

## **FORMING THE PARADIGM OF COMPETITIVE DEVELOPMENT OF THE UKRAINIAN AGRICULTURAL SECTOR UNDER CONDITIONS OF GLOBALIZATION**

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Strengthening the interaction and mutual impact of national farms, the processes of international globalization and integration are transforming today into the most powerful factor of influence on the development of entire regions, countries and certain sectors of their economies as well. Under these conditions ensuring a competitive development of agricultural sector of the national economy demands to form a new paradigm adequate to time requirements. Defining the determinants, principles of forming and implementing the paradigm, the strategic goal of competitive development of the Ukrainian agricultural sector is the objective of the article. It analyses the components of the countries' competitiveness. The article substantiates the need of changing the approaches in agricultural sector management under globalization conditions to counter potentially possible negative consequences of this process for the society and developing the mechanisms of competitive industrial development in the world economy.

*Keywords: competitiveness, development, agricultural sector, paradigm, globalization.*

*JEL code – Q10.*

### **1. Introduction**

During the years of Ukraine's independence the own strategy of joining the processes of economic globalization was not clearly formulated and implemented; the country's participation in this process was based on the model of imitating–adaptive behavior. As a result, the country had to enter the world economy as an imitating link. Such policy must be radically changed on the basis of development and implementation of the model of competitive development of the national economy and its individual sectors under conditions of globalization. Due to its irregular, asymmetric and unbalanced nature globalization generates vague consequences for socio–economic development of the countries. Agricultural sector of Ukraine, as well as other sectors of the national economy, is under the direct influence of globalization, as the agricultural production is a significant component of international trade.

Globalization challenges should be considered when working out a competitive mechanism of the agricultural sector development. This fact determines the topicality and objective of the scientific research.

Under current conditions only that national economy can be competitive which uses the opportunities of globalization most effectively. The agricultural sector, like other sectors of the economy, is under the influence of globalization, international capital flows and investments and multinational corporations as well (Economic ..., 2000). The issues of ensuring the competitiveness of the national agricultural sector under conditions of globalization remain relevant and require further study.

Under conditions of globalization the competitive development of the national economy sectors demands to find a new model of management, which is adequate to current requirements. The development of new forms of organization in response to challenges of the current turbulent environment creates new types of economic activity, which puts on the agenda the issues of expanding the conceptual basis of competitiveness and initiating new areas of scientific and applied research in this sphere of knowledge.

Nowadays there is a need to review the methodological principles of development of the country's agricultural sector taking into account potential exogenous risks which will arise as a result of globalization processes, the principles to provide the sector's competitive development. A number of researchers emphasize this issue; A. Yerankin (2009), for example, indicates that globalization processes play especially important and significant role for future prospects of economic development of the agroindustrial complex in Ukraine. The agricultural sector of Ukraine's economy is entering a new phase of its development.

Scientists of the Institute of Economics and Forecasting of NASU note that the results of the domestic agro-food system's convergence with the world one are determined by the choice of strategies and specific mechanisms for entering the global space (Paskhaver, 2009). Some methodological aspects of the agricultural sector's development under conditions of globalization and European integration and the issues of progressive methods of its research are reflected in the works by T. Zinchuk (2008), O. Luka (2004), O. Jacenko (2006) and others. Also, both the theory and methodology of the agricultural sector development require further research to be done in the context of strengthening globalization processes and Ukraine's integration into the world economy. The topicality of the conceptual basis of competitive development, analytical and instrumental unwillingness to explain new phenomena and forms that arise in economic management under conditions of competitive relations in the globalized world and increased fragmentation as well affirm the need for reviewing a number of fundamental provisions of the concept. Well-defined principles and vision of the prospects of its basic determinants' development will make it possible, on the one hand, to clarify the areas of basic research projects, and on the other, to assess the current forms of competitive development. Actually, we mean the formation of paradigm of competitive development of agricultural sector under conditions of integration into the world economy.

