rudenko, N. Tatarenko, T. Tsyhankova, V. Chuzhykov etc. The main areas of research include international competitiveness of Ukraine, its cooperation with international structures (WTO, IMF, World Bank), development of financial and investment potential, human capital and its role in increasing competitiveness on the micro-, meso- and macro levels etc. Complex studies of this institute resulted in works, such as: ‘International competitiveness of states: theory and mechanisms of realization’ (2004), ‘Management of international competitiveness under conditions of globalization of economic development’ (2007) etc.

- Ministry of Economy of Ukraine Economic research institute – V. Besedin, S. Vashchaev, I. Yehorov, O. Yeliseienko, T. Kvasha, I. Mantsurov, O. Melnyk, I. Repin, N. Romanovska, A. Yatsenko etc. – working on mid- and long-term prognostication, state programs on economic and social development of Ukraine, substantiation of structure, investment, innovative and science exploration policies, research on economy branches, strategies of their development and competitiveness growth, exploration of socio-economic issues in the regions, their complex development, formation of free and special economic zones (clusters), cross-border cooperation issue studies.

It is also worth being mentioned that a systematic approach regarding economy and competitiveness of a country research can be traced in the works of the following Ukrainian scholars:

- Zhalilo Y. ‘Competitiveness of Ukrainian economy under conditions of globalization’ (2005) (Monography) in which the author clearly defines the factors of competition based on the innovative development model as well as issues practical recommendations as to introduction of necessary steps of economic policy of a state;

- Kvasiuka B. ‘Competitiveness of state economy’ (2005), which, for the first time, put forward calculation of priority products and services needed for ensuring sustainable trade balance of the state, taking into account the data of National accounts and inter-branch balance of Ukraine;

- Kriuchkova I. (edit.) ‘Competitiveness of Ukrainian economy: state and growth prospects’ (2007) (Monography), which, for the first time, provided a comparative analysis of the basic components of Ukraine’s competitiveness, including structural processes, labour market, entrepreneurship, tax system and state power efficiency. Also, the conceptual principles of Ukrainian economy competitiveness growth have been defined as a pragmatic way of introducing new reforms.

Certainly, it is rather difficult to embrace all works and scholarly publications whose test of subject was chosen to be state, region or enterprise competitiveness. However, in general, we can

argue that despite a big number of theoretical works, a few important issues still remain undefined. In particular, there is no common definition of ‘competitiveness’ as a socio-economic category – the variety of definitions arises from the criteria one author chose to follow; there is no common equally effective and leaving no alternative concept of advancing development, which would ensure fast-growing and qualitative economic breakthrough of one’s state or TNC – each economic player chooses its own development strategy based on the cultural, political and economic peculiarities of the environment; there is no integral, financially and socially valid approach to reforming Ukraine’s economy and competitiveness of a country strategy development ensuring combating of structural backwardness and liquidation of inefficient elements. For it is known that nowadays there are a few approaches regarding the country’s development: structural-innovative, investment, institutional strategic, internalization model etc.

Even though the notion of ‘competitiveness’ is widely used in the economic science and has become a popular category for use among politicians, there is no common definition of the term in the scholarly research.

The spectrum of definitions varies from exclusively technological characteristics arising from the narrow grounded definition of one’s company competitiveness (capacities for companies to design, manufacture and sell products, whose price and qualitative features are more attractive to customers than the products of their competitors, under current conditions [15, p. 406]) to the broad notion of competitiveness as a socio-economic stability of country’s system.

As a matter of fact, there can be traced the use of a narrow definition of the category, as well as its broad definition. At the same time, it should be taken into consideration that giving a ‘universal’ definition of the notion of ‘competitiveness’ can be seen as an attempt to somehow unite micro-, meso- and macro levels of the term’s use.

J. Saks persisted in the opinion that on a state level, the object of competitiveness should be conditions of social production and not a product itself, speaking of the company competitiveness. He saw competitiveness as a pre-condition and tool for sustainable economic development of a country. J. Saks took into consideration all possible ways of counteraction that have an impact on stabilization, predictability of economic development [24]. In general, he was right in his assertion, nevertheless, he did not consider important socio-political factors (culture, mentality, collective or individual consciousness, political regime, freedom of choice, civil society development etc), which do have an impact on competitiveness of one’s company, as well as region and state, as a whole.

