WORLD ECONOMY: NEW CHALLENGES AND INNOVATIVE FORMS OF INTERNATIONAL ECONOMIC RELATIONS

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ECONOMIC DEVELOPMENT IN UKRAINE AND POLAND DURING LAST DECADES: COMPARATIVE ANALYSIS

Almost thirty years of the economic development of post-socialist countries of Central and Eastern Europe provides an opportunity to draw some conclusions about successful and unsuccessful economic policies, the conditions for sustainable growth in living standards in these countries.

A brief overview of the analysis of the main phases of reforming the administrative-command economic system in Central and Eastern Europe. The first phase, from 1990 to 1994 was in rapid liberalization of commodity and currency markets, opening the economy to foreign goods and investors. In this first phase, we can observe two trajectories of economic development in Eastern European countries (Poland, Hungary, Latvia, Lithuania, Czech Republic, Slovakia, Slovenia) and European post-soviet states (Ukraine, Russia, Belarus, Moldova, Georgia) [1]. In particular, for the first group of economic liberalization was carried out for almost all product groups and markets, and accompanied by the creation of new effective promarket institutions and the second group (post-Soviet) where liberal reforms culminated in an even greater imbalance of economy and tight monetary stabilization to combat hyperinflation without creating institutions of the market type and the fall in gross domestic product.

It is very fruitful for designing successful economic strategy to compare Poland and Ukraine, which had the same GDP per capita, PPP (constant 2011 international $) – USD10276 and USD10464 respectively in 1990.

Poland's growth record during last decades has been more impressive than what has been observed in other countries in transition, and on average over twice as rapid as in EU countries or other transition countries at large. This economic revival has earned Poland some metaphors, in particular those of «East-European Tiger» and «Soaring Eagle» [2; 3].

To determine the features of economic development of Ukraine and Poland, we analyzed the structure of gross domestic expenditures: the differentiation of private and public consumption, investment, exports and imports in the period from 1990 to 2020. All costs for comparison, we calculated per capita in US dollars at constant prices in 2010 (Table 1). In 1990, per capita fixed capital formation in Ukraine was 2.3 times higher than in Poland, and exports of goods and services and imports of goods and services per capita were 2.1 and 4 times higher, respectively. At the same time, private consumption was 40% of the Polish level, and public consumption – 51%. For 30 years, the trajectories of economic development of the two countries have differed significantly. The Polish GDP per capita now is higher than 1990 in 2,8 times due to high rates of investment in fixed assets (increase in 4,2 times), as well as export and import operations (increase in 10 and 13 times, respectively). In fact, the model of economic growth in Poland has acquired the features of export and investment-oriented, which corresponds to the Keynesian type of economic development.

The Ukrainian economy development has been very uneven: a sharp decline in the 1990s, followed by fairly rapid growth from 2002 to 2008, and some decline and stagnation after 2013.

Table 1

Macroeconomic Developments in Poland and Ukraine in 1990–2020, (per capita)

Country	Indicator Name	1990	1996	2020
Poland	GDP per capita (constant 2010 US$)	5946,67	6929,82	16945,23
Poland	GDP per capita, PPP (constant 2017 international $)	11314,96	13211,57	32238,16
Poland	General government final consumption expenditure (constant 2010 US$)	1117,67	1425,82	3077,7
Poland	Gross fixed capital formation (constant 2010 US$)	763,51	1154,99	3239,33
Poland	Household final consumption expenditure (constant 2010 US$)	3274,93	4349,22	9806,27
Poland	Exports of goods and services (constant 2010 US$)	913,1	1564,55	9226,08
Poland	Imports of goods and services (constant 2010 US$)	651,88	1689,78	8588,77
Poland	Agriculture, forestry, an d fishing, value added (constant 2010 US$)	n/a	370,3675	294,22
Poland	Industry, value added (constant 2010 US$)	n/a	1900,25	5000,24
Poland	Manufacturing, value added (constant 2010 US$)	n/a	702,73	2645,78
Poland	Services, etc., value added (constant 2010 US$)	n/a	4032,02	9547,02
Ukraine	GDP (constant 2010 US$)	3965,38	1741,09	3115,86