The research object is the transformation processes of the agricultural sector of the national economy under conditions of globalization and the formation of a new management system as the basis of competitive development.

To attain our object and solve the research problems we have chosen the dialectical method of cognition for studying the tendencies and peculiarities of development and systematic approach to appropriate adequate formulating the basic nature of the issue of forming the paradigm of competitive development of the Ukrainian agrarian sector under globalization conditions as a theoretical and methodological basis. While conducting research on the development of agricultural sector of the economy under conditions of globalization the application of systemic approach as one of the main directions of methodology of special scientific knowledge must be obligatory. Its peculiarity is that some objects are studied not separately from each other, but as components of a single system. This approach promotes adequate formulating the nature of the researched problem that in future facilitates the choice of effective ways for its solution.

The systematic approach has its methodological peculiarity. Its characteristic feature is that the research objective is to explore the natural phenomena and mechanisms that form the object studied. The development of agricultural sector in the context of globalization is an extremely complex phenomenon, as it is characterized by a large number of different internal and external relations. In this regard, in order to have an idea of its essence and integrity the method of analysis, scientific research and combination of the basic concepts and interpretations must be used.

## **2. Results**

New trends in the world trade development, technology, economic growth demanded to review theoretical views on the countries' competitiveness. In the 90s the most significant research was done by the competent American scientist, a member of the President's Commission on Industrial Competitiveness in the United States, Michael Porter, who developed the theory of competitive advantage. In his opinion, competitiveness is an urgent problem of the global economy. He believes that "there is no universally accepted definition of competitiveness. For enterprises competitiveness meant the possibility to compete with a global strategy in the world market. It meant low production costs per unit of output coordinated with the exchange rate for some economists. The debates on competitiveness have not subsided and are going on" (Porter, 2001, p.166).

In his famous work "The Competitive Advantage of Nations" he developed a system of factors determining international competitiveness. The scientist concludes that competitive advantage reflects the productivity of resources. This principle is as right at the enterprise's level as at the level of the national economy on the whole. According to Porter's arguments, the factors forming the country's competitiveness are divided into four groups: parameters of production factors; parameters of demand for goods and services; strategy of the country's companies, their structure and rivalry; nature of the subsidiary industries belonging to the country. "Random events" and "government actions" are included in this system that can either enhance or diminish the country's competitive advantage.

Competitive advantages and competitiveness are closely related to each other. Competitive advantages that characterize the objects or market entities are factorial

features and competitiveness is a resultant one. Basing on Porter's theory it is clear that competitiveness is a manifestation of the system of many factors that create different competitive advantages, depending on the competitive environment. Competition is an essential element of the market mechanism. It is growing in the context of globalization and its nature, forms, methods are changing. Each competition entity has a unique set of competitive advantages. The provisions set forth by M. Porter in his recent works suggest the benefits be focused on the production factors, investment and innovation. They describe a succession of economic growth based on the process of raising the national economy competitiveness.

However, in our opinion, under conditions of globalization, the countries try to simultaneously use different opportunities, creating substantial competitive advantages. This is especially true in the case of investments and innovations. Indeed, in highly developed countries, investments, for the most part, are made in different types of innovation. The more efficiently investments serve the innovations, the more competitive is the economic system in general. Thus, innovation has become the main instrument of gaining competitive advantage.

It is very important to define the concept of "competitive economy", which has a significance for state policy aimed at strengthening the national economy in the world market, raising the country's economic power and securing its safety under strict conditions of international competition.

The definition of the US President's Commission on Industrial Competitiveness (1985) is the most reasonable one, it determines the concept of "competitive economy" as the country's capability to produce goods and services which meet the requirements of world markets while maintaining and increasing real incomes of citizens. In the World Competitiveness Yearbook Lausanne Institute of Management and Development (1996) defines the country's competitiveness as its ability to produce added value increasing national wealth by means of asset and processes management, attractiveness and aggressiveness, globalization and proximity – on account of integrating these relations into economic and social model. The annual European Commission's report on Competitiveness notes that competitiveness should be determined as the achievement of high and rising standards of living with the highest possible level of employment on a sustainable basis.