In the research conducted by World Economic Forum (WEF), competitiveness of a country is defined from a perspective of mid-term (5 years) economic growth and is interpreted as **‘capacity to maintain stable real per capita growth rate measured by per capita growth domestic product rate according to permanent prices’** [13, p.29].

One more attempt to provide a ‘universal’ definition of competitiveness of a country was made by authors of Ukrainian Economic encyclopedia who defined the terms as **‘capacity of state economy of one country to compete with economies of other countries based on the level of effective use of national resources, growth of productivity of national economy that ensures high and steadily growing living standards of the population’** [4, p. 814]. In general, such an attempt may be partially successful, for not merely elements of sustainable economic development were taken into consideration, but also necessity to increase living standards of population based on this growth, which is directly dependent on state policy.

Yet, M. Porter was arguing that **‘the main goal of state is to provide its citizens with fairly high and growing living standards. State capacity to achieve this does not depend on the amorphous notion of ‘competitiveness’, but rather on how efficiently the national resources are being exploited, these being labor and capital’** [19, p.35].

This approach set forth by M. Porter substantiated in his famous work 'International competition' (1993) helps understand that by increasing labor productivity and capital movement any company or state has to overcome or consider a range of cultural (mental, traditional, psychological etc.), social (living standards, unemployment rate, number of retirees, etc.), political (political regime, political stability, presence of elite etc.) and technological (system of communications, innovative design, productivity etc.) obstacles in order to achieve the level of highly-effective TNC or the most affluent countries.

Bazyliuk Y. in his work '**Competitiveness of state economy: substance and provisions' (2002) emphasized that competitiveness as an economic category characterizes state of social relations in a country regarding provision of stable growth of effective national manufacture adapted to the fluctuations of the world state of affairs and domestic demand based on the exposure of national competitive advantages and achievement of better socio-economic parameters than of their competitors** [1, p. 6].

Therefore, it is important to draw the limits of understanding and peculiarities of competitiveness as a socio-economic category. Zhalilo Y. pointed out essential characteristics of this category as an economic one, as follows:

1. Competitiveness is **an attribute of every enterprise** based on the labor division and exchange of commodities that is a part of the world division of labor [7, p.13]. Thus, any TNC or state participates in a big number of international relations and strives to offer the most beneficial forms of cooperation between economic players to make a profit.

2. **Competitiveness has inner effluence** [7, p.14]. That is every globally competing country has, first, to conquer the domestic scene and gain a certain percentage of market through competition with other economic players. Thereafter, it can enter the international service scene.

3. **Competitiveness of state economy requires permanent expansion of sources** for self-sufficing development of economic players [7, p.14]. Fair competitive environment decreases profits of a taken economic player that are en masse a source of development. Therefore, their capacities should be enabled for growth in order to increase their own competitiveness and competitiveness of a state.

4. **Competitiveness** is defined by conditions of economic development of a state and **is dependent on the ability of the economic players to benefit under the conditions at its fullest** [7, p.14]. This characteristic proves the previous statement. However, it is important to underline that an ongoing development of mere economic players does not ensure socio-political and ecological development of a country, in general (what is a must). As a matter of fact, the state has to take care of that.

5. **Competitiveness of state economy arises from socio-economic optimality** achieved in society [5, p.105], which ensures that positive achievements from effective use of material, labor and organizational resources balance with the use of social and other budget programs [7, p.14].

6. **State bears responsibility over the state of competitiveness of national economy.** It is the state whose role is key in determining substance and tools of economic policy, fulfilling obligations regarding membership in world organizations and cooperation with other state partners, and also using oversight mechanisms capable of absorbing the negative factors of domestic and external origin and preventing from deteriorating of socio-economic parameters of state development [7, p.14-15].

Consequently, in a modern discourse of economic science, competitiveness of a country plays a role not just as an economic category, but also as a social one. More and more countries are starting to pay closer attention to human and social capital as a basis of effective development and productivity growth, speaking of both enterprises and states.

As a matter of fact, **competitiveness of national economy is a complex socio-economic category, dependent on various factors in which the key role is represented by business and labor environment; economic and technological infrastructure; education and professional skills; entrepreneurship and enterprise development and innovations. This category is a means of ensuring higher and more sustainable economic growth (through stimulus investments into new technologies and development of innovative business) and social welfare** [13, p.29].

