Competitive advantages of countries as a determinant of the structure of the modern world economy

Abstract. The article identifies the competitive advantages of modern states in the world economy, which made it possible to propose a classification of factors of national competitiveness that substantiates the international division of labor, the nature and forms of interstate interactions at the present stage of development of the world economy; the directions of the impact of globalization and transnationalization on the process of accumulation of competitive advantages by modern states are highlighted, which made it possible to characterize the modern determinants of the global competitiveness of countries in the context of the growing mobilization of production factors and trade liberalization; the influence of domestic demand, which determines the country's competitiveness, as the only immobile factor and environment for the generation and commercialization of innovations, has been proven, which has made it possible to systematize the instruments of domestic socio-economic policy as a means of accumulating national competitive advantages; a methodology has been proposed for determining quantitative and qualitative indicators of the competitiveness of countries, the use of which demonstrates the correlation of national competitiveness and the efficiency of the internal functioning of economic systems, and makes it possible to predict the participation of states in the processes of integration and world trade.

1 Introduction

In the context of the intensification of trends in globalization and liberalization of the world economy in the 90s, the transformation of the latter into a system of national economic systems and transnational constructs for the distribution of both finished products and factors of production, the structure and content of the competitive struggle that had developed system of international division of labor.

In addition to the quantitative increase in indicators of the intensity of competition, due to innovative modernization, the formation of a global market for technology, information, hypertrophic growth of high-tech areas, and the mobilization of capital, qualitative deformations of the competitive struggle are also observed as characteristics of the world
economy. Competition, which has accumulated the achievements and consequences of trends in the unification of consumer preferences, the scientific and technological revolution, the formation of a global communication space and information resource, social restructuring as a result of post-industrialization and the promotion of a consumer lifestyle, has determined changes in the structure and content of factors competitiveness of countries.

The purpose of the study is to identify the principles of theorizing a national strategy for increasing global competitiveness based on the determination of competitiveness factors corresponding to the current stage of development of the world economy, quantitative and qualitative analysis of the competitive advantages of the largest economic systems in the world.

In connection with the purpose of the work, the following objectives were set:
- based on the analysis of the results of research into the concept of global competitiveness, achieved by representatives of various economic schools and directions, to determine trends in the theorization of country competitiveness;
- highlight modern intranational and foreign economic manifestations of countries’ competitive advantages, corresponding to trends in the development of the world economy;
- classify the factors of a country’s competitiveness in the modern world economy, analyze their impact on the positioning of the national economic system in the structure of the international division of labor;
- based on the classification of countries according to their level of competitiveness, assess the dynamics and content of the main world economic interactions;
- determine the principles and tools for implementing state policy in the field of increasing competitive advantages.

2 Main focus of the study

The definitions of competitiveness existing in world economic science reflect various aspects of its essence - from the natural resource potential of the state and its economic and geographical position to the state of infrastructure, business conditions, the power of the national innovation model, and the amount of domestic consumption [1-19].

The genesis of theorization of competitiveness allows us to highlight the following pattern - each scientific definition of this category was determined by specific historical economic conditions.

The development of the world economy and the content of competitiveness, thus, represent synchronous trends - changes in the international division of labor, the positioning of countries in the world economy as a result of role transformations of production factors, were reflected in the structure of the competitive advantages of states.

The weakening importance among the factors of competitiveness of the economic-geographical position of the country, its natural potential as a result of the formation of transnational entrepreneurship, mobilization of capital and labor, led to an increased role in determining the competitiveness of the country of infrastructure, including as the material environment for the functioning of the national economic system, as well as its legal, information, and personnel components.

In turn, scientific and technological progress, the spread of “consumer” social values, the demonstrated ability of the consumer society to stimulate innovative progress, have updated the importance of internal economic and social indicators in the structure of competitiveness factors - from the amount of material well-being to social stability and fairness in income distribution [1-19].

Analysis of interpretations of competitiveness allows us to identify a number of essential characteristics of the competitiveness of the economy, presented as an effective means of increasing living standards; characterized by developed scientific and technical
potential; the ability of national enterprises to produce goods and services that meet the requirements of the world market in conditions of free competition; productivity of resource use; high level of social development and sustainable rates of economic growth in the long term. Finally, competitiveness seems to be an objective process that reflects the continuity and dynamism of the development of the economic system.