Ukrainian economic Encyclopedia (Shtal'man, 2000) treats competitiveness as the ability of one country to compete with the economies of other countries – in terms of efficient use of national resources, productivity increase of the economy and providing on that basis high and ever-growing standards of living. The scientist B. Kvasniuk considers that the concept of competitiveness remains difficult, multiple-aspect, the concept without universal definition. But above all it reflects the favourable positions of the national economy, especially in the field of international trade, and at the same time its ability to strengthen these positions (Kvasniuk, 2003).

Taking into account the above mentioned facts, we can sum up that competitiveness is characterized by the availability of mechanisms of forming conditions and means that contribute to solving problems of national security, economic development and higher standards of living. The country with efficient economy and non-economic institutions, from the point of their impact on economic processes in the

country can be considered competitive and possess great potential not only for competitive advantage, but also for the benefits associated with the peculiarities of functioning of political, cultural and social systems.

We have divided the analysis of objective circumstances of forming the paradigm of competitive development into two groups: the problems of functioning of the traditional development paradigm and its inability to solve new challenges emerging in the evolution of economic systems; the need for adapting the competitive concepts to strategic shifts in the global world.

The assessment of the current state of the Ukrainian agricultural sector proves that its functioning is not within the scope of new agricultural paradigm. The agricultural market in Ukraine is characterized by imbalance and inefficiency, disparity of prices, its operation does not favor the sector's motion to a long-term effective balance and does not provide an effective reproduction of the agricultural sector resources. There are objective circumstances for radical revision of the current paradigm of the agricultural sector development and formation of a new one – the paradigm of competitive development. Its conceptual scheme is reflected in Fig.1.

We consider that the problem of imperfection of contemporary concept of competitiveness and competitive development lies in two areas: the contemporary paradigm provides the ways to improve the national economy management today. However, rapid changes in the competitive environment require new responses and interpretations. So, the prevalent paradigm today is not ineffective by itself, but may be insufficient to meet new challenges. As John Brady and Jan Davis note in this regard, "the experience of previous years no longer serves as a reliable base" (V-Ratio, 2014); regular attempts to modify the current paradigm are exposed to the problem of practical implementation, as they are often based on some successful examples of specific industries, this fact often limiting their wider and universal application.

Fig. 2 systematizes the determinant changes in the market environment which significantly influence the formation of a new paradigm of competitive development. It should be mentioned that the processes of globalization are determinant factors in forming new guidelines of economic relations on terms of competition.

Competitive relations in agriculture are evolutionary in their nature and have several stages of development. The first stage is the formation of competitiveness of the agricultural sector of Ukraine. At this stage competitive advantages connected with economic resources are determined, formed and implemented. The development of an appropriate production system that would be able to interact with other members of the competitive relations takes place at the second stage, that is ensured by active innovative technology development, technical facilities and human potential.