Yet at the beginning of the last century German philosopher Max Weber in his work 'The protestant ethic and the spirit of capitalism' (1904) was exploring the counteraction of an irrational factor (culture, trust, social networks of cooperation) and economic development of states. He was confident that nations compete not only with their products and services, but also their systems of societal values (which can and should be straightforwardly influenced) and education.

In contemporary economics, an emphasis is put not only on the tangible products and services, but also (and to a bigger extent) on intellectual capacity. Ability of a nation to maintain up-to-date and effective educational system, increase intellectual capacity of labor force with the help of trainings is becoming crucial for competitiveness.

It is also worth mentioning that nowadays every highly-competing country with a steady growth rate develops and maintains, first and foremost, private entrepreneurship. In modern economic discourse, this has already been turned into an axiom.

The main task of a state in this lies in setting conditions and support for a favourable environment for the development of competitiveness of certain enterprises and the state itself.

A big importance in this also lies in the quality of execution. Majority of scholars believe that competitiveness requires qualitative execution of processes within the country, and to a lesser extent – state assesses or even ideas. Japan, Singapore, Germany, Switzerland are examples of the countries that succeeded in the global economy due to the masterful transformation of ideas and technologies into concrete products and services. This proves importance of close counteraction between the innovative factor and social capital in a society.

Finally, there should be political will and national consensus. The most difficult task for political establishment of any country that strives for high competitiveness lies not only in verbal ascertaining of the political will, but also in capacity to mobilize people and institutions for the sake of necessary transformations.

All this proves that competitiveness of a country is a socio-economic category of contemporary scholarly and common use, which has developed itself from an exclusive down-to-earth definition of a total sum of present capital and capacities to use resources (natural, labor); to understanding of it as a certain national ideology, a pragmatic way of development that is economically valid and socially accepted.

In the Figure 1, there are clearly defined factors and components of competitiveness of a country that have a direct and mediated impact on the state development, welfare growth, establishment of influence on the international arena etc. It is rather difficult to reflect a total sum of all elements, therefore their majority was divided into internal and external factors, the main components of the latter being socio-economic and political and legal elements.

Based on Figure 1, we can conclude that every country or economic player is under permanent pressure of globalization processes, which we define as external factors, and also a big variety of domestic factors – social, political and legal and economic – after embracing of which an enterprise or branch can break through the limits of internal competition.

However, it is necessary to clearly divide between competitiveness of a company, branch or state.