External manifestations of a country’s high competitiveness include effective exports, positioning in the international division of labor, investment attractiveness, stability of economic development, mobility of the economic system, absence of external debt, activity of investment processes directed from the country, the presence of domestic TNCs actively implementing foreign activities [1-5].

At the same time, competitiveness in its modern sense requires the country to have certain internal economic achievements. Such as the presence of a powerful, constantly growing, high-quality domestic sales market, providing through high domestic consumption economies of scale in national production, the ability to initiate the process of generating innovations, their commercialization; the presence of its own innovation model, a system for generating and commercializing innovations, effective tools for global innovation monitoring, outsourcing, maintaining innovative leadership on a planetary scale; maximum employment and minimum unemployment, high efficiency of national social programs ensuring the stability of the social environment; an effective and maximally fair system of income distribution within the state; harmonious structure and balance of the internal economic system, uniform development of three sectors of the national economy - agricultural, industrial and service; in general, liberal conditions for doing business, effective anti monopoly control by the state, the possibility of the emergence of new industries and enterprises, a high level of internal competition, without which the formation of external competitiveness is impossible.

In the structure of the country's competitiveness factors, one can single out the economic-geographical position, resource provision, infrastructure, domestic consumption and the national system for generating and commercializing innovations, the analysis of which confirms the leading importance of economic entities as the main factors in increasing competitiveness in the economy; the role of regions and local competitive advantages necessary to create competitive forms of production organization; the need for consolidation in the process of stimulating the growth of national competitiveness of the state, research organizations, transnational corporations, small and medium-sized enterprises, and the population.

The given factors of competitiveness of states, having their own quantitative and qualitative manifestations, are distributed extremely unevenly between countries.

Some economic systems, due to both natural reasons and implemented (implemented) national policies, have all of them (from geographical location to the national system for generating and commercializing innovations), some have several, or are completely deprived of them in the modern system -the topic of world economic coordinates. Creating new sources of national competitive advantages, increasing the rate of economic exploitation of existing ones (for example, transfer of advantages to related industries within clusters, to new markets for finished products) is the basis of the national economic policy of most states.

The structure of the world economy is currently influenced by a number of trends, stimulated both by the dynamics of the economy and the consequences of scientific and technological progress - this is the mobilization of trade, goods, resources, finance and labor - which, on the one hand, can to adjust in a certain way the existing structure of the competitiveness of modern states, and on the other hand, to stimulate the formation of a new “hierarchy” of national economic systems depending on the set of competitive advantages of the latter.
The mobilization of trade, made possible thanks to the rapid development of transport, the formation of a global infrastructure of trade and payments, the emergence and popularization of related institutions, as well as the consequences of information progress, largely neutralized the importance of the geographical location of states, transformed the geography of trade routes, and endowed new countries with competitive advantages of countries and regions.

Mobilization of resources consists both in reducing the cost of their transportation from the places of direct production, in restructuring the production factors themselves in favor of increasing initially more mobile than natural raw materials, finance and information, and in intensifying the activities of TNCs that are able to gain direct access to resources around the world.

The only immobile factor of a country's competitiveness remains domestic consumption. Thus, with an increase in the mobility of production factors and a reduction in the importance of the country’s economic and geographical position, the country’s competitiveness indicators increasingly begin to depend on the internal economic and social environment, which is also a component of innovation. In modern conditions, deeply integrated into world economic interactions, possessing a perfect infrastructure for doing business and government regulation, an extremely liberal economic model, the country essentially exhausts external sources of increasing competitiveness, must seek new opportunities for the latter through the development of internal demand and on its basis the process of generating innovations and their active commercialization.

Due to the fact that domestic consumption is closely connected with the territory and is an attribute of the national state, the concept of a country’s competitiveness does not lose its relevance in the context of globalization and transnationalization of the economy, but takes on a new meaning. The differentiation of world consumption stimulated by globalization, the formation of consumer economies, and the universalization of consumer preferences are transforming early ideas about the competitiveness of states, requiring the inclusion of fundamentally new indicators in the methods for assessing them.