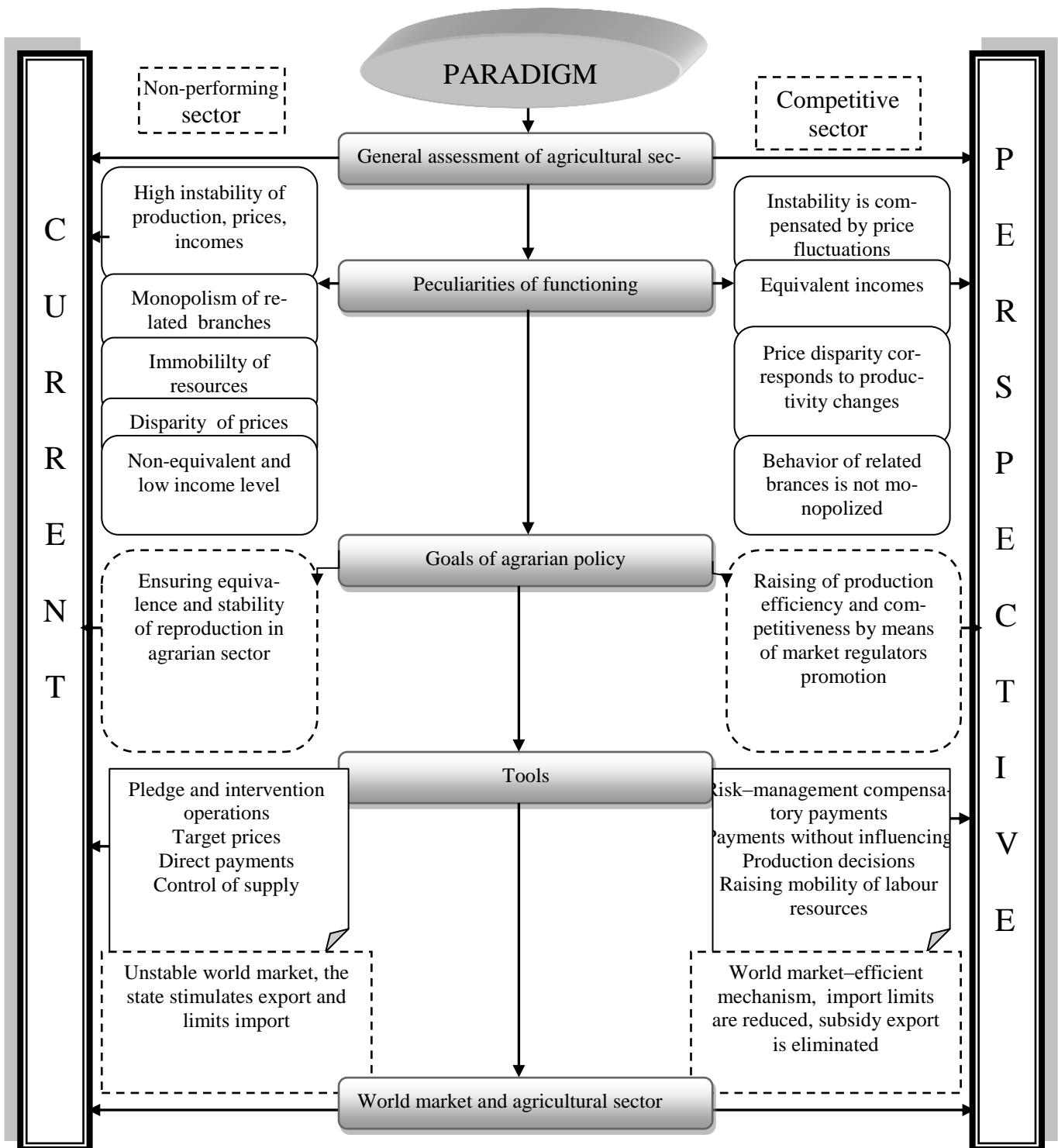


Fig.1. Paradigms of agricultural sector development

The third stage is the formation of mechanism of rapid adaptation of economic systems to the activity in external competitive markets. The fourth stage is marked by the fact that highly developed, competitive national economic system provides a significant rate of social development and welfare growth of the population. Then, due to a significant increase in the society needs, such system goes back to the first stage to ensure a high level of competitiveness. Accordingly, a cyclic character of the eco-

conomic systems' competitiveness under conditions of globalized society development is formed.

