

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Economic Comparison of Two States

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Economic Comparison of Two States

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The aim is to compare economic situation in two different states: Ukraine and United Kingdom. It will be used the typological and regional-integration approaches to classification of the countries. Considerate the typological and regional-integration structure of the world economy. Considerate the economic policy of the countries.

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- Basic statistical methods.
- SWOT analysis,
- survey,
- document research,
- comparison.

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Economic System, Ukraine, United Kingdom, Crisis, Imports, Exports

Recommended information sources

An Introduction to Global Financial Markets / Stephen Valdez, Philip Molyneux – N.Y.: Palgrave Macmillan, 2010 ISBN 978-0230364875

Country economy. United Kingdom GDP. URL: <http://countryeconomy.com/gdp/uk>

European Commission. URL: https://ec.europa.eu/commission/index_en

International marketing.- Edited by Yuriy Kozak , Sławomir Smyczek – Kiev – Katowice : CUL , 2015- 279 p. ISBN 978-611-01-0671-9

World Economy and International Economic Relations: Training manual. – Edited by Y. Kozak, T. Sporek, M.Zaec – Kiev – Katowice: CUL, 2015- 223 p. ISBN 978-611-01-0744-0

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Declaration

I declare that I have worked on my bachelor thesis titled "Economic Comparison of Two States" by myself and I have used only the sources mentioned at the end of the thesis. Therefore, as the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15th March, 2019

Uzyiuk Yelyzaveta

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I would like to thank all people reading the thesis for your attention.

Economic Comparison of Two States

Summary

Bachelor thesis focuses on two different countries: Ukraine and United Kingdom and their economic systems. The main objective of this Bachelor Thesis is to compare economic situation in two different states: Ukraine and United Kingdom. It will be used the typological and regional-integration approaches to classification of the countries. Considerate the typological and regional-integration structure of the world economy. Considerate the economic policy of the countries.

Bachelor thesis consists of two parts: theoretical and practical. The first one describes state economy: definition and role; general characteristic of the United Kingdom economic system and general characteristic of the economic system of Ukraine. The practical part compiles several research methods such as basic statistical methods, SWOT analysis, document research, comparison and survey.

Keywords: Economic System, Ukraine, United Kingdom, Crisis, SWOT, Imports, Exports.

Ekonomické srovnání dvou států

Souhrn

Bakalářská práce se zaměřuje na dvě různé země : Ukrajinu a Spojené království a jejich ekonomické systémy .Hlavním cílem této bakalářské práce je porovnání ekonomické situace ve dvou různých státech: Ukrajině a Spojené království. Bude využito typologických a regionálních přístupů integrace ke klasifikaci těchto států. Tyto přístupy budou šetrné k ekonomické politice těchto zemí.

Bakalářská práce se skládá ze dvou částí : teoretické a z praktické. První část popisuje ekonomiku státu : definici a postavení, hlavní charakteristiky ekonomického systému Spojeného Království a hlavní charakteristiky ekonomického systému Ukrajiny. Praktická část pojednává o několika výzkumných metodách jako jsou základní statistické metody, SWOT analýza, prostudování dokumentů, porovnání a průzkum.

Klíčová slova: Ekonomický Systém, Ukrajina, Spojené Království, Krize, SWOT, Dovoz, Vývoz.

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List of abbreviations

EU – European Union

UK – United Kingdom

GDP – Gross Domestic Product

GVA – Gross Value Added

FTA – Free Trade Agreement

IMF – International Monetary Fund

1. Introduction

The world economy is a complex globalizing system with traditional and the modern structures and relations between them. The current stage of development of the global economy is characterized by the refinement of theoretical concepts, increasing contradictions, the emergence of new global problems, increasing interdependence of all participants in the world economic system. This is facilitated by key processes as the globalization of the world economy, the internationalization of economic life and activities of enterprises, the growth of the number of integration associations, the emergence of new types of international division of labor in the new structure of the world.

Currently, there is an interest in a deeper understanding the problems of economic life in Ukraine. The well-being of people depends on the state economy, proper management of the economy. The economic situation is constantly changing, especially in Ukraine. There are new scientific ideas about economic objects, processes, the state, society, enterprises, citizens.

The economy is a science no less important than physics, chemistry or mathematics. The economy course focuses on the aspects that explain the arranging the modern economy.

The aim of our research is to compare economic situation in two different states: Ukraine and United Kingdom. It will be used the typological and regional-integration approaches to classification of the countries. Considerate the typological and regional-integration structure of the world economy. Considerate the economic policy of the countries.

The subject of the research is economic situation in Ukraine and United Kingdom.

The object of the research is the comparing analysis of economic situation in two different states: Ukraine and United Kingdom.

The novelty of the research is that despite the significant role of economic system in the state, the differences in economic functioning of two states. The given research will help to deepen the study of the UK and Ukraine economic differences, strengths and weaknesses.

Theoretical foundations of the thesis research. Working with the thesis methodical and educational literature as well as manuals and electronic textbooks were used. The works of such authors as Cheng Chen, Duhaime G., Gorchakova E., Greenaway D., Milner K., Grigg C., Kozak Yu., Smyczek S., Hill J. S., Myung-Su Chae, Park J., Perroux F., Tinbergen J. were studied and analyzed.

Practical basis of the thesis.

Working with the thesis actual data from official national websites such as the Ministry of Finance, the Ministry of Statistics of the United Kingdom and Ukraine were used.

The theoretical significance of the final qualifying work caused by the fact, that the differences of the UK and Ukraine economic system are learned.

The practical significance is the ability to use research materials in educational and lecture works for students.

The structure and scope of the thesis consists of the introduction, the main part (including theoretical, practical parts and analysis of results), the conclusion and references.

The theoretical part of the term paper is devoted to review of general theoretical aspects about the concept of “economy”, the role of economy at modern state.

At the practical part we will consider the main characteristic of United Kingdom of Great Britain and Ukraine economic system. The practical analysis is based on comparing the UK and Ukrainian main economic sectors: sector of services, production sector, agriculture and other sectors. Also, we will consider the main macroeconomic tendencies of states.

At the last chapter, we will consider the main economic problems of United Kingdom and Ukraine. At the conclusion we will summarize the results of theoretical and practical analysis.

2. Objectives and Methodology

2.1 Objectives

Objectives of the thesis for achieving of this goal are as follows: to learn the general characteristic of United Kingdom and Ukraine economic system; to hold the economic comparison of the British and Ukrainian main economic sectors; to analyze the GDP of UK and Ukraine; to study the main macroeconomic tendencies; to compare the features of economic policy and the main economic problems of the UK and Ukraine.

The objective of this work is a comparative analysis of the economy of the two countries of the UK and Ukraine. It is expected to find out the main differences, economic problems and ways to solve them. So, the work will be done the comparative analysis of the strengths, weaknesses, opportunities and threats of the economies of Ukraine and the UK.

The objective of the study is to find out the main differences and similarities between the economies of the two European countries.

2.2 Methodology

Methods of research represent a specific set of methods: research methods and principles of knowledge, which are used in a particular science.

Methods of the thesis research allow us to solve the tasks and achieve the goal of a thesis project. The paper uses the method of theoretical analysis, which is based on the consideration of theoretical sources with regards to the topicality of the work. Based on the analysis and synthesis of information, the own conclusions were made by author. In this thesis project both practical and theoretical methods are used. They are widely used in the research process of a variety of sciences. A practical method allows to capture and describe the phenomena, facts, links between them (comparison, observation, measurement, description). Using a theoretical method, a detailed analysis of various facts is performed, significant patterns are revealed, factual material (analysis, classification, modeling, system approach, a statistical method, etc.) is systematized.

In this thesis the following methods and approaches of theoretical knowledge are used: analysis and synthesis of information.

Practical methods of scientific research in this thesis are basic statistical methods, SWOT analysis, survey, document research, comparison.

The survey method is a psychological verbal-communicative method including the implementation of interaction between the interviewer and the interviewee by receiving answers from the subject to the questions stated in advance. In other words, a survey is a conversation between the interviewer and the respondent, in which the pre-formulated question is the main tool.

SWOT analysis - is a type of situational analysis that allows assessing the current and future competitiveness of a company's product on the market by analyzing the organization's internal and external environment. SWOT analysis is not so long, simple and realistic, what is very significant.

