

Shcherbak, Anatolij

Article

National competition policy as the way to the effective economy of Ukraine

Economy and forecasting

Provided in Cooperation with:

ZBW OAS

Reference: Shcherbak, Anatolij (2020). National competition policy as the way to the effective economy of Ukraine. In: Economy and forecasting (1), S. 29 - 42.

<http://econ-forecast.org.ua/?>

[page_id=189&lang=uk&year=2020&issueno=1&begin_page=29&mode=get_art&flang=en](http://econ-forecast.org.ua/?page_id=189&lang=uk&year=2020&issueno=1&begin_page=29&mode=get_art&flang=en).

[doi:10.15407/econforecast2020.01.029](https://doi.org/10.15407/econforecast2020.01.029).

This Version is available at:

<http://hdl.handle.net/11159/6938>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics

Düsternbrooker Weg 120

24105 Kiel (Germany)

E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)

<https://www.zbw.eu/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte. Alle auf diesem Vorblatt angegebenen Informationen einschließlich der Rechteinformationen (z.B. Nennung einer Creative Commons Lizenz) wurden automatisch generiert und müssen durch Nutzer:innen vor einer Nachnutzung sorgfältig überprüft werden. Die Lizenzangaben stammen aus Publikationsmetadaten und können Fehler oder Ungenauigkeiten enthalten.

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence. All information provided on this publication cover sheet, including copyright details (e.g. indication of a Creative Commons license), was automatically generated and must be carefully reviewed by users prior to reuse. The license information is derived from publication metadata and may contain errors or inaccuracies.



<https://savearchive.zbw.eu/terms-of-use>



<https://doi.org/10.15407/econforecast.2020.01.029>

УДК 330.341.2

JEL O12, P12

Anatolij Shcherbak, *PhD in Economics*
Senior Lecturer of the Department of
General Economic Theory and Economic Policy
Odessa National Economic University

NATIONAL COMPETITION POLICY AS THE WAY TO THE EFFECTIVE ECONOMY OF UKRAINE

The article investigates the reasons for the significant difference in the dynamics of Ukraine's GDP in 2000-2008 and the last decade.

It has been shown that large-scale reforms in developed countries in the 1980s and 1990s contributed to the relatively stable development of the economies of most of these countries for almost a quarter of a century. Later, the emphasis in economic policy was on stimulating demand. This largely caused the depth of the 2008-2009 crisis and the slow GDP growth of most developed countries afterwards. At the same time, GDP dynamics in some countries differed markedly from global trends.

Australia last experienced an output decline in 1991. Such a long crisis-free development of this country is largely the result of a set of reforms aimed at developing competition. The most important areas of Australia's National Competition Policy, its economic and social implications, are analyzed.

It is substantiated that radical reforms aimed at deregulating the economy and developing competition became a major factor of the upswing that began in Ukraine in 2000. However, the cessation of reforms, and subsequently, measures aimed at restricting competition, led to a stagnation of Ukraine's economy, despite the relatively favorable external economic conditions. The relationship between the intensity of internal competition and the dynamics of Ukraine's GDP is shown. Survey data suggest that competition grew rapidly, peaking in 2006-2007, but then substantially declined.

It is noted that the economic reforms carried out in Ukraine over recent 5 years have been generally less radical and consistent than those implemented 20 years ago. The necessity of a national competition policy in Ukraine is substantiated, its main directions are defined.

Keywords: *internal competition, competitiveness, competition policy, economic reforms, Ukraine*

Ukraine is one of the few countries in the world whose GDP is less than 30 years ago. In their works Ukrainian scientists Heyets V., Zveryakov M., Korablin S., and Kryuchkova I. analyzed the peculiarities of the domestic economy, the causes of the crisis phenomena, and suggested the ways to increase this country's national competitiveness. At the same time, these works did not provide a proper explanation of the reasons for significant fluctuations in economic activities in the country. If from 2000 to 2008 the average annual GDP growth rate in Ukraine was 7,7%, at other times there was a slow growth or decline in production. The causes of the catastrophic decline in the 1990s have been deeply studied in the literature

(see, in particular, [1]). However, why Ukraine's GDP has not yet reached 2008 levels has not been properly explained.

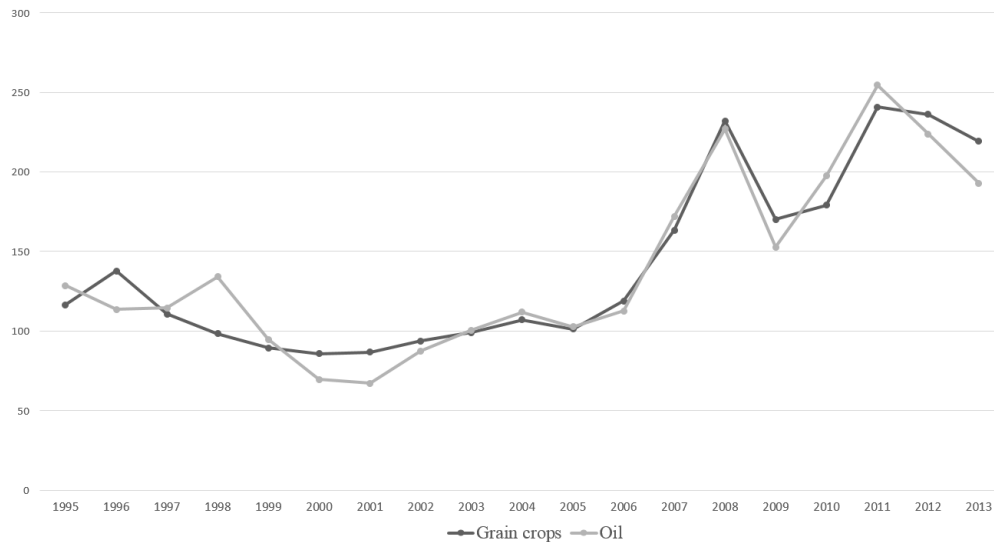


Fig. 1. The average annual world price indices for grain crops and oil (2002–2004 = 100)

Source: data compiled by the author according to [3].