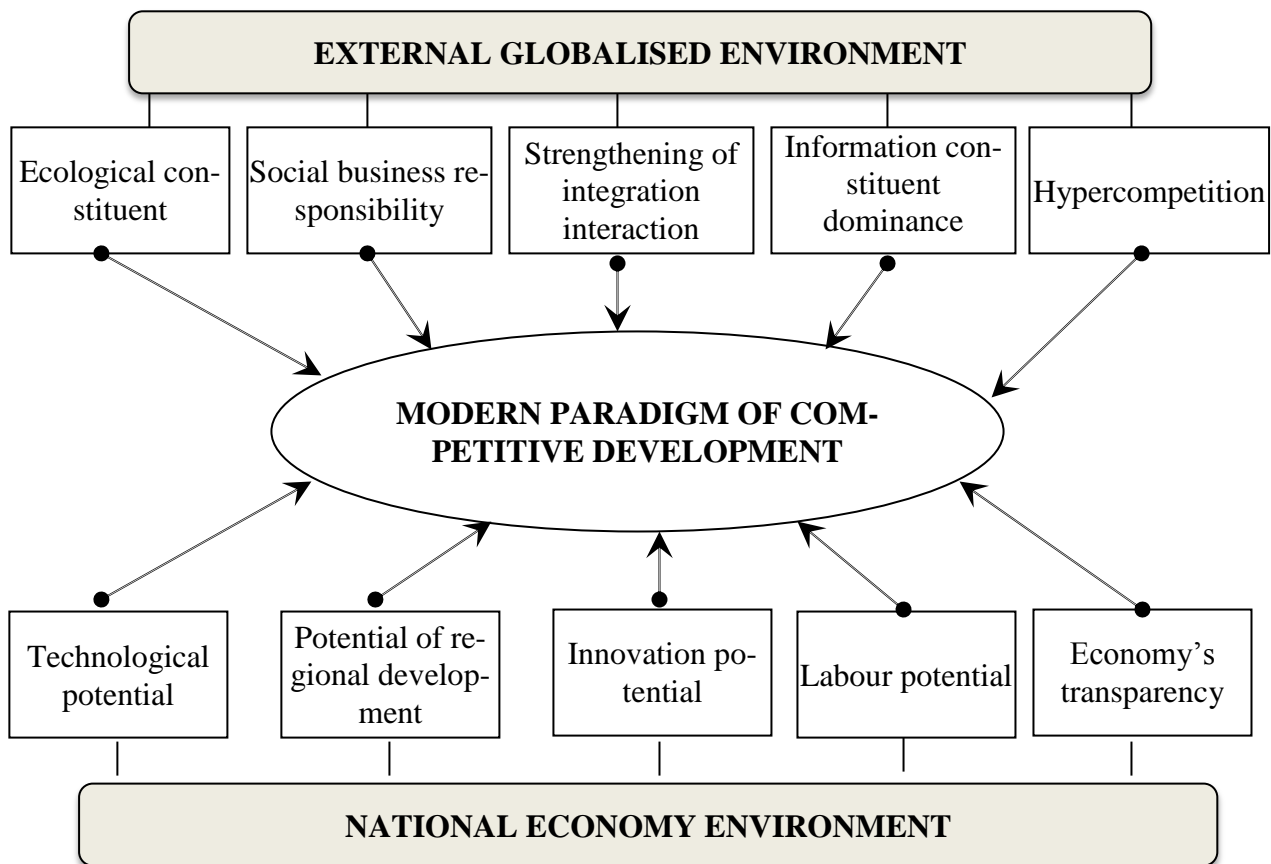


Fig. 2. Determinants of modern paradigm of competitive agricultural sector development in Ukraine

Thus, we can conclude that the main imperative of development of the national sectors of domestic economy, the level and dynamics of their competitiveness is to ensure competitive development. Competitive development of agricultural sector should be comprehended as the state of modernization at which the economic, social and environmental harmonization of the economic systems' development is ensured in a balanced structural correlation, creating a basis for active development of socially-oriented system of relations in all spheres of the country's economic activity. The key competitive advantages, including resources, will not become the basis of paradigm of agricultural sector competitiveness, but the developed ones such as high technology, intelligence, scientific discoveries, innovations that capable to create efficient mechanisms will constitute it.