3. Literature Review

3.1 State economy: definition and role

Nowadays, it is difficult to imagine a state without an economic component. All spheres of human life are connected by economic relations. In modern realities, each state has an aim to create a strong economic base, which is necessary to ensure security, both inside and outside the country. It is also noteworthy that the state government determines the economic policy of the country, and as a consequence the vector of the development.

The concept “economy” defines as:

- 1) The state of a country or region in terms of the production and consumption of goods and services and the supply of money¹.
- 2) the system of trade and industry by which the wealth of a country is made and used².

The essence of the national economy is that it is a well-established system of national and social reproduction of the state, in which industries, types and forms of social work formed as a result of a long historical evolutionary development of a particular country are interconnected. The features of the national economy are influenced by historical, cultural traditions, the geographical position of the state, its role in the international division of labor, etc.

V. V. Leontiev defines the national economy as a system capable of self-regulation, which consists of various activities³. Structural analysis of the national economy, according to R. Barr, allows a more complete and comprehensive analysis of economic processes⁴. He proceeds from the fact that the structure is a way of ordering the various units in the economy and the formation of organic interaction between them.

According to Y. Kozak and S. Smyczek, here are two types of national economic structure:

- 1) economic structures determining the functioning of the economic units of the national economy;

¹ Oxford dictionary on-line. (URL:<https://en.oxforddictionaries.com/definition/economic>) (26.06.2018)

² Cambridge dictionary on-line. (URL: <https://dictionary.cambridge.org/ru/>)(26.06.2018)

³ Leontiev V. Interdisciplinary Economics. - M.: Economy, 1997. (478 p.) (03.09.2018)

⁴ Barr R. Political Economy; collected cit.: in 2 tons. / R. Barr; translation from English M.: International Relations, 1994. (22.10.2018)

2) non-economic structures that determine the functioning of non-economic units-culture, education⁵.

F. Perroux believes that the structure of the national economy is different in proportions and relations between the constituent parts⁶. Proportion is the value of the analyzed unit of the national economy in relation to others. Relations are relatively stable between units of the national economy, capable of change and preservation.

J. Tinbergen considers it important to conduct a structural analysis of the economy, as it allows to determine its essence and make a forecast of the future state and development, while proceeding from the following features of the structural analysis of the national economy:

- 1) it allows to explain the processes taking place in the national economy;
- 2) it gives the opportunity on the basis of data obtained as a result of the structural analysis, to develop more efficient and effective national economic policy, which will be more flexible, adaptable and relevant⁷.

The structure of the national economy is a way of ordering the various units of the national economic complex and the formation of organic interaction between them⁸.

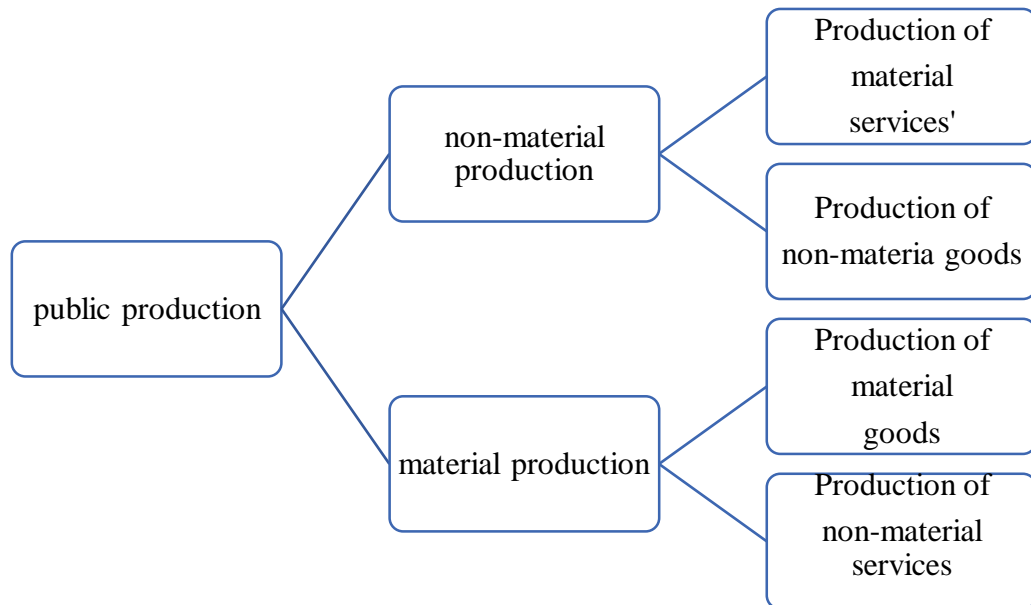
⁵ International marketing. - Edited by Yuriy Kozak, Sławomir Smyczek – Kiev – Katowice: CUL, 2015 (p. 174) (11.01.2019)

⁶ Perroux F. L' Economie du XXe siècle. Paris., 1961. (p. 512,513) (28.05.2018)

⁷ Tinbergen J. World Security and Equity, Elgar, Aldershot, UK., 1990. – p. 194 (18.01.2019)

⁸ Gorchakova E. Improvement of the structural architecture of national economics. GISAP, 2017. (p. 49-52) (05.03.2019)

Figure 1. The structure of social production



Source: Gorchakova E. Improvement of the structural architecture of national economics. GISAP, 2017. (p. 49-52) (13.05.2018)

The structure of the national economy is a set of historically stable, capable of reproducing functional relationships between different units of the national economy. There are the following types of structure of the national economy⁹:

- 1) household-level production, implying consideration of the structure of the national economy as the relationship between households. The allocation of this type of structure is due to the fact that households are a powerful economic entity that produces a significant part of the national wealth;
- 2) the social structure based on the division of the national economy into certain sectors that are organically interconnected. The division is made according to various criteria, such as population groups, enterprises, types of work. Researches usually distinguish the public and private sectors of the economy;
- 3) sectoral structure, involving the allocation of sectors of the economy and the definition of the nature and nature of the relationship between them. Branch of the national economy –

⁹ Cheng Chen The Measurement and Structure of the National Economy. School of Economics and Finance The University of Hong Kong, 2018. (p. 28-30) (18.06.2018)

is a unit of the national economy, which takes part in the process of social production performing similar functional tasks;

- 4) territorial structure, which involves the analysis of the geographical distribution of productive forces within the national economy – the division of the national economy into different economic areas;
- 5) the infrastructure of the national economy, based on the definition of the kind and nature of the interaction of economic spheres;
- 6) the structure of foreign trade, involving the analysis of the nature of the relations of different commodity groups, the imports and exports. The structure of a particular national economy is constantly changing and transforming. Scientific and technological progress has a great influence on the foreign trade, which changes the nature of production, contributes to the emergence of new industries and sectors of the economy.

The structure of a particular national economy is influenced by many factors – geographical, cultural, social, psychological, etc. It is specific for each particular country and cannot be artificially introduced¹⁰.

The economic system is a set of interrelated elements that form a common economic structure. There are 4 types of economic structures: traditional economy, command economy, market economy and mixed economy¹¹.

Traditional economy

The traditional economy is based on natural production. As a rule, it has a strong agricultural bias. Traditional economy is characterized by clan, legalized division into classes, castes, closeness from the outside world. In a traditional economy has a strong tradition and unwritten laws. Personal development in the traditional economy is very limited and the transition from one social group to another, standing higher in the social pyramid, is almost impossible. The traditional economy often uses barter instead of money. The development of technology in a society is very slow. Now there are almost no countries that could be attributed to the countries with

¹⁰ An Introduction to Global Financial Markets / Stephen Valdez, Philip Molyneux – N.Y.: Palgrave Macmillan, 2010. (p. 124) (15.05.2018)

¹¹ Introduction to Economic Systems. Lumen. (URL: <https://courses.lumenlearning.com/boundless-business/chapter/introduction-to-economic-systems/>) (15.02.2019)

traditional economies. Although in some countries it is possible to allocate isolated communities leading a traditional way of life, for example, tribes in Africa, leading a lifestyle which is a little different from what were their ancestors. However, any modern society remains of the traditions of their ancestors¹².

Command economy

Command or planned economy is characterized by the fact that centrally decides what, how, when to produce. The demand for goods and services is determined on the basis of statistics and plans of the country's leadership. The command economy is characterized by high concentration of production and monopoly. Private ownership of factors of production is virtually eliminated or there are significant barriers to private business development. The crisis of over-production in a planned economy is unlikely. A shortage of quality goods and services is more likely. The positive aspects of the planned economy is to allocate resource savings, especially human. In addition, the planned economy is characterized by a rapid response to unexpected threats – both economic and military¹³.