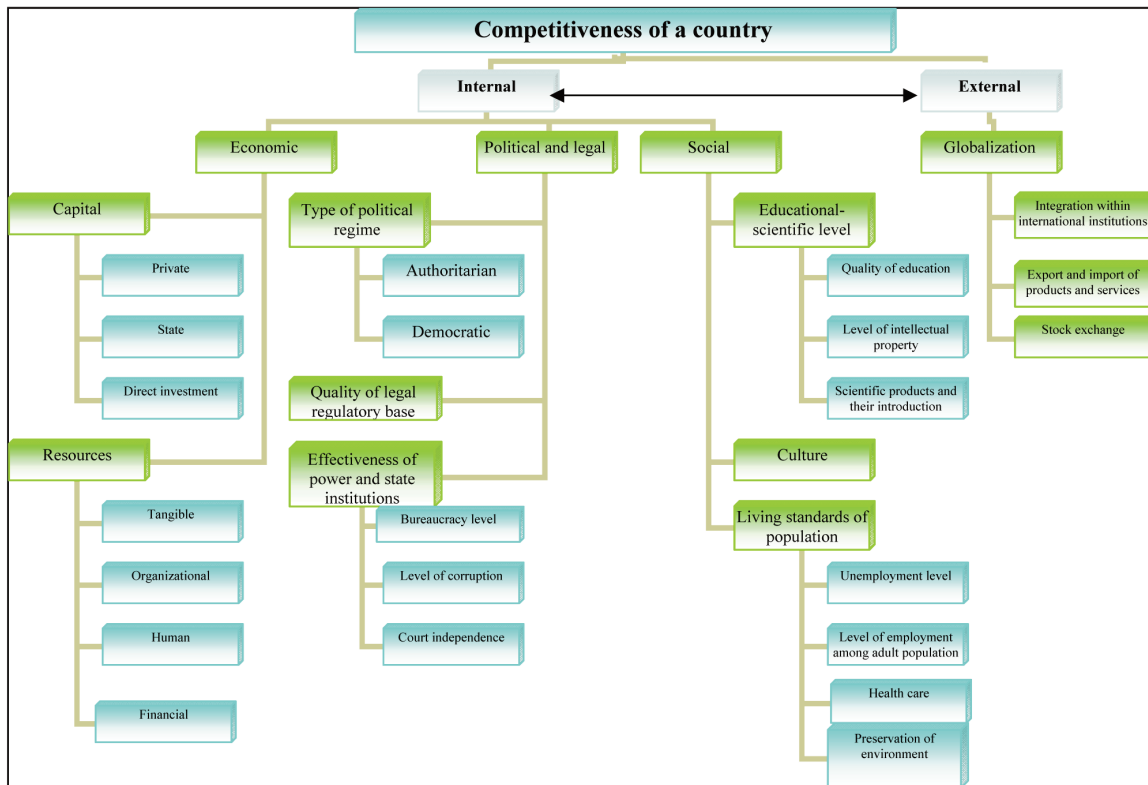


Figure 1. Factors and components of competitiveness of a country

One of the main criteria of competitiveness of a company (firm) lies a long-run perspective of growth of sales volumes, percentages of market and profits. Competitiveness of a branch is characterized by acquisition of a substantial and growing percentage of the world market by means of export of highly-qualitative products and services.

The concept of competitiveness of a country has its own specifics, since countries cannot disappear influenced by international competition the way uncompetitive companies do.

In a narrow meaning (valuable indicators of external economic activity), states do compete internationally. By this, indicators such as specific production costs in manufacturing industry, prices, real exchange rate - that is all that forms competitive positions of state branches in a global economy – are taken into account. In this sense, competitiveness of this or that country in a global context can be seen as a ‘sum’ of international competitiveness of national exporters.

In a broad sense, the main criterion for the category of ‘competitiveness of a country’ is those indicators that characterize stable improvement of living standards of population. Thus, competitiveness of a country (CC) lies in state capacity to create internal and external conditions enabling its companies to manufacture products and services, which meet the challenges of international markets, and enabling population to steadily increase their income and quality of living.

Increasing competitiveness of a country as a whole – either step-by-step or in an advancing mode (designed by the ruling elite as a ‘chase after game’; in Ukrainian case – as a ‘Ukrainian breakthrough’ advancing to the level of a competitive country) – should be seen, first of all, as a sort of investment project, i.e. a result, which is achieved by means of purposeful and consistent over the years (e.g. Finland needed some 20 years to realize its ‘breakthrough’, which resulted in the fact that nowadays this country is at the head of the competitiveness ratings), well-designed investments into the main factors of steady economic growth [18, p.30-31].

This results in dynamic growth of labor productivity (LP), innovativeness and eco-friendliness of industrial (business) processes, growing additional value in scientific and ‘knowledge-

cost' sectors of economy. That is the state economy is exploiting more and more effectively available (and to a growing extent – in short supply) manufacturing factors – natural and labor resources, capital and technologies for design of qualitative products and services. Steadily growing LP enables salaries and other types of population income to increase in a non-inflation way, which is a top goal of a project 'Competitive of a country' ensuring ongoing growth of population's real income and living standards.

Level of LP also determines an average level of investment income in a country. Since the average level is one of the fundamental factors having an impact on the rates of economic growth, the more competitive economy is likely to grow at a faster pace in a mid- and long-run perspective and be more attractive to direct foreign investments.

Investments within the limits of a 'national project' regarding increasing of competitiveness come from 2 main sources – state budget of a country and corporate sector profits. Public sector investments, as a rule, are made into such sectors as education, re-training of human resources, fundamental science and research and development, infrastructure. Private investments financed by means of enterprise incomes and household savings are directed into modernization of industrial assets, re-training of managers and personnel, research and development and innovative activity etc.