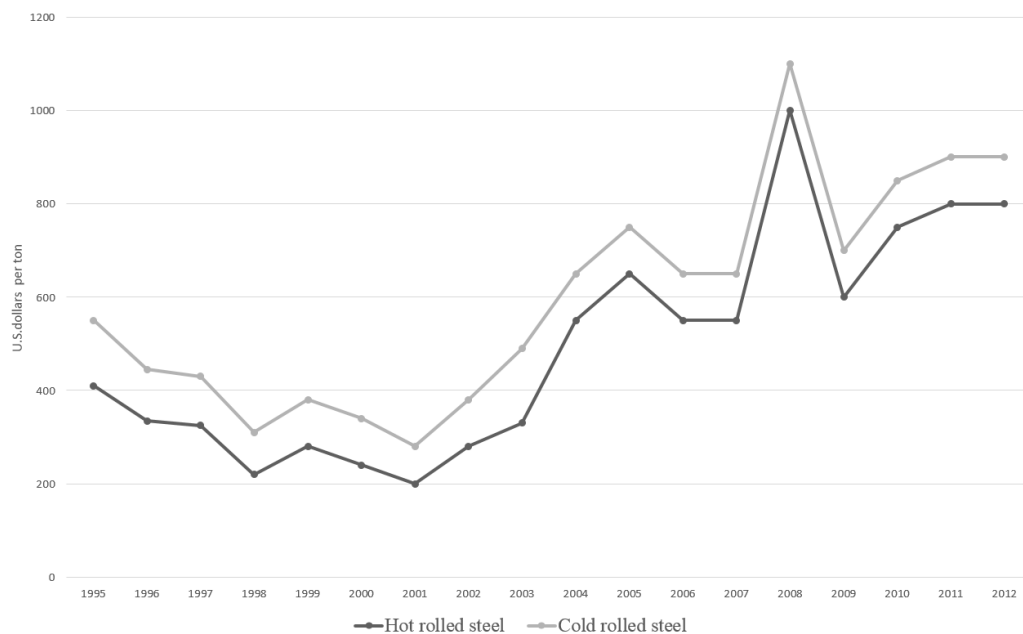


Fig. 2. International rolled steel prices

Source: data compiled by the author according to [4].

There is a point of view that the most important factor of dynamic rise was a favorable foreign economic situation [2, p. 79]. However, this is not the case. As can be seen in Figures 1 and 2, prices for the most important goods of Ukrainian exports in the early 2000s were relatively low. Rolled steel prices exceeded the 1995 level in 2004, and grain crops and oil



prices even later. The foreign economic situation in the early 2010s was more favorable for Ukraine than ten years earlier. However, in 2012–2013, a stagnation was observed, with a GDP by 6,5% lower than in 2008.

In this regard, the **purpose** of this article is to find out the most important reasons for the significant difference in the dynamics of Ukraine's GDP in 2000–2008 and over the last decade and to provide recommendations for reforming this country's economy.

It should be noted that most experts consider unrealistic our government's plans to increase GDP by 40% in five years. At the same time, in 1999–2004, Ukraine's GDP increased almost one and a half times. Understanding the reasons for the dynamic growth in the 2000s will allow us to make sound recommendations for the authorities.

The lost decade

It's common knowledge that the fundamental characteristic of a market economy is competition. It promotes the efficient allocation of scarce resources, stimulates innovation, and increases productivity. In the theory of competitive advantages Porter M. substantiated that strong internal competition is the most important factor of increase in national competitiveness [5, p. 165]. Empirical data also show that countries where domestic competition is more intense, as a rule, are characterized by higher levels of GDP and its faster growth [6, p. 5]. However, competition is weakened by ineffective government regulation and restrictive business practices of private business. Competition should be supported, protected and encouraged. Reforms aimed at enhancing competition often begin during a crisis, when it is easier to overcome the resistance of the lobby groups.

Crisis phenomena in developed economies in the 1970s and early 1980s stimulated the revision of forms and methods of state regulation. Large-scale reforms aimed at deregulating the economy and developing competition were carried out [7, 8]. Particularly serious changes took place in the power industry, in the gas industry, in transport, and in the field of telecommunications. The deepening of cooperation within the EU, the introduction of the euro, and the EU's enlargement policy contributed to a significant increase in competition in most European countries.

Radical reforms helped to increase competitiveness and sustainable economic growth, and reduce unemployment in most developed countries. Later the emphasis was on stimulating demand in many countries. Populist measures contributed to the hypertrophied development of credit and financial markets that due to the absence of their proper regulation at the national and international levels largely determined the depth of the crisis of 2008–2009.

The crisis stimulated an active search for ways to improve the situation. Thus, the Council of the Organization for Economic Cooperation and Development (OECD) in 2009 approved OECD Recommendation on Competition Assessment. Noting that public policy often unnecessarily restricts competition, the Council for identifying and reviewing these measures by creating appropriate institutional mechanisms. It was recommended to use the Competition Assessment Toolkit, a solid document issued by the OECD in 2007. The Competition Committee was instructed to report to the Council on the implementation of the Recommendation in three years' time [9].