Those economic systems reach the highest level of competitive development where competitive relationships are transferred into innovation. However, it should be noted that during the transition to such principles of development an exceptionally important role is played by institutional factors, and particularly the level of technology modernization of economic development management by State and local authorities and self-government (Monastyr'skyj, 2010). The intensification of their activities towards enhancing competitiveness is the driving force of this mechanism. Adhe-

rence to this imperative in terms of transformational change should be carried out through the formation of not only the effective investment and innovation policy, but at the same time through the implementation of socially-oriented model of economic development, the creation of an efficient market system. The basic principles of their implementation should be defined according to the imperatives of competitive development (Figure 3).

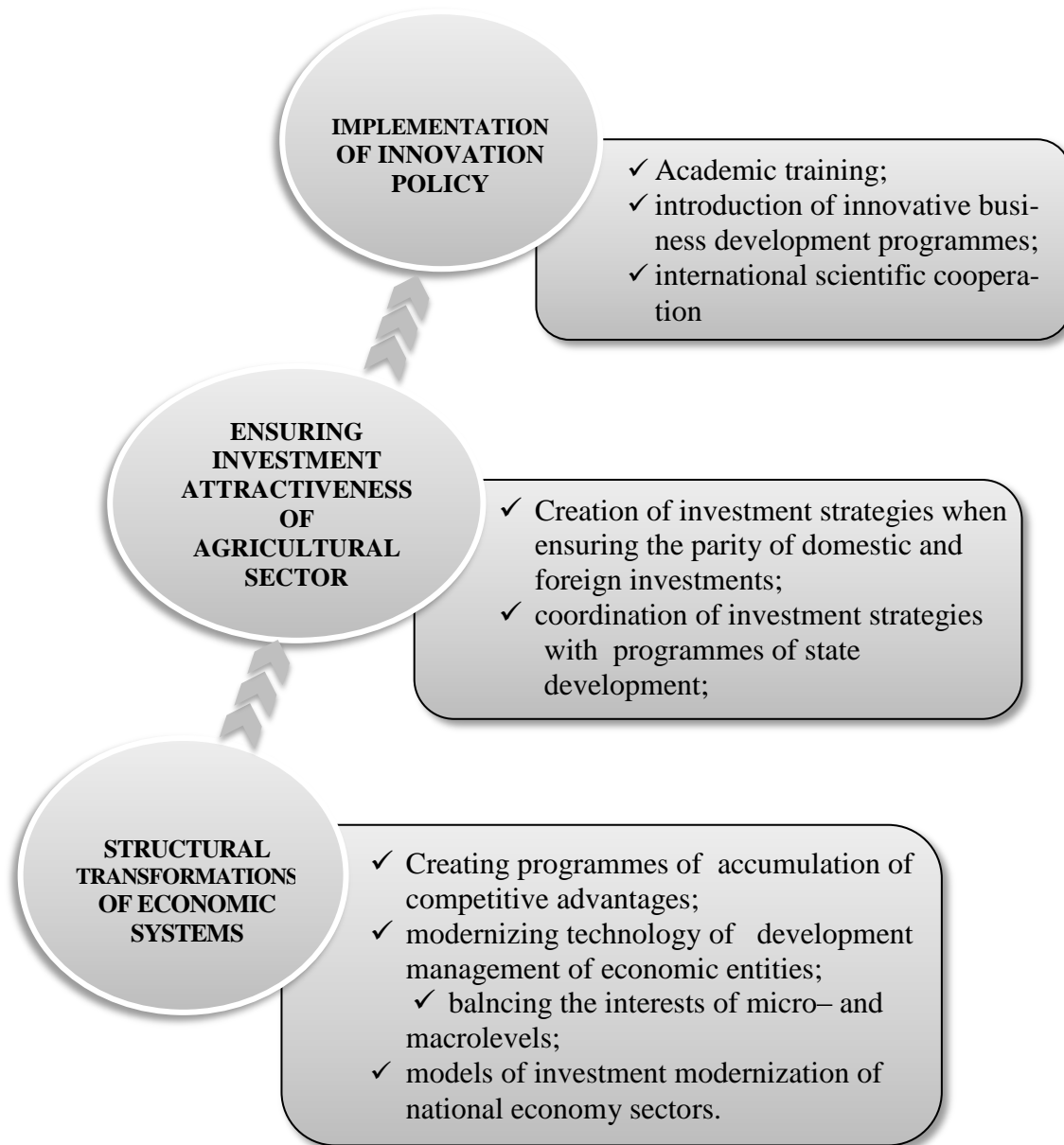


Fig. 3. Principles of formation and implementation of competitive agricultural sector development

These principles include, in the first place, the structural transformation of regional economic systems and institutional changes corresponding to them. The second key principle of the formation and implementation of competitive agricultural sector development is the provision of its investment attractiveness. The third important principle of ensuring the competitive agricultural sector development is an effective innovation policy. Under current economic conditions it is vitally important to formulate and implement an active innovation policy that will cover the academic



training, introduction of innovative business development programs, international scientific cooperation.

### 3. Conclusions

1. The impact of globalization and integration processes on the national economies demands the creation of new methodological principles of the agricultural sector's development. The strategic goal of providing competitive agricultural sector development in a long-term period is to preserve the basic natural and industrial resources, to secure modern technological and institutional changes to meet the population needs for the end product. Indirectly, this means an increased focus on preserving the soil fertility, water, plant and animal genetic potential, using the innovative environmental technologies and finally ensuring the economic independence of economic agents and competitiveness as well.