Therefore, world's most authoritative US school on competitiveness that actually equates state economic policy and competitiveness of a country growth policy, puts forth priorities of the latter in:

1. Establishment and maintenance of a stable macroeconomic environment in the long-run
2. Elimination of obstacles and simplification of regulatory-legal field for private entrepreneurship
3. Elimination of obstacles regarding freedom of international trade and capital movement
4. Setup of fiscal and economic stimuli regarding directing of private sector investments into main structural and infrastructural directions, which strengthen 'natural' competitive advantages of enterprises and branches of economy [18, p.30-31].

Importance of choosing a paradigm of competitiveness of a country for Ukraine as the main landmark of a long-term strategy is fully asserted by philosophy and direction of the Lisbon strategy of the EU, the future membership in which is nowadays almost an acknowledged priority.

In connection with this, we should clearly determine what competitiveness of a country is as a development strategy in order to define the most effective ways of its introduction for this or that economic player and a country, as a whole, taking into account globalization processes and cooperation within the boundaries of the international community.

Therefore, it looks appropriate to point out the main approaches to understanding of the notion of a 'development strategy', which is directly linked to the will to increase economic and social welfare of the society, state. The attitude of the Bulgarian scholar V. Manov looks quite productive, since he sees the strategy as a 'generator for development capacity' [12, p.297]. As the scholar argues, the key function of a strategy lies in setting conditions for meeting certain objectives. Thus, if the tactical objectives are formed on the basis of the tangible subject structure, who will achieve those, the strategy will have to embrace structural modification of the subject. As discussed above, 2 aspects are equally crucial while defining a strategy of any level: adequate goal setting and careful determination of organizational capacities [6, p.13].

Zhalilo Y. provides the definition of the economic strategy as an integral system of actions of a subject aimed at realization of a goal, objectives and priorities of its economic reproduction, taking into account a complex of effects of endogenous and exogenous factors, determined for

a long period of time [6; P.16]; whereas economic tactics is defined by the scholar as follows: as a form of realization of an economic strategy, a complex of adaptive means of effects exerted by the subject over concrete economic processes in order to give them features, determined by the objectives of the subject's economic strategy [6, p.16].

In our research, the development strategy encompasses somewhat broader understanding going beyond economic strategy, taking into consideration socio-economic substance of the main test subject of the analysis – competitiveness of a country.

At the same time we cannot help but agree with the definition of a 'development strategy' of Honcharenko O. who defined it as an integral development which determines main priorities, objectives and directions of development taking into account basic parameters of external and internal environment and their possible alterations. In other words, formation and implementation of the national strategy, stimulation of political establishment to comprehend their role, state capacity and the role of the state in the regional and global geopolitical domain is a vital imperative, a determining factor in the historical and political future of the state [2, p.35].

Thus, competitiveness of a country as a socio-economic category within modern industrial relations under conditions of globalization is the least conflict-oriented, socially binding, pragmatically beneficial state development strategy, which effectively ensures steady welfare and prosperity growth of society.

While analyzing historical experience of employing various sorts of development strategies of the world's top countries – Japan, USA, Ireland, Sweden, South Korea, Singapore etc. – it is possible to claim that these countries' progress was ensured by clearly determined actions and tactical steps, independent of political and social changes.

Therefore, a strategy of competitiveness of a country is seen, in the first place, as an apolitical, all-social development program that easily binds competing political forces, solidifies societal groups of various interests and direction for the sake of national welfare and prosperity of the state.

In the Figure 2 there are 3 systems described – politics, economy, society – that form the unified domain of cooperation and influence competitiveness of a country. The competitiveness of a country itself is both a goal, i.e. a potential result of actions of this or that country (that strives to become a competitive player of international scene), and a foundation, platform (the-