In 2012 the questionnaires were sent to the governments of 52 countries, but only 32 responses were received. However, some governments provided extensive information, while others limited themselves to examples of individual markets. In 2014, the report on "Experiences with Competition Assessment" providing information about the implementation of the Recommendation. The report's authors noted about the impossibility to conclude which countries implemented the Recommendation and to what extent [10, p. 16].

The report shows that many countries used the OECD's Competition Assessment Toolkit to assess the impact on competition, which helped remove restrictions on competition or hindered their introduction in a number of markets. However, the OECD Recommendation did not significantly affect the policies of most countries. It should also be taken into consideration that the analysis was based exclusively on data provided by the governments. The questionnaires were requested to provide information on successful cases of competition impact assessment. However, the removal of restrictions on competition in individual markets does not yet indicate the pro-competitive nature of the policy as a whole. Thus, the report states that the Antimonopoly Committee of Ukraine (hereinafter called the AMCU) twice prevented the Ministry of Healthcare from imposing restrictions on competition in the medical services market [10, p. 49]. However, at that time the economic policy of our country was generally pro-monopolistic, which we will discuss in more detail below. The attitude of many governments to competition issues is also evidenced by the fact that 20 governments did not respond at all to the OECD request, and two reports did not contain specific examples and were not used for analysis.

Radical reforms require political will, which is capable of overcoming the resistance of lobbyists and the bureaucracy. The positive results of reforms are not always quick, so reformers need strong nerves. There is always a temptation to take measures that will bring quick profit.

According to the Global Competitiveness Report 2018 prepared by World Economic Forum (WEF), major economic challenges need long-term solutions, but short-termism prevails in governments and corporations around the world. Many productivity-enhancing reforms announced in the wake of the crisis did not materialize or remain incomplete, while other reforms are in danger of being rolled back. [11, p. 1]. The most important means of combating the crisis was monetary policy: the four largest central banks from 2008 to 2017 injected into the economy more than 10 trillion USD. These policies mitigated the negative effects of the Great Recession, but led to lower productivity growth. While the average annual growth of total factor productivity in 2000–2007 was 1%, then in 2011–2017 it was 0,3%. Therefore, WEF experts characterize the post-crisis period as a lost decade for productivity-enhancing [12, p. 4–5].

This affected the most important indicators. Thus, the EU's GDP exceeded the pre-crisis maximum only in 2015. And even after that, economic growth in some countries was unstable, and unemployment remained high. Only in 2018/2019 there was a significant increase in growth. At the same time, the dynamics of GDP in some countries differed markedly from global trends.

The last time Australia experienced a drop in output was in 1991. In 2008–2009, economic growth only slowed. Such a long period of crisis-free development is unique for developed countries. Therefore, it is important to understand the reasons for the country's successful development.

A developed diversified economy existed in Australia as early as in the middle of the twentieth century. However, later development slowed down. In 1950 in terms of GDP per capita Australia ranked the 4th out of 22 developed countries, but in 1990 Australia ranked the 15th [13, p. 3]. At the same time, inflation rose and a high unemployment was recorded. The Australian economy was surrounded by high customs barriers. In the infrastructure sectors, there were state monopolies, whose tariffs for services were too high. Many markets were tightly regulated, including competitive ones. Australia is a federal state (officially the Commonwealth of Australia), consisting of six states and two territories. Their regulations differed significantly, creating interregional barriers.

Customs tariffs were gradually reduced since the late 1980s, which intensified competition in many markets. The Council of Australian Governments (COAG) was established for better coordination, their members were the Prime Minister and Heads of State and Territories. The Independent Committee, headed by Prof. F. Hilmer, was commissioned to develop a concept of economic policy reform. In 1993, the Hilmer Committee issued a report outlining a number of recommendations. The most important of them:

- extension of antitrust legislation to the activities of state-owned enterprises;
- ensuring competitive neutrality, in other words, the relinquishing of benefits and subsidies to state-owned enterprises, which give them an advantage over competitors in the private sector;
- identification of regulations restricting competition and their adjustment;
- restructuring of state monopolies in infrastructure sectors, separation of their parts that can operate in competitive markets, and admission of private business to these markets.

In 1995 the Council of Australian Governments launched a comprehensive reform program called the National Competition Policy. In general, it complied with the recommendations of the Hilmer's Committee. The National Competition Council was established as an independent body to assess the progress of governments in implementing agreed reforms.

In reviewing legislation, the guiding principle was that statutory regulations only could restrict competition in case when overall society's benefits from its restriction outweigh the losses and the legislation's objectives cannot be achieved by any other means that would be less restrictive for competition. New legislation too had to comply with this principle. About 1,800 statutory regulations that restricted competition, were identified at the federal, state and territory levels. Adjustments were made to 85% of them [14, p. 9].

Huge changes took place in the infrastructure sectors. While previously there were several state-owned railways, later only railway lines remained state-owned. Transportation on their lines was carried out by private companies which competed with each other. The electricity reform led to the elimination of vertically integrated monopolies that has existed in each state. A national electricity market was created, and consumers were able to choose a supplier. A gas market also appeared. Reforms aimed at developing competition were carried out in the field of telecommunications, aviation and road transport.

Governments published annual reports informing on their achieved progress in revising legislation and other reforms. They were evaluated by the National Competition Council. The reforms were carried out by the Labor Party government, but were generally supported by the opposition. Without this support, it would have been much more difficult to conduct reforms, as the Liberal and National Parties were in power in some states. As part of the National Competition Policy, the Australian Government made significant payments to the states and territories. They depended on the scale of legislative revision and the implementation of other reforms and stimulated their implementation, facilitating the distribution of the benefits of the reforms among the total population.