2. The foreign economic, socio-economic and managerial vectors are determined as the basis of competitive development of economic sectors. Optimal structural proportion and interaction of the above mentioned components of the competitive development involves a balance between "global" and "local" economies, the country's advancing policy in the world market, improving financial policy, preserving the social structure, increasing investment in education, improving the legal, economic and investment environment of the country and, consequently, provides expansion of the market infrastructure, production of goods with high added value, reduction of social incomes inequality, strengthening of the middle class, raising the education quality, creation of the sustainable and predictable legal environment, formation of the flexible and dynamic economic structure, stimulation of the private savings and domestic investments, restructuring of the administrative personnel.

3. The strategic goal of competitive development of agricultural sector, the imperatives and factors of its provision as well as the implementation principles form in total the paradigm of competitive development of the Ukrainian agricultural sector under conditions of globalization.

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## UKRAINOS ŽEMĖS ŪKIO SEKTORIAUS KONKURENCINIO VYSTYMO PARADIGMOS FORMAVIMAS GLOBALIZACIJOS ŠALYGOMIS

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Globalizacijos ir tarptautinės integracijos stiprinimas turi didelę įtaką nacionaliniams ekonomikų procesams, taip pat daro įtaką atskirų sektorių ekonomikos plėtrai. Siekiant užtikrinti konkurencingą žemės ūkio sektoriaus ekonomikos plėtrą, būtina susidaryti naują, atitinkančią laiko reikalavimus, paradigmą. Straipsnio tikslas – nustatyti formavimo ir įgyvendinimo paradigmos, taip pat strateginį tikslą, sukuriant konkurencingą Ukrainos žemės ūkio sektorių. Išanalizavus konkurencingumo komponentus, nustatyta būtinybė pakeisti Ukrainos žemės ūkio sektoriaus valdymo požiūrį, neutralizuojant globalizacijos kontekste potencialiai galimas neigiamas šio proceso pasekmes ir kuriant konkurencingus pramonės plėtros pasaulinėje ekonomikoje mechanizmus.

*Raktiniai žodžiai: konkurencingumas, konkurencinė plėtra, žemės ūkio sektorius, globalizacijos paradigma.*

*JEL kodas – Q10.*