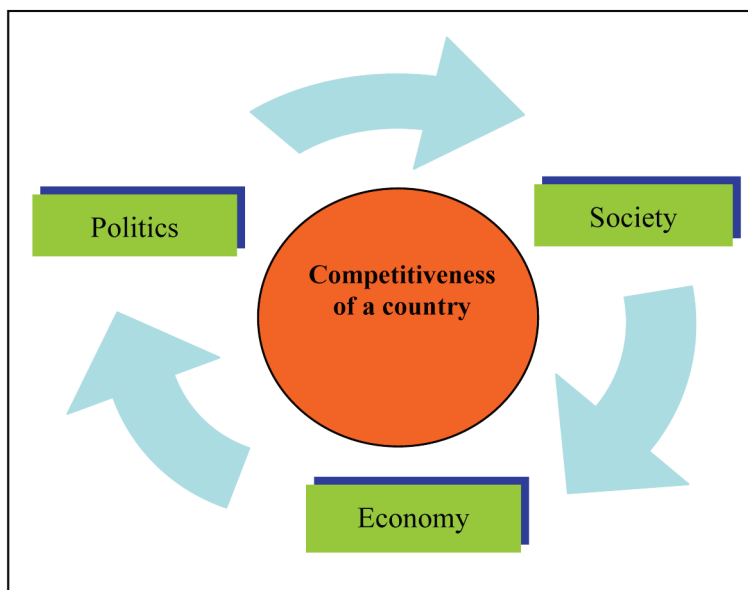


Figure 2. Competitiveness of a country as a development strategy

oretical and methodological base, historical experience) for practical implementation of development strategy.

As an example, let us turn to the most successful projects illustrating competitiveness of a country as a development strategy from a historical retrospective. Majority of countries (examples) employed a scheme 'competitiveness=innovations', which facilitated a qualitative breakthrough in both economic and socio-political fields.

Novation (lat. Novation – change, renovation) is something new, not found before. According

to the civic law, novation means an agreement between the parties regarding replacement of the obligation concluded in the past. This results in novation [16, p.72].

Under innovation (engl. Innovation – novation, novelty) one means investment into novation.

The term ‘innovation’ as a new economic category was brought into scholarly use by Austrian scholar Joseph Shumpeter in early XX c. In his work ‘Theory of economic development’ (1911), J. Shumpeter, for the first time, discussed issues of new combinations of changes in development (i.e. innovation matters) and gave a full description of the innovation process [17, p.34].

According to J. Shumpeter, innovation is a main source of profits: ‘a profit, actually, is a result of performance of new combinations’, ‘there is no development without a profit, without profit there is no development’.

Innovation is a market realized result, obtained through investment of capital into a new product or operation (technology, process). Based on that it is possible to state that innovation performs 3 functions of renewal, investment, stimulation [11, p.85].

In order to prove that there is no alternative to competitiveness of a country as a development strategy, it is important to use all theoretical and empirically accessible material. Choice of 3 countries – Japan, Ireland and Greece – is based on the fact that the first one vividly demonstrates impact of social capital on to introduction of competitiveness of a country as a development strategy, the second and the third ones – represent bright examples of the economic breakthrough in Europe, which is important to note for Ukraine’s development.

Japan as a centre of innovations in XX century. The process Japan embarked on after World War II enabled this country to stand at the head of the list of world’s most competitive countries, which may be called the **innovative breakthrough of Japan**. It started around 1948, when the country was yet under military occupation. Until 1953, Japan achieved pre-war economic level of GDP. Since then, the country has preserved high rates of industry growth. During 1952-1963 GDP of this country almost tripled and was characterized with an annual increase of 9%; during the same period industrial output of goods increased by 5 times, whereas consumption doubled. From the start of the triumphant economic development and until 1970s Japan managed to firmly occupy its role of a top industrial country.

The main pre-conditions of Japanese ‘economic wonder’ were the following:

1) American occupation power conducted a range of important transformations that substantially fostered development of Japanese society and industry. The armed forces were dissolved, democratic freedoms were renewed, universal election law was enacted, the parliament and government was formed, the constitution was adopted. Occupation power conducted a series of economic reforms. Antimonopoly laws were enacted, according to which the biggest monopoly concerns were dissolved. US financial advisors conducted reforms of the tax system. Taxes on entrepreneurship were diminished. A firm exchange rate of yen was introduced.

2) In general, reforms revived and strengthened competition among enterprisers, fostered industrial growth. In 1946-1949 a land reform liquidating landlord landowning was implemented. State redeemed land from landowners and sold to peasants almost 80% of all agricultural lots. Competition among manufacturers was strengthened, which brought about labor productivity, crop capacity, expansion of domestic market of Japan, labor market was formed (a percentage of population involved in agriculture decreased from 48% to 8% in 2009).