It was originally planned to complete the reforms by 2000, but later their completion was extended to 2005. In 2006 the Council of Australian Governments approved the National Reform Agenda, which was a continuation and development of the National Competition Policy. The most important areas of the reform were identified, such as: improving the economic environment through further development of competition; and improving regulation, as well as the development of human capital (education, health care, etc.).

The results of the reforms were impressive. Thus, from the early 1990s to 2004, the electricity tariffs decreased by 19%, tariffs for rail freight transportation, and fees on communication services also decreased significantly [14, p. 13]. In 2005, the Productivity Commission

estimated that the annual economic benefits of the reforms were 2,5% of GDP, or 20 billion Australian dollars [15, p. 51]. However, this is the result of calculations for seven sectors, where the effect of reforms was measured. The average annual GDP growth rate in the last decade is 2,4%, which is higher than in most OECD countries. Continuous economic growth for 28 years is a record for developed countries.

The reasons of Ukrainian economic growth in the period 2000–2008

In the 1990s, the countries of Central and Eastern Europe, the Caucasus, and Central Asia, where market reforms were carried out, experienced a transformational decline. But the depth and duration of this decline were different. Thus, in Poland the economic growth began in 1992, in the Czech Republic – in 1993, in Hungary and Slovakia – in 1994, and in the Baltic States – in 1994–1995. The decline was expected to stop in Ukraine, but forecasts did not come true. Therefore, the beginning of the economic rise in 2000 was unexpected for some experts. In 1999 most observers were disappointed in Ukraine because of the hopeless corruption and stagnation, so the rapid growth was surprising, – noted Åslund A. [16, p. 17–18].

The situation in Ukraine in the late 1990s was very difficult. GDP had fallen almost two and a half times since 1990. Most Ukrainians lived in poverty, and pensions and salaries of government employees were paid with considerable arrears. At the same time, there was a rapid enrichment of people who were close to the power. Under these conditions, a set of radical reforms was carried out.

A simplified system of taxation, accounting and reporting for small businesses was introduced. Tens of thousands of businessmen came out of the shadows and began to pay to the budget, not the "controllers". The adoption of the Law on Licensing of Certain Types of Economic Activity facilitated the development of small business. A clear licensing procedure was established, and the number of entrepreneurs who were required to obtain licenses was reduced several times. On initiative of the State Committee for Entrepreneurship, inspection logs were introduced, which made it possible to reduce the number of inspections.

The tax burden was reduced, in particular, the collection of fees to the Chornobyl Fund was suspended. At the same time, the government overturned more than 250 decisions to provide benefits to individual businesses. During the agrarian reform, state-owned and collective agricultural enterprises were liquidated, and the land was transferred to the peasants. Some peasants expanded their household plots, but most leased the land. The reform gave a significant impetus to the development of agriculture and the agroindustrial complex in general.

Large-scale reforms were carried out in the energy sector. The abolition of unjustified benefits, the transition to payment with exclusively "live" money instead of monetary surrogates led to the fact that, according to Åslund A, the amount of liquidated rent in the energy sector was about 13% of official GDP [16, p. 10]. A significant part of these funds went into the budget, which allowed timely payment of pensions and salaries to state employees.

The improvement of conditions for business activities led to the fact that in three years (1999–2002) the number of small enterprises increased by 32%, and the number of entrepreneurs increased almost one and a half times. Competition intensified significantly, as evidenced by data from State Statistical Surveys regarding the factors that restrict the production. Some enterprises note about high competition from domestic similar products, which can be considered as an indicator that reflects the intensity of domestic competition. In 1999, 11% of industrial enterprises felt significant competition from other domestic producers, in 2003 – 30%, and in 2006 – 35%. Data on the dynamics of the domestic competition intensity in industry and GDP of Ukraine (Figure 3) proves that Porter's M. ideas about strong internal

competition as the most important factor of dynamic economic growth and increasing competitiveness are also true for our country. This figure shows the data on industry competition, but similar trends were also observed in construction and transport [17, p. 9–10].

Most reforms were carried out in 2000. Consequently, in the same year GDP increased by 6% and industrial output – by 12%. Certainly, the measures taken earlier played an important role as well, such as: achieving macroeconomic stabilization, privatization of most enterprises. However, without the reforms mentioned above, economic growth would have started later and would not have been so rapid.

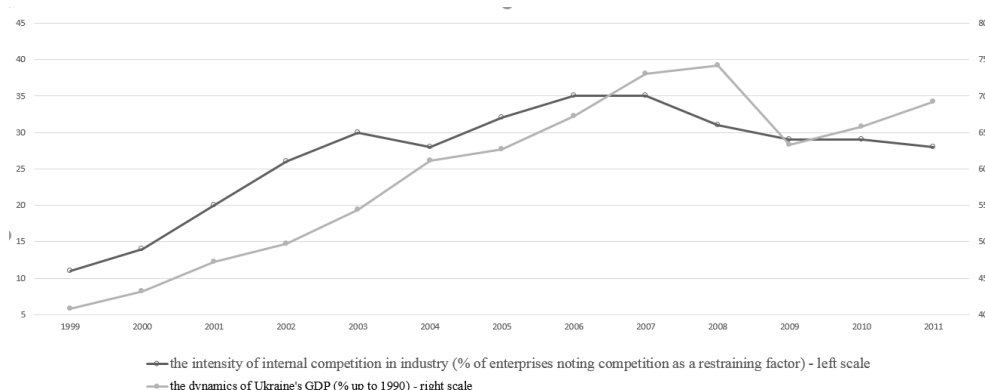


Fig. 3. The dynamics of Ukraine's GDP and the domestic competition intensity in industry

Source: data compiled according to [18, p. 95] and the State Statistics Service of Ukraine¹.