Market economy

The market economic system, unlike the command one, is based on the predominance of private property and free pricing based on supply and demand. The state does not play a significant role in the economy, the state`s role is limited to regulating the situation in the economy through laws. A market economy is a type of economic system where supply and demand regulate the economy, rather than government intervention. A true free market economy is an economy in which all resources are owned by individuals. The decisions about the allocation of those resources are made by individuals without government intervention. There are no completely "free-enterprise" or market economies. The United States has more characteristics of a market economy than a command economy, where a government controls the market. In a market economy, the producer gets to decide what to produce, how much to produce, what to charge customers for those goods, and what to pay employees.

¹² Duhaime G. Economic Systems. Arctic Human Development Report, 2007. (p. 69-84)
(10.12.2018)

¹³ Duhaime G. Economic Systems. Arctic Human Development Report, 2007. (p. 69-84)
(10.12.2018)

One of the most important characteristics of a market economy, also called a free enterprise economy, is the role of a limited government. Most economic decisions are made by buyers and sellers, not the government. A competitive market economy promotes the efficient use of its resources. It is a self-regulating and self-adjusting economy. No significant economic role for government is necessary. However, a number of limitations and undesirable outcomes associated with the market system result in an active, but limited economic role for government.

In a market economy, almost everything is owned by individuals and private businesses-not by the government. Natural and capital resources like equipment and buildings are not government-owned. The goods and services produced in the economy are privately owned. This private ownership, combined with the freedom to negotiate legally binding contracts, permits people to obtain and use resources as they choose¹⁴.

Mixed economy

Now there are practically no countries with only a market or command, or traditional economy. Any modern economy has elements of both market and planned economy and, of course, there are remnants of the traditional economy in every country¹⁵.

Economic infrastructure: types and significance for the national economy

There is an ambiguous definition of infrastructure. First, it is understood as a set of services, the main task of which is to ensure the operation of production and the provision of various services to the population. Secondly, infrastructure refers to a set of units whose activities are aimed at ensuring the normal functioning of the national economy¹⁶.

Infrastructure as an independent area of the national economy has passed the following stages of development:

¹⁴ Grigg C. Characteristics of a Market Economy. (URL: https://www.edhelper.com/ReadingComprehension_54_341.html) (09.10.2018)

¹⁵ Duhaime G. Economic Systems. Arctic Human Development Report, 2007. (p. 69-84) (10.10.2018)

¹⁶ John S. Hill, Myung-Su Chae and Jinseo Park, The Effects of Geography and Infrastructure on Economic Development and International Business Involvement, Journal of Infrastructure Development, 4, 2, (p. 91) (26.05.2018)

- 1) the division of agriculture and handicraft has led to the growth of cities and specialization of labor;
- 2) the division of agriculture, handicraft and trade has led to the formation of a specific area of the national economy – trade, resulting in a significant increase in the role of infrastructure.

The following main types of infrastructure in the national economy are highlighted:

1. Production infrastructure – a set of units of the national economy, the main purpose is to ensure the normal functioning of the production process. Essence of the production infrastructure is twofold. First, it is aimed at servicing the normal functioning of the material production process. Secondly, it ensures the normal functioning of the person, the reproduction of labor resources in the national economy.

2. Social infrastructure – a set of units of the national economy, the functioning is associated with ensuring the normal life of the population and the person. The role of social infrastructure is constantly increasing in the modern national economy, and the main task is to ensure the life of the population at an increasingly high-quality level. The impact of social infrastructure on the national economy is that it allows to ensure the reproduction of labor resources – the main resource of the economy.

3. Market infrastructure – a set of units of the national economy, the functioning is aimed at ensuring the normal operation of the market and market`s development. It is represented by a set of different organizations and institutions that support the activities of various sectors of the economy.

The market infrastructure consists of the following elements:

- 1) trade organizations;
- 2) exchange trading;
- 3) the banking system;
- 4) non-bank institutions;
- 5) the transport system¹⁷.

¹⁷ John S. Hill, Myung-Su Chae and Jinseo Park, The Effects of Geography and Infrastructure on Economic Development and International Business Involvement, *Journal of Infrastructure Development*, 4, 2, (p. 91) (26.05.2018)

Table 1. The detailed category of infrastructure

Category	Name	Examples
Category 1	Rural Infrastructure	Irrigation, rural connectivity (roads, power, IT), cold chains
Category 2	Urban Infrastructure	Water, sanitation, sewerage, Telecomm, Internet
Category 3	Core Infrastructure	Roads, railways, airports, sea ports, inland waterways,
Category 4	Social Infrastructure	Healthcare, education, housing, hospital
Category 5	Land- Intensive	SEZs, industrial parks, townships, IT parks

Source: Economics(URL:<https://nptel.ac.in/courses/109106089/module%201.pdf>) (15.09.2018)

Sectoral structure of the national economy

The sectoral structure of the national economy consists in the grouping of economic entities into homogeneous groups, connected by homogeneous functional characteristics – branches of the national economy.

The sectoral structure of the national economy goes through the following stages of its development:

- 1) the first is associated with the active development and predominance of primary sectors of the economy, such as agriculture, mining;
- 2) the second is related to the development and dominance of secondary industries-production, construction;
- 3) the third relates to the development and predominance of tertiary industries – services.

These stages of development of the sectoral structure of the national economy followed each other, but each country had its own specific features.

Dynamic changes in the industry structure occur cyclically over a period of 10 to 20 years. They are characterized by the following features:

- 1) increasing the importance and volume of the service industry – intellectual, information sphere;
- 2) decline in the extractive industry compared to other sectors;
- 3) growth of industrial production against the background of the agricultural sector of the economy.

Scientific and technological progress has a great influence on the nature of the sectoral structure of the national economy. It leads to the fact that some industries disappear or stagnate, while others, such as nuclear power, are actively developing. A distinctive feature is the emergence of related sectors of the economy-petrochemical, rocket and space, etc.

The change of the branch structure goes in the following main directions:

- 1) fundamental change of production technologies;
- 2) dominance of the manufacturing sector compared to the extractive;
- 3) development of science-intensive sectors of the national economy;
- 4) the shift of the center of gravity towards non-manufacturing industries.

So, the economy is the state of a country or region in terms of the production and consumption of goods and services and the supply of money. It has the own system, structure, types, stages of development and specific features at every country.

3.2 General characteristic of the United Kingdom economic system

General information about The United Kingdom

The official name of the state is the United Kingdom of Great Britain and Northern Ireland.

The form of government is a parliamentary monarchy. Legislative acts adopted by Parliament and judicial precedents are of constitutional importance. There is no Constitution.

The head of state – the King/Queen (from February 6, 1952-Queen Elizabeth II), is considered the Supreme bearer of Executive power, the head of the judiciary, the Supreme commander, the secular head of the Anglican Church.

The main political parties are conservative, labor, liberal-democratic, British independence party, Scottish national party.

Prime Minister – T. May, leader of the conservative party, Finance Minister – F. Hammond, Secretary of state for international trade – L. Fox, Secretary of state for the UK's exit from the EU – D. Davis.

In June 2016, a General referendum decided to withdraw the UK from the EU. The official exit of the country from the European Union is scheduled for March 29, 2019¹⁸.

The United Kingdom is among the ten most developed countries in the world, the fifth largest in the world and the second largest in Europe in terms of GDP, producing 2.4% of the global volume. Despite the fact that the population of Great Britain is only 1% of the world's population, the United Kingdom ranks 4th in the world in terms of trade. Mechanical engineering and transportation, manufactured goods and chemicals are the UK's major exports.

Despite the decision to leave the EU, the GDP growth rate was 2% and higher than in other European countries, and the country's position in the world economy has strengthened. According to the global competitiveness rating of the 2016/2017 world economic forum, the UK has risen by three positions – from 10th to 7th place. The UK is a major world exporter and importer of goods and services, but its share in world trade has declined over the past decade to 2.8% in world exports of goods and 3.7% in imports (7th and 5th respectively). The UK is the second exporter of services after the US, accounting for 7.3% of its global exports. The UK's share of global imports of services is 4.5%¹⁹.