3) Thus, big US investments as well as domestic capital accumulation helped fully renovate equipment, set up new enterprises. In March 1952 a law on fostering of rationalization of industry was enacted, according to which enterprises received state support, tax and other finan-

cial privileges as long as they modernized industrial production and renewed equipment. Majority of entrepreneurs followed this law, which enabled them to introduce new technologies, attract direct foreign investment aimed at modernization of manufacture. Japanese successfully implanted foreign achievements in the new branches of industry. Electronic metallurgy was being successfully developed, high-capacity automatized rolling mills as well as energy- and material cost-effective technologies were introduced.

As a matter of fact, at the end of 1970s, Japan turned into one of the most powerful world centres of metallurgy. Purchasing patents and licenses for scientific discoveries, pioneering technologies etc. and skillfully adjusting them to the country's conditions, Japanese made huge profits. A range of significant technological novelties were introduced and brought into mass production by Japanese firms, such as: nylon and transistor radio (second half of 1950s), audio stereo systems, video cameras and video tape recorders (1960-1970s), computerized robots, silicon crystal micro schemes (1980s), etc.

4) Japanese system of lifelong employment (wages are increased on an annual basis and are dependent on the person's age and experience) turned out to be very effective. Companies care about permanent increase of their employees' qualifications, their welfare and leisure. Changing of one's workplace is a rare occurrence and is condemned. Japanese employees work more intensively, enjoying lower wages and having a longer week day. This decreases cost of manufacture of goods, their price.

5) External economic ties, trade, in the first place, became extremely important for Japan. Import of raw material Japan has no resources in, generally comes from the developing countries that set out low prices. Cheap raw material fostered revival of Japanese economy. Japan exports its production to the developed countries – USA, Canada, Australia and European countries.

It is worth being emphasized that Japan did not lose its influence in the XXI c. The country continues to allocate significant funds to promote innovative attractiveness of its products and services, which is ensured on the state level by Law on scientific and technical development. Every 5 years government adopts 'Fundamental plan of science and technology development of Japan'. Its latest version will be updated in 2010 and is currently based on such standpoints: science and technology should be supported by community and be beneficial for society; focus on development of human resources and science competitiveness development regarding environment (decrease of birth rate and aging, security and counteraction towards global climate change etc.); development of research in 4 priority fields – bio sciences, informational and communication sciences, environmental studies, nanotechnologies and nature studies etc [21, p.503-509].

All facts mentioned above prove effectiveness of employing innovative development strategy in a process of increasing competitiveness of a country. As seen in the Japanese case, the state efficiently seized upon all opportunities and used own resources. Thanks to these and other factors, Japan reached new dimensions worldwide and turned into one of the world leaders.

The case of Ireland is absolutely different, a contemporary one. This country gained its independence in 1949. Irish wonder lay in the fact that this country had to reach its more affluent neighbors that were much more successful in terms of using their economic resources and advantages. A big success of Ireland that consisted of million euro 'donation' on behalf of the European Union aimed at structural transformation is seen as the main factor of renaissance of the 'Celtic Tiger' (as Irish call their countries) within the last 20 years.

Favourable economic and budget policy, reduction of taxes and cooperation of all branches of power had a big importance. Moreover, Ireland greatly succeeded in attracting professional foreign labor with the help of low tax rates. Since 1960s Irish investments into secondary and high education have paid off with own highly-qualified labor.

Over the last years Irish economy has been rapidly developing, in particular, its information technologies sector, which attracts attention from all over the world. ‘Celtic Tiger’ is perceived as a decent candidacy to hold European Silicon Valley.

In Ireland, there are European centers of practically all leading companies - Microsoft, Compaq, Intel, Dell, Panasonic, 3Com, Netscape, Novell, Corel, Symantec, Informix etc. that account for hundreds and thousands of employees. In addition to this, the government follows a saving policy allocating free funds to solve social issues. As a consequence, there is a significant decrease of the unemployment rate and decrease of a gender pay gap.