The availability of significant unused capacities was important. However, they also existed in the 1990s. The reforms that provided a more favorable environment for entrepreneurship caused the deconservation of that much of the unused equipment.

During the economic growth in 2000s, there are two stages. During the first four years, improving business conditions as a result of reforms played a key role. However, after 2001, systemic reforms were halted. In particular, the agrarian reform was not continued, and the land market still was not created. However, some reforms were implemented. Thus, personal income tax rates were significantly reduced. Since 2004, the rising prices for raw materials exports and foreign capital inflows (largely speculative) become increasingly important as factors of economic growth. As can be seen from Fig. 3, the intensity of domestic competition reached a maximum in 2006–2007, then it significantly decreased. This was due to the deterioration of the business climate as a result of increased corruption, raiding etc.

Ukraine: a crony capitalism or a competitive economy

After taking office, President Viktor Yanukovich approved the Program of Economic Reforms for 2010–2014. However, the reforms were only declared, while the state policy was actually aimed at suppressing competition. Thus, the Regional Gas Company established control over most of the regional gas distribution companies. In 2010–2011, Ostchem Holding merged four out of six mineral fertilizer companies in Ukraine.

In some cases, the government actually created monopolies itself. In 2011, three energy generating companies were privatized: Dniproenerho, Zakhidenergo and Kyivenerho. One of the conditions of the tender was that the applicant had to load 70% of the capacity with coal

¹ Due to the change in the methodology of business surveys, data on the intensity of competition after 2011 are not available.

of Ukrainian origin. DTEK could fulfill this condition and acquired these companies. Similar processes took place in a number of other industries. That is why Ukraine's real GDP did not change in 2012, and later in 2013 it increased by 0,2%. In this case, as can be seen from Fig. 1 and 2, prices for key items of Ukrainian exports were quite high.

The result of such a state policy was a model of the economy, characterized as crony capitalism. Ukrainian features are studied in the work on "Crony capitalism in Ukraine: economic implications". It states that up to 2% of domestic firms have political ties, accounting for about 20% of turnover. Politically connected firms are usually larger than ordinary firms, but they grow slowly, are less profitable, and pay less taxes. They are also less productive: their total factor productivity is by 43,7–65% lower than that of politically independent firms. According to the authors, if all politically connected firms are replaced by firms without political ties, the Ukrainian economy will grow by 1–2% faster [19].

The negative consequences of crony capitalism can be well traced if we analyze the situation at the level of industries, and sectors of the economy. Thus, the presence of more than 300 oil and gas fields in Ukraine provides favorable opportunities for a significant reduction or even cessation of energy imports. In 2018, twenty one billion cub. m. of gas was extracted, which is by 25% less than in 1990. During this period, oil output almost halved. And this is explained not only by the insufficiently effective activity of Naftogaz of Ukraine.

In 2018, the Center for Combating Corruption published an analytical report "Who owns the oil and gas fields of Ukraine?" It states that 204 specific permits for the use of oil and gas fields were issued to private companies. There are almost no well-known foreign companies among these companies. At the same time, half of the specific permits are held by companies owned by oligarchs, MPs, and former officials [20]. Auctions have been held only in recent years.

Ukrainian markets are highly concentrated, and many of them are dominated by state-owned enterprises and firms with political ties, according to a report prepared by the World Bank. At the same time, the entry of new producers into domestic markets is limited. The average entry density in private sector (this indicator reflects the number of newly established private firms per 1,000 working-age population) in 2006–2016 was low both by world standards and compared to most Central and Eastern European countries. This indicates the existence of significant barriers to entry due to the government regulation and policy of dominant firms [21, p. 20, 21]. This market structure significantly weakens competition and undermines incentives to increase efficiency. Therefore, strengthening competition policy is crucial for the dynamic economic and social development of Ukraine. We cannot but agree with this.

A number of important reforms have taken place over the last five years. It was stated that the scale of reform is unprecedented in our history. However, this is not entirely true. On the one hand, the reforms were carried out in the areas where they had never been carried out before, such as: law enforcement, and medicine. However, economic reforms in the late 1990s were generally more radical. On the other hand, no less important is the social orientation. 20 years ago, the budget was significantly replenished as a result of limiting the profits of the oligarchic groups. At the same time, real wages almost doubled in five years (1999–2004). It was different in recent years.

Obviously, under the conditions when Ukraine has lost a significant part of its production potential and military expenditure has increased, a significant raise in living standards is impossible. However, successive reforms would better offset the negative effects of the Russian aggression.

Kryuchkova I. analyzed changes in the distribution of income between sectors of the economy. The share of households in gross disposable household income (GDHI) decreased from 80,4% in 2013 to 62,7% in 2016 [22, p. 16]. This was primarily due to higher utility



tariffs. There was a large-scale redistribution of revenues in favor of public and private companies operating in energy, water supply and some other industries. The budget deficit was reduced through pensions and social expenditures. At the same time, the income of most oligarchic groups was not limited.

Some measures aimed at the development of entrepreneurship have been taken place: reduction of the single social contribution, some deregulation measures, and a repeal of unjustified benefits. At the same time, other measures have been taken that negatively affect business activities: strengthening punitive sanctions, etc. As a result, although the number of small business enterprises (small businesses and individual entrepreneurs) in 2018 increased by 7% compared to 2013, and the number of their employees decreased by 3%.