The British economy, the world's sixth largest one, has slowed down since the 2016 Brexit referendum. In 2018, the UK's GDP grew by 1.4%, which is less than in 2017 (1.7%). IMF forecasts for 2019 and 2020 expect growth to stabilize around 1.5%, conditional on reaching a broad free trade agreement (FTA) with the EU and a smooth Brexit process. The country's economy is impacted by uncertainties surrounding the ongoing process of Brexit negotiations and expectations of higher future trade costs.

Potential growth has also slowed down due to slow capital accumulation, decline in net migration from the European Union (EU), and persistent low productivity. According to the IMF, reverting to WTO trade rules, even in an orderly manner, would lead to long-run output losses for the UK of around 5% to 8% of GDP compared to a no-Brexit scenario.

The United Kingdom voted to leave the European Union in June 2016. Since then, the government has been negotiating the terms of the country's exit. Mid-January 2019, the UK House of

¹⁸ Overview of the state of the economy and the main directions of foreign economic activity of the United Kingdom of Great Britain and Northern Ireland in 2017. London, 2018. (p. 18-19) (24.01.2019)

¹⁹ EW world economy team. (URL: http://www.economywatch.com/world_economy/united-kingdom) (02.02.2019)

Commons voted against Theresa May's Brexit Deal, increasing the chances of the "no deal" scenario between the UK and the EU. Nevertheless, the UK MPs backed a call to replace the controversial Northern Ireland backstop clause with « alternative » arrangements (Brady amendment).

Theresa May believed the backstop was the main reason so many of her Conservative Party's MPs and Northern Ireland's Democratic Unionist Party, on whose support she relies in key Commons votes, voted against her deal. While a no-deal Brexit scenario in March 2019 is unlikely, it cannot be entirely ruled out.

A delay of the UK's planned withdrawal from the EU on March 29th and second referendum on the issue are likely. Theresa May advocates a complete split with the European Union, refuses to maintain freedom of movement for the EU citizens and to adhere to the European Court of Justice. However, other political figures in Great Britain recommend a softer solution, in which the country could still partially benefit from the advantages of being in the Union. The EU has made it clear that keeping access to the free market would not be possible for Great Britain if the country refuses to maintain freedom of movement.

In 2018 business investment has been depressed, consumption has been constrained by slow real income growth and public debt remained at a high level (above 87% of GDP). However, sustained fiscal consolidation has brought the public deficit below 2% of GDP for the first time in 15 years, and inflation (2.5%) started to decline. The government authorities are focused on Brexit preparation work, which entails significant administrative and legislative changes. A comprehensive strategy is underway to boost productivity based on supporting investment in physical and human capital.

The 2018 Autumn Budget marked the beginning of a less restrictive fiscal policy in 2019 to support activity. The measures include a spending increase of GBP 10.9 billion (0.5% of GDP), two thirds of which will be allocated to the NHS, with the remainder going to education, social assistance and defense; and various tax increases as well as the introduction of a new tax on digital services²⁰.

Despite the moderation in growth, the employment rate has reached historic heights. Unemployment is estimated at 4.1% of the labor force according to the IMF. However, job creation

²⁰ EW world economy team. (URL: http://www.economywatch.com/world_economy/united-kingdom) (02.02.2019)

has been characterized by precariousness, wage freezing and the expansion of part-time work. Unemployment is still present among young job-seekers. It is estimated that one out of five people under 24 years of age is unemployed. The UK's relatively solid macroeconomic results hide weaknesses and situations of inequality. Therefore, as pointed out by the IMF, a key priority is strengthening human capital. The government's efforts to invest in infrastructure, boost housing supply, and increase female labor force participation will also help support a more sustainable and inclusive growth.

Table 2 Main Economic Indicators (Estimated Data)

Main Indicators	2016	2017	2018	2019	2020
GDP (billions USD)	2669.11	2628.41	2808.90	2809.91	2912.89
GDP (Constant Prices, Annual % Change)	1.8	1.7	1.4	1.5	1.5
GDP per Capita (USD)	40.658	39.800e	42.261	42.036	43.358
General Government Balance (in % of GDP)	-2.9	-1.8	-2.0	-1.7	-1.5
General Government Gross Debt (in % of GDP)	87.9	87.5	87.4	87.2	86.5
Inflation Rate (%)	0.7	2.7	2.5	2.2	2.0
Unemployment Rate (% of the Labor Force)	4.9	4.4	4.1	4.2	4.5
Current Account (billions USD)	-139.30	-99.21	-99.23	-90.26	-88.59
Current Account (in % of GDP)	-5.2	-3.8	-3.5	-3.2	-3.0

Source: IMF – World Economic Outlook Database, October 2018 (12.08.2018)

3.3 General characteristic of the economic system of Ukraine

Modern Ukraine – is a state with a developed scientific and industrial base, is a major producer of electricity, the economy is characterized by a high technological level of development. The national economic complex of the country includes engineering, ferrous and non-ferrous metallurgy, shipbuilding, oil and gas and chemical industry, production of buses, cars and trucks, tractors and other agricultural machinery, locomotives, machines, turbines, aircraft engines and aircraft, equipment for power plants.

Ukraine has established the production of launch vehicles, satellites and equipment for space exploration. Ukraine is also a manufacturer of military equipment – tanks, military transport aircraft, anti-aircraft missile systems, optical equipment. Antonov design Bureau aircraft, lighters, walking excavators, precision machines, electric welding devices are manufactured using the latest technology and meet the highest international standards²¹.

Since 2016, the Ukrainian economy is showing signs of stabilization, after years of political and economic tensions. According to the IMF, in 2018 the country recorded a 3.5% GDP growth, driven by domestic demand as household consumption represents almost 70% of GDP. Estimates for 2019 and 2020 forecast respectively 2.7% and 3% growth rates. The economy is expected to slow; as tight monetary policy environment will limit economic activity growth while upcoming significant public debt repayments will constrain public spending.

The conflict in the eastern part of Ukraine - and more generally the souring of relations with Russia - is still impairing the economy. Nevertheless, the government has passed several reforms in order to foster household consumption and fiscal consolidation. The IMF praised the country for its prudent fiscal and monetary policies and flexible exchange rate regime that have helped reduce fiscal and current account deficits. Considering IMF estimates for 2018, these indicators deteriorated slightly compared with 2017 though, as public deficit amounted to -2.6%, and current account deficit -3.1%. Reserves have been partly rebuilt and confidence has improved.

However, despite the reduction accorded by creditors in 2015/16 and the favorable impact of growth and the primary surplus, public debt is still high (estimated at 70.5% GDP in 2018). World Bank estimates a 10.9% inflation rate for 2018 and 7.3% for 2019. The 2019 budget, which comprises energy tariffs increases and savings equivalent to 2.5 percentage points of

²¹ Ukraine: Economic and Political Overview. (URL:<https://www.nordeatrade.com/en/explore-new-market/ukraine/economical-context>) (13.04.2018)

GDP, as well as the legislation adopted to improve governance in state-owned banks, helped the government secure an agreement with the IMF. 14-month Stand-By Arrangement amounting to about USD 3.9 billion was approved by the IMF Executive Board on December 2018. The program will focus on four priorities: continuing the ongoing fiscal consolidation, further reducing inflation, strengthening the financial sector, and advancing a focused set of structural reforms (tax administration, privatization and governance). Among the challenges faced by the country, the energy access issue is paramount. The government's top priority is to ensure its independence from Russia. Despite effective distribution agreements, Ukraine has turned its back on Gazprom after the Russian company reportedly stopped supplying gas in Ukraine²². Decisive presidential (March-April) and parliamentary (October) elections will be held in March, 2019, in a climate of great public mistrust in the face of corruption and slow reform.