Today, in order to maintain competitiveness of a country and welfare growth, the government is following an innovative policy on the grounds of implementing the National development plan 2007-2013 and Strategy on the matters of science, technologies and innovations 2006-2013, the main objectives of which should meet:

1. Development of academic base and scientific programs, strengthening of scholar potential;
2. Establishment of a range of training centers for scholars, particularly, in the field of modern applied technologies;
3. Development of industry research on the basis of higher education institutions ensured by investments at a level of 2,5 billion until 2013;
4. Commercialization of functions of education institutions: economization of scientific activity, know hows, patents etc. for the sake of practical introduction [21, p.363-365] etc.

To conclude, while analyzing economic success of Ireland, we have found out that this country continues to follow the innovative development model. Aside from the aforementioned standpoints and the saving policy, the government continues to allocate significant funds to finance innovative activities, especially in the field of entrepreneurship and communication networks, attracting foreign investments and creating favourable business conditions for private and state companies. All this is directly reflected in the social development of state. Thus, Ireland is at the head of the rating - indexes of human potential development, living standards, political freedom. Ultimately, the chosen development strategy of competitiveness of a country proved its efficiency and competence, and was well supported by the population.

Greek breakthrough — this term is employed to define impressive pace of economic and social development of Greece starting from 1950s and until mid-1970s.

In the period between 1950 and 1973, tempos of economic growth in the country reached 7%. This indicator was second best in the world (Japan was the first one). Such development was ensured by industrial production that was growing at a 10% rate annually for a few years.

Also, fast revival of Greek economy after World War II was fostered by a range of measures, including (in addition to the Marshall stimulus plan affecting this and other European countries) the sharp devaluation of Greek drachma, attraction of foreign investment, significant development of chemical industry, development of tourism and services, in general, mass construction linked to big projects in infrastructure and renovation of Greek cities (brought about by dramatic urbanization, replacement of low-rise buildings with concrete multistoried buildings).

Actually, from 1950s (excluding downturn of 1980s, mainly connected with ‘shadowing’ of Greek economy) economy of Greece was characterized by positive growth indicators. Greece invariably prevailed over majority of European countries in section of annual GDP growth that amounted to 7-9% annually.

During global financial and economic crisis of 2007-2010 the country’s economy was in certain recession due to significant foreign debt and inability to pay creditors off. Nonetheless, the

purpose of our research dictates understanding of development strategy to be key, and therefore it is crucial that years ago Greece managed to combat its domestic political contradictions and social conflicts through introduction of a pragmatic and more economically viable strategy of competitiveness of a country with the help of investment attraction, effective use of tangible resources. This enabled Greece to enjoy equal rights as an international actor.

As discussed above, the historical experience of a range of countries various development models – innovative, investment – proves necessity of realization of strategy forming development projects for every country.

Yet today, competitiveness has become a basic development strategy for countries, such as USA, Russian Federation, Germany etc.

Lack of a long-term strategy and stable economic policy is the main issue Ukraine is facing on its way to economic and socio-political growth. Most importantly, the strategy to be chosen for Ukraine should not contradict the projects already tested by international community and should consider domestic and geographic peculiarities of the country.

Based on this, competitiveness of a country is seen as a socio-economic category in a contemporary scholarly discourse, its introduction as a development strategy depends on a range of factors divided between internal and external. These components have to be taken into account while implementing action plans proposed by different governments through increase of competitiveness of a country under the limits of international community. The scope of tactically considered steps in the pursuit of one's goal and their effective introduction proves a non-alternative development strategy to be most beneficial – competitiveness of a country.

Further exploration in this field should be dedicated to substantiation of importance of social capital formation for the sake of competitiveness of a country, specification of peculiarities of influence exerted by political-cultural components on economic development of certain economic players and the state, as a whole. It is also important to analyze contemporary indexes and ratings of competitiveness of a country in order to detect the most critical positions Ukraine is currently lagging behind in, as well as advantages it can benefit from at the international arena under conditions of globalization.

A separate research dimension should encompass specification of theoretical and practical mechanisms that form a strategy of advancing development for Ukraine. We defined it as a **technology of economic breakthrough** [18] that has been partially substantiated by the author. This is a certain methodology defining those strategic development directions that will in the future help build consensus in the society. For it is for the concepts of a qualitative economic transformation (e.g. innovative development), its post-Soviet type, in particular, and introduction of the ideologically sound and socially binding course, which can be represented by competitiveness of a country, that will help form favorable conditions for the stable development of the country and steady welfare and living standards' growth of the population.

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