The launch of a new electricity market in 2019 led to a significant increase in tariffs. It may seem strange, since the creation of the electricity market in Australia and a number of other countries caused tariff cuts. While the electricity market in Ukraine is dominated by DTEK, the tariffs will not be reduced. At the same time, the structure of this market continues to deteriorate: in 2019, the Antimonopoly Committee of Ukraine (AMCU) allowed DTEK to acquire Odesaoblenergo and Kyivoblenergo.

Ukraine needs the National Competition Policy – a set of measures aimed at limiting monopoly and developing competition. The most important areas of reform are:

- demonopolization of the economy;
- elimination of anti-competitive provisions from the legislation;
- privatization;
- ensuring competitive neutrality, leveling the competition.

In the 1990s, Ukraine implemented the State Program for the Demonopolization of the Economy and the Development of Competition. Hundreds of monopolistic structures were liquidated, as a result of which more than 6400 independent business entities appeared on the markets [23, p. 98]. Unfortunately, liquidated monopolies were later replaced by new ones in several markets.

On September 5, 2019 the AMCU decided to forcibly split the Ostchem group of companies. But this decision was not easy to implement. Ostchem officials said they would challenge it in court. It should be noted, that in the United States thirty-three monopolistic structures were split on the initiative of antitrust authorities in the XX century. At the same time, the courts often ruled out against the United States Department of Justice Antitrust Division. In most other countries, such measures were not implemented at all.

Ostchem's monopoly position, as well as the monopolization of some other markets, is the result of the AMCU's unsatisfactory concentration control. Earlier the committee retained some independence. For example, in 2004 the AMCU refused the Donetsk company Sarmat to buy a controlling stake of Obolon, as this would have significantly restricted competition in the beer market. Unfortunately, the situation has not fundamentally changed since 2014. The merger control system needs to be revised. It is much easier to prevent a monopoly than to fight it.

Competitive agencies of developed countries treat such issues differently than the AMCU. Thus, in 2019 the European Commission blocked the operation to merge the steel assets of the German industrial group ThyssenKrupp with the assets of the Indian Tata Steel. Consent to integration is often accompanied by structural requirements. For example, when Exxon and Mobil merged, the newly formed alliance was forced to sell more than 2,400 gas stations (15% of their total number) and a refinery in California [24, p. 31].

Due to the fact that the forced division of monopolistic structures is a difficult task, it is necessary to actively use other ways of demonopolizing markets, stimulating the entry of

domestic and foreign companies by reducing customs barriers, and supporting small and medium-sized businesses.

"Prior to pressing the accelerator pedal, first release the brakes" [1, p. 357] - that was recommended by Western experts of the Government of Ukraine in the 1990s. However, our government constantly introduced new restrictions on competition. In order for the economy to develop dynamically, anti-competitive provisions should be removed from Ukraine's legislation. To identify them, you can use the Guidelines for assessing the impact of regulations and draft acts on competition, developed by the AMCU [25]. This document is based on the best world experience. While drafting the document, the OECD Competition Assessment Toolkit was used.

The Guidelines contain a checklist of 14 issues that allow to identify the impact of statutory regulations on competition. If it turns out that they can restrict competition (by limiting the number of sellers, reducing their motivation to compete, limiting the choice of the customer, etc.), it is necessary to look for alternative ways to solve the problem. Based on the study of domestic and foreign experience, the document provides recommendations how to achieve the set policy goals or correct significant market shortcomings, at the same time avoiding unnecessary restrictions of competition.

These Guidelines are used by the AMCU when considering lawsuits and approving draft regulations. They are of a recommendatory nature for executive authorities and local self-government bodies. Following the example of Australia, it is useful to use this document for systematic work to identify and further adjust regulations that contain restrictions on competition. Such work should be carried out primarily in the markets with the greatest impact on economic development and the welfare of citizens.

The authors of the above-mentioned World Bank report propose to the Ukrainian authorities to provide a competitively neutral economic environment that minimizes the advantages of state-owned enterprises and politically connected firms. This is not by accident. According to the World Economic Forum's Global Competitiveness Report 2019, Ukraine ranks 104th out of 141 countries in terms of the distorting impact of taxes and subsidies on competition.

There is a good tool to correct this situation – the Law of Ukraine "On State Aid to Business Entities". The adoption of this Law in 2014 was a great success, given that the Verkhovna Rada had twice (in 2004 and 2007) rejected the relevant bills. The authorized body for state aid control is the AMCU, where a relevant department is established. The above mentioned law came into full force in August 2017, and we should not expect rapid changes. At the same time, the fact that in 2018 only two decisions were made to declare the new state aid inadmissible for competition is alarming.

Certainly, not everything here depends on the AMCU. Most of the 185 decisions made by the committee as a result of the consideration of state aid cases concerned local self-government bodies. Only five concerned ministries, departments and five more – the Public Administration [26, p. 11]. Assistance from the state budget amounted to 4% of all state aid, while the information about it was received by the AMCU [26, p. 30]. Local governments of Kharkiv, Vinnytsia, Zhytomyr and some other regions (not all of them) agree with the committee on state aid decisions. At the same time, most ministries and departments, including the Ministry of Finance, ignore the requirements of the Law of Ukraine "On State Aid to Business Entities" and the Budget Code, which require adding a copy of the AMCU decision to the budget request for state aid.