Table 3 Main Economic Indicators (Estimated Data)

Main Indicators	2016	2017	2018	2019	2020
GDP (billions USD)	93.35	112.13	126.39	132.93	141.82
GDP (Constant Prices, Annual % Change)	2.4	2.5	3.5	2.7	3.0
GDP per Capita (USD)	2.201	2.656	2.964	3.133	3.361
General Government Balance (in % of GDP)	-1.9	-2.0	-2.6	-2.5	-2.3
General Government Gross Debt (in % of GDP)	81.2	71.0	70.5	68.8	64.4
Inflation Rate (%)	13.9	14.4	10.9	7.3	6.0
Unemployment Rate (% of the Labor Force)	9.3	9.2e	9.4	9.2	8.9
Current Account (billions USD)	-1.39	-2.09	-3.92	-5.17	-4.97

²² Ukraine: Economic and Political Overview. (URL:<https://www.nordeatrade.com/en/explore-new-market/ukraine/economical>) (13.04.2018)

Current Account (in % of GDP)	-1.5	-1.9e	-3.1	-3.9	-3.5
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Source: IMF – World Economic Outlook Database, October 2018 (12.08.2018)

4. Practical Part

4.1 The main macroeconomic tendencies

The macroeconomic situation in the UK in 2017-2018 differed sharply from previous years. If in 2016 the country ranked first in terms of economic growth among the G7 member countries, by the end of 2017 it was at the end of this rating, demonstrating a decline in economic growth against the backdrop of the recovery of the economies of the G7 countries.

The consequences of Brexit began to have a negative impact on the British economy. November 23, 2017 it became known that, according to the IMF, the UK is no longer among the five largest economies in the world. The country left the list, moving down to the sixth line and giving way to France. The growth of the British economy in the first half of 2017 was more restrained than experts predicted, in particular, due to a decrease in consumer demand, a jump in inflation (up to 3%), a record decline in the pound sterling against the us dollar over the past 30 years and, as a consequence, a decrease in household spending.

The effect of slow economic growth has affected all sectors of the British economy without exception. The best results were shown by export-oriented industries, which managed to benefit from the weakened pound sterling against the background of higher rates of economic growth of the Eurozone countries. The leader again became the service sector (creates 79.3% of GDP), in which the growth rate was 1.6%. Business activity in the retail, hotel and catering sector (growth of 2.1%), transport services, warehousing and communications sector (2.7%), business and financial services sector (1.8%) has increased particularly noticeably. Industrial production (14% of GDP) increased by 2%. Output of manufacturing industries increased by 2.7%, in the extractive industries production growth was only 0.6%, and in the sector of electricity, gas and water supply decline by 1.5%.

In 2017, the prices for repair and maintenance of transport increased by 3.2%, transportation and storage – by 2.1%, water supply, Sewerage and waste processing - by 6.4%, communication - by 1.6%. Food prices (-1.2%) and education (-1.0%) held back inflation.

The unemployment rate at the end of 2017 was 4.3% (a record low since 1975). Since 2010, the number of unemployed has decreased by almost

1 million people, and the number of employees increased by 3 million in General, the employment situation in the UK was better than in the EU, where the unemployment rate for the same period was 7.6%. The level of real wages increased by 2.2%. The average wage amounted to 506 pounds sterling a week (in 2016 – 495 pounds sterling). In September 2017, the international rating Agency Moody's downgraded the UK credit rating is one step from the highest

AA1 to AA2 and changed the Outlook from negative to stable. In 2018, GDP growth increased by 1.5%, exports increased by 2.2%, imports – by 1%. The forecast reduction of inflation to 2.4% at the end of the year was confirmed, the unemployment rate increased to 4.5%, and wages – by 3.3%.

Speaking about the Ukrainian macroeconomic tendencies, it is necessary to highlight that at general, Ukrainian macroeconomic demonstrates the positive tendency of growing.

The banking system increased its balance sheet in 2018. According to preliminary data of monetary statistics of the National Bank of Ukraine, in 2018 the credit portfolio of the banking system increased by 6%, the Deposit base – by 4%. The most lively grew the loans to households in the hryvnia, which increased by 31% for the year. Due to the stability of the exchange rate and the increase in interest rates during 2018, Bank customers have shown an increasing preference for deposits in the national currency: total deposits increased by 10% for the year in UAH, while client funds in foreign currency decreased by 2%. Now hryvnia and foreign currency in Bank deposits are correlated as 59:41 (last year 56:44). Retail trade in 2018 increased by 6.1%. According to the data of the State statistics service, in 2018 the turnover of retail trade increased by 6.1% in real terms. Among the major regions, the most active (+10-14%) increased retail sales in Donetsk, Kiev and Poltava regions. On the other hand, retail sales in Kiev, Odessa and Kharkiv regions grew sluggishly (+1-3%). Inflation increased by 9.9% for the year, the minimum wage – by 16%, and the average salary (from November 2017 to October 2018) – by 24%. The Consumer Price Indices for goods and services in 2001-2018.

According to the statistic, the unemployment rate in 2018 increased to 0.6%, comparing with 2017.

Ukrainian business remains optimistic about economic conditions. According to a regular survey of the opinion of Ukrainian enterprises, carried out in the fourth quarter of 2018 by the National Bank of Ukraine, most companies have positive expectations from the near future. Most of the respondents expect an increase in sales, improved financial results, increased investment and labor over the next 12 months. The resulting business expectations index (IDO) remained at 117 points (values above 100 indicate optimistic expectations)

4.2 Economic comparison of the UK and Ukrainian main economic sectors

4.2.1 Comparison the general characteristics of UK and Ukrainian economy

The results of the practical analysis show, that the UK GDP is exceeds the Ukrainian one by 96.5%. This fact indicates a colossal gap in the economic development of countries.

The inflation rate of United Kingdom is 2.5%, Ukraine – is 9.4%, that confirms the huge differences in the economic development of the countries ones more. The whole comparing analysis is presented at the Table 1.

4.2.2 Sector of services

The service sector is the most important component of United Kingdom`s GDP – it is 70% of the whole country's GDP. It includes: financial services, trade, tourism, business services. It employs almost 75% of the British. The volume of services exports in the UK is 10% of world exports in this area. Revenues from services exports account for 1/3 of total UK exports.

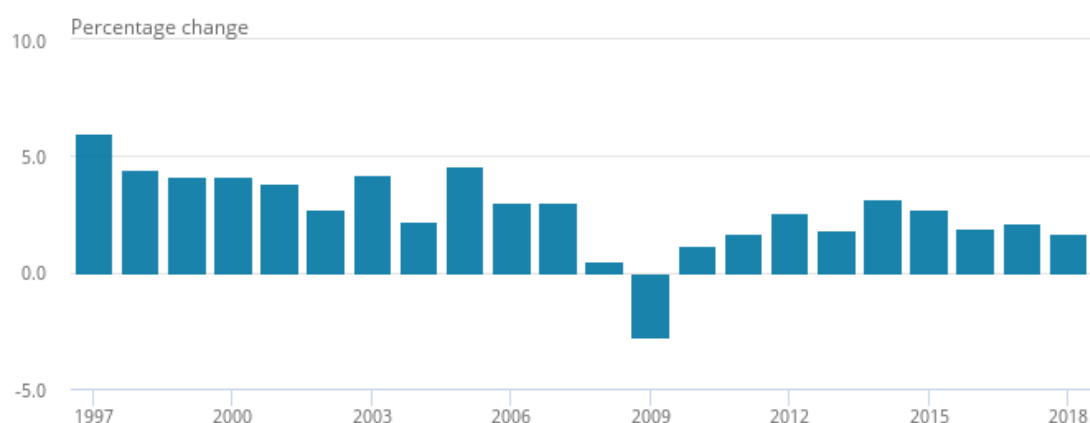
The share of the service sector in GDP ranged from 70.16 to 70.3 at the period of 2007-2018. The Index of Services (IoS) increased by 1.7% in 2018 compared with 2017. This is weaker than the 2.1% increase in 2017 and is the lowest year-on-year growth since 2011, which also grew by 1.7%. Figure 2 shows Index of Services annual growth rates since 1997²³.

The sectors largely responsible for the annual growth were:

- professional, scientific and technical activities, which increased by 5.4%, contributing 0.52 percentage points ;
- information and communication, which increased by 4.7%, contributing 0.39 percentage points;
- wholesale, retail and motor trade, which increased by 2.9%, contributing 0.37 percentage points.

²³ Office of UK national statistic. (URL: <https://www.ons.gov.uk/economy/economicoutputandproductivity>) (21.09.2018)

Figure 2. Index of Services year-on-year growth rates in the UK



Source: Office of National Statistics (URL: <https://www.ons.gov.uk/economy/economicoutputandproductivity>) (15.09.2018)

In the last quarter (Q3 2008), GDP fell 0.5%. GDP is also forecast to fall this quarter. In 2009 the economy in United Kingdom was in recession and was recovering in the last 2 quarters. However, the information and communication sector saw weaker growth when compared with 2017 (6.8%). Other sectors responsible for the weakening in annual growth were:

- other service activities, which decreased by 3.3% compared with an increase of 4.4% in 2017
- financial and insurance activities, which decreased by 1.2% compared with an increase of 0.2% in 2017
- administrative and support service activities, which increased by 2.7% compared with an increase of 4.5% in 2017.