Based on the marketing concept of competition and the given structure of factors of country competitiveness, three types of states were identified. Countries with a high level of competitiveness have a highly developed infrastructure, domestic consumption and an effective system for generating and commercializing innovations. In practice, they act as active exporters of innovative, high-tech products, form powerful transnational structures of industrial and agricultural production, actively attract production factors of foreign origin, since the specifics of their national economic system fully meet the needs of the world investor, as well as highly qualified labor force for through the implementation of various monitoring and migration programs, outsourcing, franchising in the information and technology market. The main resource for the development of these states is domestic demand and innovation, and therefore the protection of domestic consumption from foreign competition and the preservation of innovation leadership in such states have become the mainstream of foreign economic policy.

States of the second type have clearly acquired competitive advantages, for example, modern infrastructure, and are able to attract financial resources from foreign countries. At the same time, they have weak domestic demand, and most of their products are export-oriented. The structure of exports is dominated by finished goods of medium or low degree of innovation and mass consumption.

The competitiveness of the third type of state is based on lower-order factors - favorable economic-geographical location and natural potential. These states have localization advantages and exploit resource rent. In their national economic system, the problem of unbalanced sectoral development arises - the attractiveness of raw materials stimulates stagnation in industry, the high-tech sector, and develops corruption. Non-resource sectors
are experiencing an acute shortage of natural resources; the potential for their progress is significantly limited, among other things, by low domestic consumption and the low level of its quality. These countries are the most vulnerable in the global economic system - they are completely dependent on the export of natural raw materials, fluctuations in world prices for them, and may lose part of their economic sovereignty (due to the intensification of the expansionist activities of TNCs).

In the genesis of the competitiveness of modern national economic systems, the strategy of transition from one level of competitiveness to another, the accumulation of competitive advantages of a higher level due to the potential of existing ones, is obvious.

In the first period of their development, states actively use the competitive advantages of the first level - the specifics of their economic and geographical location and their resource supply. If governments manage to overcome the so-called “resource curse”, accumulate funds received through the export of homogeneous goods for the development of industries unrelated to the extraction of raw materials, form an effective infrastructure, stimulate export diversification, and attract foreign investment, the country’s national economic system moves to the second level of its development.

At the second stage, states that already have the appropriate infrastructure and relatively accessible production factors make the transition to the third level of competitiveness by improving internal economic conditions - increasing domestic consumption, which develops certain social and economic institutions that stimulate innovative processes. The growth in the quality of consumption develops the popularity of innovations and innovative products, improves educational processes and R&D, which forms a new platform for economic progress.

In its economic development, a state can accumulate competitive advantages, increasing its own position in the ranking, transforming its role in the existing system of the international division of labor. The competitiveness of the country is also significantly influenced by the relationship between competitive advantages with each other, for example, an advantageous economic and geographical location through stimulating trade will contribute to the growth of the quality of financial and logistics infrastructure.

By making the transition from level to level in the global hierarchy of competitive advantages, effective countries do not lose the competitiveness factors characteristic of lower levels. This is possible thanks to state policy, but most often, in accumulating the competitive advantages of various levels, states use the tools provided by globalization and transnationalization, primarily by stimulating the entry of their own TNCs into foreign markets.

The classification of countries according to their level of competitiveness determines the structure and direction of export-import flows between them: countries of the third type export natural raw materials and homogeneous goods on a global scale. Countries of the second type also have a global geography of exports of consumer goods. While the circle of importers of innovative goods traditional for countries of the first type is limited to states of the second type, countries of the third type that are at a lower level of development are simply not ready to import technologies and innovative products due to the lack of corresponding demand in them. For this reason, the states of the second type have the most effective (diversified, geographically dispersed) exports; on the other hand, such active exports undermine their economic sovereignty.

The principles of state economic policy in countries around the world are determined by the main threats to their economic progress, the set of which varies depending on the level of competitiveness the country is at currently.

Thus, for third-level countries, characteristic threats are the lack of domestic demand, single-industry exports, the dependence of the country’s future on the volume of its own deposits and the world price of resources, the lack of internal competition, the high
economic role of the authorities, and the activities of TNCs. For second-tier countries, economic threats include increased dependence on imported technologies, restrictions on foreign markets, the emergence of new competitors, weak domestic demand, dependence on imported raw materials, and the most liberal economic regime. The limiting factors in the economic development of first-tier countries are dependence on imported resources, the possibility of losing innovative and technological leadership, and the entry of foreign manufacturers into domestic consumer markets.