It was important for our government to report on the implementation of one of the obligations set out in the Association Agreement between Ukraine and the EU. Therefore, the

State Aid Law was adopted, but they are in no hurry to implement it. This position should be reconsidered. The effective control over state aid should become one of the government's priorities, as it will provide significant budget savings, and minimize distortions of competition from the provision of this assistance.

You have to pay three times for state property, – noted Porter M. Firstly, First, with low efficiency and the lack of dynamism. Secondly, with the adverse effects of inefficient production on the industries, which are forced to buy public sector products. Thirdly, with the insufficient level of demand from state-owned enterprises as consumers. Procurement decisions are often influenced by political considerations, many procurements are made in the absence of competition [5, p. 759].

Therefore, the privatization of most state-owned enterprises is necessary. This should take into account the negative experience of privatization in the energy sector, as a result of which DTEK has become a monopolist. "Ways of privatization should promote the creation of healthy internal competition, rather than replacing the state monopoly with a private monopoly," noted Porter M. [5, p. 760]. This can be achieved in Ukraine if the terms of the tenders do not prevent the participation of competitive firms, and the AMCU will become more effective in controlling the concentration.

Conclusions

In the 1980s and 1990s, large-scale reforms were carried out in developed countries aimed at deregulating the economy and developing competition. They contributed to the fairly sustainable development of the economies of most of these countries for almost a quarter of a century. However, later in public policy, the preference was given to measures stimulating predominantly consumer demand. This largely determined the depth of the 2008–2009 crisis and the sluggish development of the economies of many countries in the subsequent period. At the same time, the dynamics of GDP in some countries differed markedly from global trends.

Australia developed dynamically and last experienced a drop in production in 1991. One of the most important reasons: from 1995 to 2005 in the country successfully implemented the National Competition Policy, a set of successive and interrelated reforms. In 2006, the National Reform Agenda was launched, which is a continuation and development of the National Competition Policy.

The positive impact of competition on economic development is clearly confirmed by the experience of Ukraine. A complex of radical reforms aimed at deregulating the economy, developing competition, leveling its minds, became the most important driving force of the upswing that began in 2000. However, the reforms were soon curtailed. Since 2010, public policy was aimed at suppressing competition. As a result, GDP growth stopped, despite the relatively favorable foreign economic situation. This shows that economic policy has a more significant impact on the development of Ukraine's economy than world prices for key domestic exports. Deep and consistent reforms can ensure a dynamic growth, even in unfavorable foreign economic conditions. At the same time, policies aimed at restricting competition lead to economic stagnation even with high prices for exported goods.

Over the past five years, Ukraine has carried out a number of important economic reforms. However, they were less radical and consistent than those conducted in the 1990s. Ukraine needs a National Competition Policy – a set of measures aimed at limiting monopoly and developing competition. The most important areas of reform are: demonopolization of economy; elimination of anti-competitive provisions from the legislation; privatization; ensuring competitive neutrality, and leveling the conditions of competition.

References

1. Zidenberg, A., Hoffman, L. (Eds.). (1998). Ukraine on cross-roads. Lessons are from international experience of economic reforms. Kyiv: Feniks [in Ukrainian].
2. Korablin, S. (2016). The "lagging growth" model: economic factors and consequences for Ukraine. *Ekonomika Ukrainy – Economy and forecasting*, 2, 74-85. <https://doi.org/10.15407/eip2016.02.071> [in Ukrainian].
3. FAO food prices index. Retrieved from: <http://www.fao.org/worldfoodsituation/food-pricesindex>
4. IndexMundi. Commodity prices. Retrieved from: <https://www.indexmundi.com/commodities/>
5. Porter, M. (1993). Competitive Advantage of Nations. Moscow: Mezhdunarodnye otnosheniya [in Russian].
6. Dutz, M., Khemani, R.S. (2007). Competition Law and Policy. Challenges in South Asia. The World Bank. Retrieved from <http://documents.worldbank.org/curated/en/216041468101344634/Competition-law-and-policy-challenges-in-South-Asia>
7. Viskusi, V. Kip, , Vernon, J.M., Garington, J.E. (2004). Economics of regulation and antitrust. Kyiv: Osnovy [in Ukrainian].
8. Matthews, K., Minford, P., Nickell, S., Helpman, E. (1987, October). Mrs Thatcher's Economic Policies 1979-1987. *Economic Policy*, 2: 5, 57-101. <https://doi.org/10.2307/1344621>
9. OECD (2009). OECD Recommendation on Competition Assessment. Retrieved from <http://www.oecd.org/daf/competition/oecdrecommendationoncompetitionassessment.htm>
10. OECD (2014). Experiences with Competition Assessment. Report on the Implementation of the 2009 OECD Recommendation. Retrieved from <https://www.oecd.org/daf/competition/Comp-Assessment-ImplementationReport2014.pdf>
11. World Economic Forum (2018). The Global Competitiveness Report 2018. Retrieved from <https://www.weforum.org/reports/the-global-competitiveness-report-2018>
12. World Economic Forum (2019). The Global Competitiveness Report 2019. Retrieved from <https://www.weforum.org/reports/the-global-competitiveness-report-2019>
13. Parham, D. (2002). Microeconomic reforms and the revival in Australia's growth in productivity and living standards. Conference of Economists, Adelaide. Retrieved from: <https://pdfs.semanticscholar.org/76c3/6eec48b81cb6d6e999e76e991207fff09eb6.pdf>
14. Sims, R. (2013). Driving prosperity through effective competition. The Mexico Forum 2013. Mexico City. Retrieved from <https://www.accc.gov.au/speech/driving-prosperity-through-effective-competition>
15. Productivity Commission (2005). Review of National Competition Policy Reform. Inquiry Report No. 33. Commonwealth of Australia, Canberra. Retrieved from: www.pc.gov.au/inquiries/completed/national-competition-policy/report/ncp.pdf
16. Oslund, A. (2002). Why did the economy growing recommence in Ukraine? Institute of economic researches and political consultations, Scientific materials, 15. Retrieved from http://www.ier.com.ua/files/publications/WP/2002/WP_15_ukr.pdf [in Ukrainian].
17. Shcherbak, A. (2018). Competition as a factor of economic growth: world experience and Ukrainian realities. *Ekonomika Ukrainy – Economy of Ukraine*, 8, 3-15 [in Ukrainian].
18. Trends in the development of competitive relations in the economy of Ukraine in 2010. R & D report (2011). Center for Comprehensive Studies on Antitrust Policy. State registration No. 0111u003966 [in Ukrainian].