The next step, we will analyze the service sector of Ukrainian economy.

In modern Ukraine, the service sector is a sector of the economy, which increases production in the context of the structural crisis. It could be explained by the next reasons: the reduction of public funding, the transition to the provision of services to a paid basis, the emergence of many new types of services (financial, credit and consulting, audit, brokerage, trust, etc.); the attractiveness of services for entrepreneurs, since the provision of certain types of services do not

require significant start-up capital; increased competition between service enterprises. The service sector of economy – is a significant part of Ukrainian GDP. According of the Ministry of Finance of Ukraine²⁴, at the period of 2005-2018, the share of the service sector in GDP ranged from 51.5% to 48.9%.

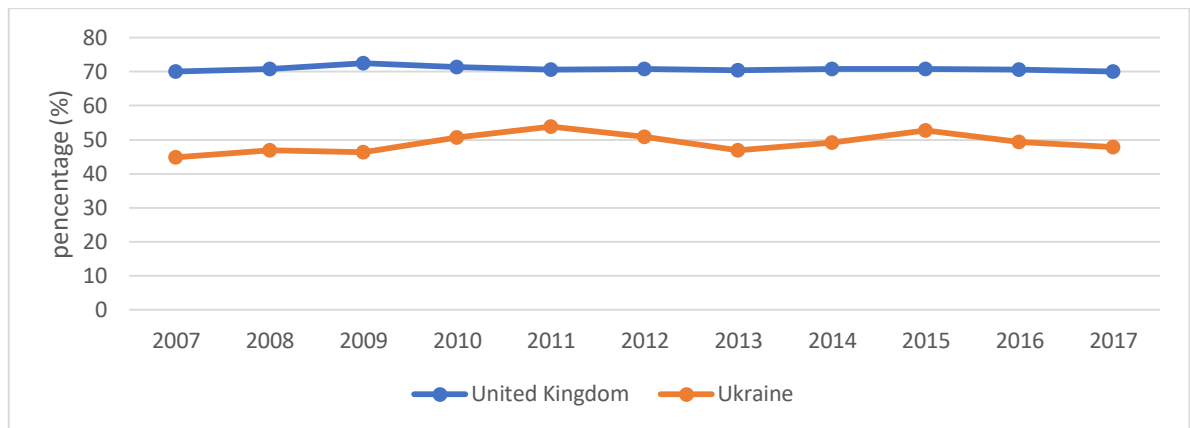
The most indicative are such types of services as: trade; repair of cars, household goods and personal items; transport; financial activity. Studying the role of the service sector in the functioning of the domestic economy, it is necessary to analyze the ratio of the number of employees and, accordingly, the cost of their labor.

According to information, presented at the Table 1. Volume of services sold by service rendering enterprises to different users by type of economic activity, we can conclude, that during 2001-2009, the number of employees in the service sector increased from 10567.7 thousand people to 12735 thousand people, which affected their share in the structure of employees. From 2010 to 2018, the number of employees of the service sector decreased by 0.1%, and the number of employed decreased – from 12.767 to 10.271 thousand. people. In particular, in the sector of non-market services, the decrease of employment occurred by 0.5%, the largest decrease in public administration – by 1.23%, the number of employees with 1223.8 thousand to 973.1 thousand people, education – 5.7%, the number of employed decreased from 1688.3 thousand to 1441.1 thousand people, health care – by 4.7%, the number of employees decreased from 1341,4 to 1030,4 thousand people. Research of effective indicators of the service sector indicates that the growth of the production sector occurs in periods of more than the rapid economic growth of GVA.

At the basis of the information, analyzed above, we can compare the service sector of Ukraine and United Kingdom.

²⁴ Ministry of Finance of Ukraine. (URL: <https://index.minfin.com.ua/economy/gdp/2018>) (16.04.2018)

Figure 3. The comparison of the service sector of Ukraine and United Kingdom



*Source: State Statistics Service of Ukraine (URL: <https://ukrstat.org/en>) (23.07.2019)
Office of UK National Statistic (URL:<https://www.ons.gov.uk/economy/economicoutputandproductivity>) (21.09.2018)*

The Figure 3 clearly shows that the Ukrainian service sector is an average of 35% less than the UK service sector. This fact is indicating that this sector of the economy is much more developed in the United Kingdom. The UK indicators of the service sector are typical for a highly developed country, while Ukraine is at the medium level.

4.2.3 Manufacturing sector

The manufacturing sector is diverse, comprising a wide-ranging number of different industries, technologies and activities. Alongside established industries such as food and drink, aerospace, pharmaceuticals, electronics and automotive, new industries are beginning to develop based around new emerging technologies. These include low carbon, industrial biotechnology, nanotechnology, digital and advanced materials such as composites.

Manufacturing is the third largest sector in the UK economy, after business services and the retail sector in terms of share of UK Gross Domestic Product (GDP). It representing just over 11% of the UK economy. It also employed around 2.6 million people, representing over 8% of the UK workforce.

The manufacturing sector comprises a variety of industries. The full list, as current defined in the Statistical Industry Classification (SIC) code system for industry statistics, are as follows:

- Food, beverage and tobacco products;
- Textiles and textile products;
- Wood and wood products;
- Pulp, paper and paper products;
- Publishing and printing;
- Coke, petroleum products and nuclear fuel;
- Chemicals, chemical products and man-made fibers;
- Rubber and plastic products;
- Other non-metallic mineral products;
- Basic metals and fabricated metal products;
- Other machinery and equipment;
- Electrical and optical equipment;
- Transport equipment;
- Other manufacturing.²⁵

According to the results of 2017, the engineering industry accounts for about 10% of the national GDP. The industry employs 2.3 million people, is about 8% of the total working population of the UK. In the structure of machine-building production 45% – General engineering (including power plants and lifting equipment), 41% – special machinery (including agricultural machinery, machine tool, metallurgical, mining and construction machinery), 15% - electrical engineering and electronics industry.

British exports of engineering products in 2017 increased by 11.4% compared to 2016 and amounted to 148.1 billion pounds sterling, in turn, imports increased by 5.8% and amounted to 194.9 billion pounds sterling.

About 60% of UK imports come from the EU, where about 35% of products come from Germany. In terms of imports are the following countries: Germany – 39.1 billion pounds sterling, China (including Hong Kong) – 21.6 billion pounds sterling, USA - 21.2 billion pounds sterling and the Netherlands – 14.3 billion pounds sterling. The main consumers of British engineering

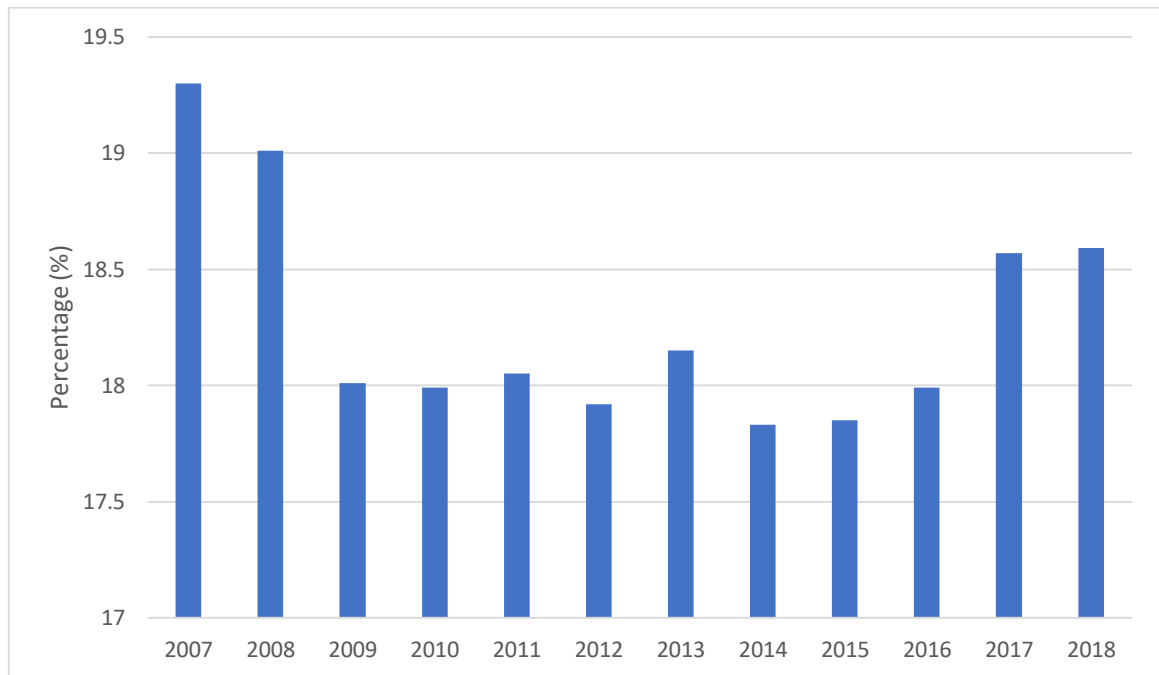
²⁵ Manufacturing in the UK: An economic analysis of the sector. BIS Economics paper NO. 10A. (p. 9) (18.07.2018)

products are: USA – 23 billion pounds sterling, Germany – 16.6 billion pounds sterling, France - 13.1 billion pounds sterling and China - 10.9 billion pounds sterling.