The differentiation of states according to the level of quality of their competitive advantages determines the content of international competition, also differentiating it, limiting the range of participants, goals and tools of struggle.

Competition between states at different levels of competitiveness is impossible in principle. This is determined by significant differences both in the structures of their national economies and in demand.

At the same time, within the three identified types of countries (according to their level of competitiveness), a competitive struggle is unfolding, the motives, goals and instruments of which differ from group to group.

Among the states of the third type, there is, first of all, a struggle for markets for their raw materials, for the stabilization and growth of export volumes, and, consequently, the country’s income. States of the second type fight among themselves for production factors, primarily capital. The object of the competitive struggle of states of the first type are resources that, despite innovative progress and the development of high-tech industries, remain of fundamental importance in their national economic system, although they have no geographical relation to them, and are exploited through transnational constructs.

Adequate to both modern trends in the development of the world economy and the current definition of competitiveness, the methodology for its quantitative and qualitative analysis should reflect the effectiveness of the functioning of the economic system, and not only its possession of resources, factors of production, and the potential for economic progress; characterize the efficiency of the use of production factors in sectors of the national economic system, take into account possible disproportionality and imbalance as factors that reduce competitiveness, the overall efficiency of the use of production factors and the fairness of the distribution of national wealth; take into account the amount of domestic consumption, its dynamics, the level of internal competition as leading factors in stimulating, on the one hand, production efficiency, and on the other, reducing dependence on world markets; reflect the effectiveness of state regulation of the economic system, the created elements of the legal, investment, trade, innovation infrastructure of economic activity; contain an assessment of the country’s foreign trade activities - not only quantitative indicators of export-import operations, but also the so-called quality of exports and imports, which determine the competitiveness of national goods on the world market, the degree of economic sovereignty of the country in the globalizing world economy.

3 The concept of theorization and methodology for quantitative and qualitative assessment of the competitive advantages of modern economies

Groups of indicators characterizing the effectiveness of the country’s economic system, the balance of the national economic system, the effectiveness of the structure of foreign trade operations, the effectiveness of national and transnational business, the effectiveness of state regulation of the economy, and the innovativeness of the economic system were used as evaluation indicators (Table 1).
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INS - Index of national economic systems efficiency
IID - Index of efficiency of internal distribution of goods
IFT - Foreign Trade Performance Index
IIM - Composite index of national economic systems innovative modernization
IFF - Index of national economic systems financial efficiency

In comparison with the authoritative rating of global competitiveness of the International Economic Forum (Table 2), the top ten leaders in the rating compiled on the basis of the study have changed slightly. The United States and Western European countries are represented in it (France and Italy received higher scores than Denmark and Finland in the IEF ranking due to their more efficient foreign trade; Germany ranks first in the ranking for the same reason, although, for example, in terms of the efficiency of the economic system, government regulation and innovation, it is inferior to the Scandinavians), together with Singapore, Kuwait represents the Asian region (Kuwait’s success is associated with a high indicator of the efficiency of the country’s financial system, although it, for example, has modest criteria for foreign economic activity).

Table 2. Comparison of competitiveness indicators of countries around the world, 2021
The main differences between the results of the two studies are also largely determined by the fact that as a result of the analysis of countries, factors of the efficiency of foreign trade activities (primarily exports), as well as the fairness of income distribution among the working population, were taken into account. This significantly raised in the ranking (in comparison with the similar IEF rating) some socially oriented states (France, Italy), countries with a wide geography and export structure (the Netherlands, Great Britain, Israel, China).

According to the results of the study, the BRIC countries received a higher rating than in the IEF Global Competitiveness Index. China became the leader (21st place against 31 in the IEF ranking), followed by India (29th position instead of 41). According to the IEF ratings, Brazil's competitiveness is higher than Russia's (51 and 53 places, respectively), meanwhile, according to the results of the study, Russia showed a better result than Brazil (39 place versus 49), which is due to Russia's superiority to Brazil in all indices except the innovative modernization index and the effectiveness of government regulation. Despite this, our country's position in the global distribution of national economic systems in terms of their competitiveness leaves much to be desired. We are losing to all European countries considered in the study, including Eastern European ones, individual rapidly developing states, including Mexico, India, Malaysia, the Philippines, and oil-producing monarchies (Saudi Arabia, Kuwait, UAE).