19. Balabushko, O., Betlij, O., Movchan, V. (2018). Crony Capitalism in Ukraine: economic implications. The World Bank. Retrieved from <http://documents.worldbank.org/curated/en/435491521811321988/pdf/124551-UKRAINIAN-PUBLIC-CronyCapitalismUkraineukr.pdf> [in Ukrainian].
20. Who owns Ukraine's oil and gas fields? Analytical report. Retrieved from <https://antac.org.ua/analytics/hto-volodije-naftohazovymy-rodovyschamy-ukrajiny-zvit/>
21. Pop, G., Licetti, M., Gramegna, S. (2019). Reducing Market Distortions for a More Prosperous Ukraine: Proposals for Market Regulation, Competition Policy, and Institutional Reform. The World Bank. Retrieved from <http://documents.worldbank.org/curated/en/368301553112891891/Reducing-Market-Distortions-for-a-More-Prosperous-Ukraine-Proposals-for-Market-Regulation-Competition-Policy-and-Institutional-Reform> Reducing Market
22. Kryuchkova, I. (2017). A macrostructural institutional scoretable of Ukrainian economy. *Ekonom. prognozuvannâ - Economy and forecasting*, 2, 7-30. <https://doi.org/10.15407/eip2017.02.007> [in Ukrainian].
23. Kostusev, A.A. (2004). Competition policy in Ukraine. Kyiv: Vadim Hetman Kyiv National Economic University [in Russian].
24. Bozo, N.V., Shmat, V.V. (2007). Pyramid of Cheops against the Piza tower. Organizational structures in the oil and gas sector. *JeKO – ECO*, 3, 22-41 [in Russian].
25. Guidelines for assessing the impact of regulations and draft acts on competition. Approved by the order of the Chairman of the Antimonopoly Committee of Ukraine of 14.11.2017. Retrieved from <http://www.amc.gov.ua/amku/control/main/uk/publish/article/86597> [in Ukrainian].
26. Annual Report on State Aid to Ukrainian Business Entities for 2018. Approved by the order of the Antimonopoly Committee of Ukraine of 29.08.2019 No.15-rp. Retrieved from <http://www.amc.gov.ua/amku/control/main/uk/publish/article/151616> [in Ukrainian].

Received 03.01.20.

Reviewed 21.02.20.

Signed for print 15.06.20.

Щербак А.В., канд. екон. наук
старший викладач кафедри загальної економічної теорії
та економічної політики
Одеський національний економічний університет
e-mail: av.shcherbak@gmail.com

НАЦІОНАЛЬНА КОНКУРЕНТНА ПОЛІТИКА – ШЛЯХ ДО ЕФЕКТИВНОЇ ЕКОНОМІКИ УКРАЇНИ

У статті досліджено причини суттєвої різниці в динаміці ВВП України в 2000–2008 рр. та упродовж останнього десятиліття.

Показано, що масштабні реформи, проведені в розвинених країнах у 1980–1990-ті роки, сприяли порівняно стабільному розвитку економік більшості цих країн протягом майже чверті століття. Надалі ж в економічній політиці наголос був зроблений на стимулювання попиту. Це багато в чому зумовило глибину кризи 2008–2009 рр. і повільне зростання ВВП більшості розвинених країн після неї. Водночас динаміка

ВВП у деяких країнах помітно відрізнялася від загальносвітових тенденцій.

Австралія останній раз переживала падіння виробництва в 1991 р. Такий тривалий безкризовий розвиток цієї країни – переважно результат комплексу реформ, спрямованих на розвиток конкуренції. Проаналізовано найважливіші напрями Національної конкурентної політики Австралії, її економічні та соціальні наслідки.

Обґрунтовано, що радикальні реформи, спрямовані на дерегулювання економіки, розвиток конкуренції, стали найважливішим чинником піднесення, яке почалося в Україні у 2000 р. Однак припинення реформ, а згодом – заходи, спрямовані на обмеження конкуренції, призвели до стагнації вітчизняної економіки, незважаючи на порівняно сприятливу зовнішньоекономічну кон'юнктуру. Показано зв'язок між інтенсивністю внутрішньої конкуренції та динамікою ВВП України. Дані кон'юнктурних опитувань свідчать, що конкуренція швидко посилювалась, досягнувши максимуму в 2006–2007 рр., але потім її рівень суттєво знизився.

Відзначено, що економічні реформи, які проводилися в Україні протягом останніх п'яти років, загалом були менш радикальними і послідовними, ніж ті, що здійснювалися 20 років тому. Обґрунтовано необхідність для України Національної конкурентної політики, окреслено її найважливіші напрями.

Ключові слова: внутрішня конкуренція, конкурентоспроможність, конкурентна політика, економічні реформи, Україна