Contribution of the UK automotive industry to the country's economy in 2017 is estimated at 22 billion pounds sterling. Industry-production, sale and maintenance of cars and commercial vehicles employs about 814 thousand people, while 169 thousand employees are involved directly in enterprises. The annual production of cars in the UK in 2017 remained almost at the same high level and amounted to more than 1.67 million units. Sales of new vehicles in the country decreased by 5.7% and amounted to 2.5 million cars.

The share of manufacture sector is from 19.3% to 17.92% of the whole GDP of UK at the period of 2007-2018 (Figure 4).

Figure 4. The share of manufacture sector in GDP of UK



Source: The Office of UK national statistic. (URL:<https://www.ons.gov.uk/economy/economicoutputandproductivity>) (21.09.2018)

The manufacture sector plays a key role in the economy of Ukraine, it is a key factor in socio-economic development. Thus, a deep understanding of the structure and trends of the manufacture sector is important for policy makers, as this sector has an extraordinary impact on the overall stability of the Ukrainian economy, including its export potential.

The manufacture sector is undergoing great changes. Traditional key industries, such as the chemical industry, mechanical engineering, aircraft, space and defense industries, are far from reaching their previous levels of production. The reasons for the fall are the conflict with Russia after Euromaidan, the loss of industrial areas in Eastern Ukraine, as well as the loss of markets in the post-Soviet space.

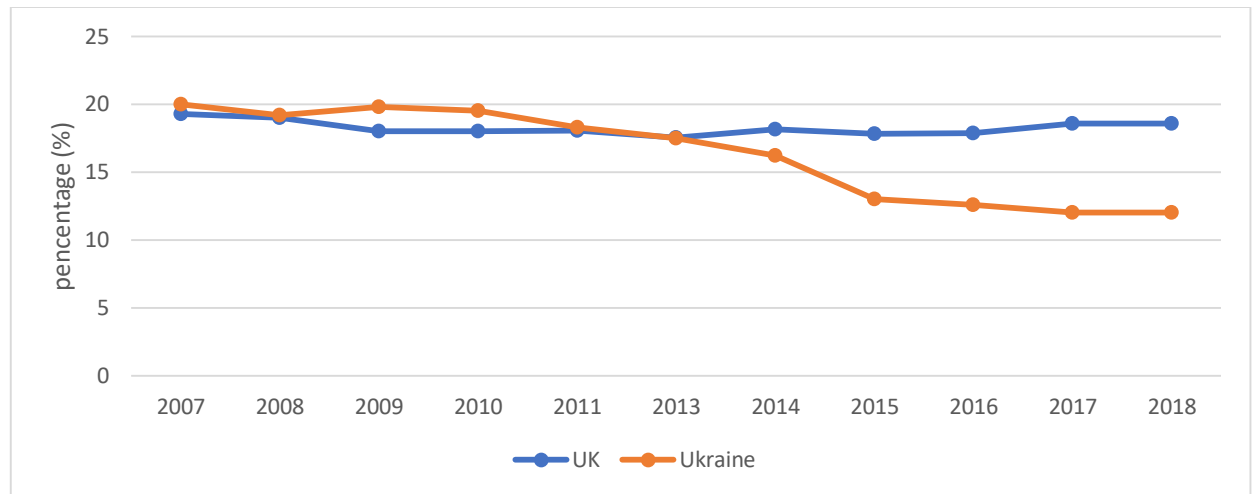
The food industry is the most important sector of the economy in Ukraine. In 2017, this sector accounted for 20.9% of the total volume of industrial products sold. The successful development of this industry is due to the huge agricultural resources of the country. The second most important sector of the economy is metallurgy. In 2017, its share in the volume of industrial products sold amounted to 18.2%, and in the export of goods - 23%. In general, the inclusion of the country in the international supply chain is still at a very low level. According to the world Bank, in 2014 only 5.4 % of Ukrainian exports accounted for such goods in comparison with 27% in Poland or 38% in Romania or Turkey. The structure of Ukrainian exports is still dominated by raw materials and products with low added value.

The machine-building complex of Ukraine covers more than 20 specialized branches, that is practically all branches of mechanical engineering. Depending on what market the products manufactured by enterprises are oriented to machine-building complex, they can be combined into five groups:

1. Investment (heavy) engineering;
2. Tractor and agricultural engineering;
3. Railway engineering;
4. Automotive industry;
5. Electrical Engineering.

The share of manufacture sector is decreased from 20% to 12% of the whole GDP of Ukraine at the period of 2007-2018.

Figure 5. The comparing the of the manufacture sector of UK and Ukraine



*Source: State Statistics Service of Ukraine (URL: <https://ukrstat.org/en>) (23.07.2019)
Office of UK National Statistic (URL:<https://www.ons.gov.uk/economy/economicoutput-andproductivity>) (21.09.2018)*

Thus, we see a rapid decline in the volume of production, and therefore the sale of the Ukrainian manufacture sector. The sector is in a state of crisis at the moment, the situation could be changed only with the help of the serious economic changes. On the contrary, the UK manufacture sector remains in a stable position, the fluctuations of manufacture sector part in GDP are 1-1.5%.

4.2.4 Agriculture sector

The UK occupies the sixth position among the EU member States in terms of agricultural production. According to the Ministry of the environment, food and rural Affairs (Department for Environment, Food & Rural Affairs), agriculture of United Kingdom ensures the supply of about 8.5-billion-pound sterling in the economy.

According to British experts, to achieve the maximum percentage of self-sufficiency in food is the cultivation of maximum diversity of plants and animals within the country. In this case, possible outbreaks of diseases of farm animals, as well as the negative impact climate and weather changes will not have a catastrophic impact on the country's economy and undermine the supply of food to the population. At the same time, today the UK is only three-quarters self-sufficient in food produced on British fields and farms.

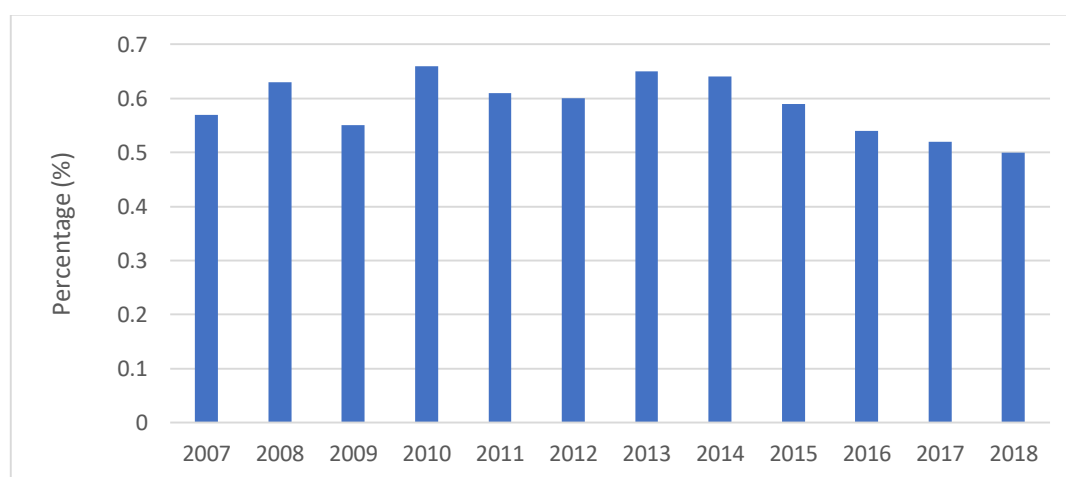
71.6% of the country's territory is used in agricultural production. The total area of agricultural land is 17.5 million hectares, while 26% of all agricultural land is used for the production of grain, row crops and other important crops, about 73% of agricultural land – meadows and pastures, 1% of agricultural land in the UK is occupied by vegetable and fruit crops.