(End of Table 1)

Country	Indicator Name	1990	1996	2020
Ukraine	GDP per capita, PPP (constant 2017 international $)	15751,72	6915,97	12377,02
Ukraine	General government final consumption expenditure (constant 2010 US$)	570,84	495,83	606,26
Ukraine	Gross fixed capital formation (constant 2010 US$)	1761,89	302,05	520,62
Ukraine	Household final consumption expenditure (constant 2010 US$)	1312,1	659,89	2668,32
Ukraine	Exports of goods and services (constant 2010 US$)	1958,34	1010,82	981,08
Ukraine	Imports of goods and services (constant 2010 US$)	2644,49	1032,88	1428,94
Ukraine	Agriculture, forestry, and fishing, value added (constant 2010 US$)	254,6672	157,334	293,89
Ukraine	Industry, value added (constant 2010 US$)	1511,86	448,48	605,75
Ukraine	Manufacturing, value added (constant 2010 US$)	511,24	169,38	301,33
Ukraine	Services, etc., value added (constant 2010 US$)	1827,3	1041,55	1807,93

Source: author calculations on the base of WDI data set, World Bank

However, in general, the model of economic development in Ukraine over 30 years is characterized by a significant increase in household consumption (2 times), and if we take since 1996 (achieving some macroeconomic stabilization), private consumption per capita has increased more than 4 times, but investment by only 72%, exports remained at the same level, and imports of goods and services increased by 38%.

Table 2

Indicators of Macroeconomic Equilibrium in Poland and Ukraine in 1990–2020

Country	Indicator Name	Average	S.D. (volatility)
Poland	Current account balance (% of GDP)	-2,8	2,89
Poland	Inflation, consumer prices (annual %)	9,68	13,99
Poland	Inflation, GDP deflator (annual %)	28,92	101,46
Poland	Price level ratio of PPP conversion factor (GDP) to market exchange rate	0,49	0,09
Poland	Real effective exchange rate index (2010 = 100)	88,9	12,98
Poland	Unemployment, total (% of total labor force) (national estimate)	11,36	4,89
Ukraine	Current account balance (% of GDP)	-0,7	5,01
Ukraine	Inflation, consumer prices (annual %)	226,89	676,52
Ukraine	Inflation, GDP deflator (annual %)	228,3	900,8
Ukraine	Price level ratio of PPP conversion factor (GDP) to market exchange rate	0,26	0,07
Ukraine	Real effective exchange rate index (2010 = 100)	101,11	20,33
Ukraine	Unemployment, total (% of total labor force) (national estimate)	8,65	1,68

Source: author calculations on the base of WDI data set, World Bank

Value added growth in agriculture was 86%, and in industry by 78%. Such trends differ from the Polish economy, where economic growth was ensured by manufacturing (3,8 times growth) and exports of goods and services (5,9 times growth). It can be concluded that in Ukraine economic development on the basis of the classical model prevails, and in Poland – the Keynesian model.

This situation is partly explained by the economic policy of the governments of these countries. We studied the average of indicators of macroeconomic equilibrium over 30 years: inflation, unemployment, effective exchange rate, current account balance, the ratio of market exchange rate to exchange rate at purchasing power parity (level of proximity to world prices), as well as indicators of their volatility using the standard deviation (table 2). The analysis shows very high inflation rates and their volatility in Ukraine, a slightly lower unemployment rate and a more positive current account balance and a higher level of the effective exchange rate compared to the Polish economy. This allows us to conclude that Poland maintains a fairly stable internal balance, and Ukraine cares more about external balance. The restructuring of the Polish economy based on reindustrialization based on a high level of foreign capital inflows has yielded better results than the rapid privatization and price liberalization in Ukraine.

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