4 Conclusions

1. Considering the current content of country competitiveness, we can highlight its manifestations related to domestic economic activity and foreign economic activity. The first include quantitative and qualitative indicators of domestic demand, which in the structure of modern macroeconomics acquires critical importance, becoming the main resource of economic progress. Determined by the amount of income per capita, the tax regime, the quality of market infrastructure, the effectiveness of government regulation, including overcoming the problems of unemployment, the distribution of income between categories of citizens, the implementation of social programs, domestic demand determines the pace of innovative modernization of the country's national economic system, influencing on the efficiency of the processes of generating and commercializing national innovations.
2. Foreign economic manifestations of a country's competitiveness (the dynamics of export-import operations, their quality, determined by the geography of operations and the structure of trade items, the amount of external debt, investment attractiveness, positioning in the international division of labor, balance of payments) interact with each other in a complex manner, influencing both stimulating and limiting influence on each other. Analysis of the manifestations of a country's competitiveness allows us to judge the objectivity, dynamism, and adjustability of this indicator of national socio-economic development, and the relevance in the process of stimulating its growth of both the internal characteristics of the national economic system and foreign economic guidelines.

3. The conducted historical and genetic analysis of the country’s competitiveness factors allows us to rank them into three groups: natural, which the state is endowed with for objective reasons; infrastructural, the development of which is directly determined by the content of national economic policy; and determined by high domestic consumption, which can further stimulate the innovative progress of the state, form the resource of national producers, and transform international competition. The role of the three types of production factors has changed with changes in global conditions, under the influence of the main world economic trends of the last two centuries. Depending on the structure of competitiveness factors, each country can be classified into one of three types.

4. The state’s position at the top of the global three-level pyramid of competitiveness does not mean that it possesses only competitive advantages related to internal demand. It is argued that in the process of its development, provided that both the activation of domestic demand and integration into the world economy are included in the key areas of government interests, the macroeconomic system does not transform the set of competitiveness factors, but summarizes them using transnational production distribution systems with the ability to provide direct access to the natural competitive advantages (for example, economic-geographical location or natural resources) of third countries. This stimulates the separation of the economic system from competitors, aggravates the problems of international competition in relations with countries of peripheral development, and differentiates foreign economic policy.

5. The classification of countries into three types depending on the structure of their competitive advantages is also important, determining the content of global competition, any interactions between states, as well as prognostic significance. The three-level nature of the modern world economy determines the structure, direction and intensity of world trade, segments international competition, based on the impossibility of the latter between countries located at different levels of the global competitiveness pyramid. Thus, countries of the first level compete with each other for resources, of the second - for attracting mobile factors of production, of the third - for markets for the sales of their own homogeneous products related to the exploitation of natural resources. In this regard, the optimal option for the development of the national economic system appears only in connection with the possibilities of its transition to a higher level of competitiveness, which, thanks to market instruments, artificially stimulated by the leading countries, the growth of entry barriers into innovative industries and their own consumer markets, the implemented foreign economic strategy of technological leadership and global innovation monitoring is becoming more difficult every year.

6. The analysis of the factors of competitiveness of modern national economic systems confirms the growth in the mobilization of competitive advantages associated with infrastructure (due to the growth in the volume of migrating capital, information, skilled labor) and natural resources (due to the spread of transnational business). In this connection, the main factor of competitiveness, deprived of the possibility of interstate migration, is only domestic demand, the protection and stimulation of which are elevated to the rank of strategic guidelines for the national policy of both the leading countries and the
most successful pursuers. Taking into account the social characteristics of a consumer society and the duration of the process of forming high domestic demand, in many countries of the world original models of rapid transition to the first level of competitiveness are being implemented. For example, through encouraging the development of a two-tier (local population and foreign migrants) social system in the UAE, through stimulating the growth of individual territories and cities - potential drivers of national progress - in China.

References