According to the statistic, the GDP of UK consists of agriculture sector from 0.52% to 0.66% (Figure 8).

But despite the small volume of this sector, in 2018, agriculture contributed to the state economy 8.6-billion-pound sterling.

Ukrainian agricultural lands occupy 42 million hectares, which is 70% of the total land fund. Almost 80% clasped amount of arable land and perennial plantings. 17% of the GDP is generated by agricultural sector of Ukraine. At 2017, Ukraine exported agricultural products for 17.9 billion dollars – for the same amount in 2017. Compared to 2016, exports of agricultural products increased by more than 16%. The potential of the agricultural sector in Ukraine is huge. Now agriculture employs almost 45 000 companies. And while crop production is increasing, domestic meat and dairy production is in the period of stagnation. As a result, the leading agribusiness companies are engaged in the manufacture of plant products, the share of which is about 69%.

Figure 6. The share of agriculture sector in GDP of UK



Source: Office of UK National Statistic (URL: <https://www.ons.gov.uk/economy/economicoutputandproductivity>) (21.09.2018)

Given the current situation, it can be concluded that in many countries with comparable agricultural potential with Ukraine agriculture provides a large amount of GDP. Now in the Ukrainian agricultural enterprises and farms has approximately the same number of people as in agriculture of UK (535 thousand), despite the fact that our country has a much larger area of agricultural land: 2.5 times more agrologic and 5.5 – arable land. That is, we can conclude that Ukraine has a unique potential in this sector, which, however, is not used even by 50%.

4.3 Features of economic policy and the main economic problems

4.3.1 United Kingdom

Despite the fact that the UK is a powerful economic power, it still has economic problems, which can be divided into groups:

- The first group of economic problems associated with a large influx of immigrants to the country from other EU countries. It should be noted that the UK is a small country with a large population, as well as a high population density. The greater increase in the country's citizens will lead to a decrease in the welfare of citizens, unemployment and other economic problems;
- The second group of problems is related to low productivity indicators. It should be noted that the indicators are lower than those of the competing countries (Germany and France). This trend is preceded by a number of different reasons related to the material, technical and labor supply of UK producers, as well as labor legislation;
- The third group of economic problems associated with the general trends of the global economic crisis. Such tendencies cause negative consequences in the sphere of organization and use of economic resources of UK.

The fourth problem is Brexit. On 23 June 2016, the British electorate were asked to vote on the question “Should the United Kingdom remain a member of the European Union or leave the European Union.” Their answer, by a margin of 51.9%–48.1% of votes cast, was “leave.” It is probably fair to say that most of us did not really know what that meant; not least because the term the “EU” might be considered to encompass some or all of the dimensions of EU policy space – the single market and the customs union. At a headline level, there has been clarity of sorts: for leavers, it offered the prospect of “taking back control of our borders, our money and our laws”; for remainders, it might involve giving up expected increases in living standards from being part of the customs union and single market.

But the debate since 2016 has been noisy, sometimes confused, and often without any systematic discussion of evidence. Maybe that is not so surprising, partly because we still do not know what a final separation agreement looks like, and partly because expert evidence tends either to be dismissed, or has real difficulty getting attention. As Williams (2018) has argued persuasively, attention is a scarce resource, increasingly captured by digital technologies.

During the referendum campaigns, the then Government's Justice Secretary famously declared “we have had enough of experts” a statement as foolish as it is irresponsible, since Government Ministers should be guided in evidence-based policy, rather than driven by policy-based evidence.

Exiting the EU is a major policy shock, with unknowable consequences. But unknowable does not mean unpredictable. Whether a remainder or a leaver, our position should be informed by independent expert, analysis and evidence²⁶.

In this mini-symposium, we bring together three papers on possible consequences of Brexit on the UK economy. Although they have a common focus, they deploy different modelling strategies, and there are some significant differences in predicted outcomes. But that is a strength of the symposium, not a weakness. Our intention in bringing them together is to inform the broader debate at a crucial point in UK-EU negotiations, and understanding what underpins different model outputs is crucial.

In the first paper, Arno Hantzsche, Amit Kara and Garry Young of the National Institute for Economic and Social Research have a particular and timely focus, namely Prime Minister May's deal agreed with the European Commission and European Heads of Government. Of course, this particular deal may not come to fruition. Notwithstanding Mrs. May and the EU leadership stressing it is the only deal on the table, it may fail to progress through the House of Commons in its current form. Nevertheless, it is essential to have a sense of its possible impact on the UK economy where it to be finalized in any form that resembles the current draft.

Hantzsche, Kara and Young first assess how trade, migration, foreign direct investment, productivity and contributions to the EU budget might change by evaluating current proposals against historical evidence. They then deploy the well-established National Institute Global Econometric Model (NiGEM) to analyze macroeconomic effects. The conclusion from their analysis is that trade with the EU, especially in services, would be costlier after Brexit. Other

²⁶ Greenaway D., Milner K. The economic impact of Brexit on the UK economy. *World Econ.* 2019;42. (p. 2–4.) (13.12.2018)

things being equal, this will have adverse effects on living standards in the UK. The central estimate is that GDP in the longer term will be around 3 per cent lower per head than it would have been had the UK Remained in the EU²⁷.

Variations are also evaluated. So, if the UK were to remain in a customs union with the EU, or if the Irish backstop position was to be invoked, there would still be a loss to GDP per capita of 2 per cent.

As with all such expert analyses, estimates are fashioned by the modelling structure and framing assumptions, which the authors are quick to stress. And the estimates are obviously subject to uncertainty, as there is no historical precedent of a major country leaving a major trading block such as the EU. However, as with the other papers, theirs is a considered view, which is based on a well-regarded econometric modelling framework.

In the second paper, Michael Gasoriek, Ilona Serwicka and Alasdair Smith of the University of Sussex adopt a different modelling strategy, and a different focus. Their framework is multi-sector and partial equilibrium, a key advantage of which is that it enables analysis at a finer level of aggregation than computable general equilibrium analyses or gravity modelling. Thus, whereas HM Treasury's analysis seems to be framed on nine manufacturing sectors, Gasoriek, Serwicka and Smith analyze effects on 122 sectors, using 2016 trade data²⁸.

The authors argue this greater level of disaggregation really matters and corresponds more closely to the level of detail at which trade negotiations are actually conducted: it allows for more detailed examination of possible impacts on prices, output and trade on specific industries; it facilitates an analysis of the effects of aggregation; it makes it possible to explore the impact of industry characteristics like technological intensity; and it accommodates extension to spatial and labor market effects.

Gasoriek, Serwicka and Smith model five different Brexit scenarios on the “soft” to “hard” spectrum. None of the five results in a positive outcome for UK manufacturing. EEA membership is least damaging, and unilateral free trade (and associated loss of preferences in export

²⁷ Greenaway D., Milner K. The economic impact of Brexit on the UK economy. *World Econ.* 2019;42. (p. 2–4) (13.12.2018)

²⁸ Greenaway D., Milner K. The economic impact of Brexit on the UK economy. *World Econ.* 2019;42. (p. 2–4.) (13.12.2018)

markets) has the biggest negative impact. Their results point to considerable variation across manufacturing sectors, geographically, and across skill categories of labor²⁹.

The final paper from Patrick Minford of Cardiff University begins with a challenge to the suitability of gravity modelling for estimating trade and output effects of Brexit. The challenge is twofold. First, the author argues that the outputs of such modelling are essentially a set of correlations (e.g., between trade agreements and trade; trade and FDI; FDI and productivity) with no theoretical grounding. Second, there is no attempt to test outcomes against plausible alternatives, like the (theoretically well specified and general equilibrium) classical model of trade. Minford addresses both challenges. First, he compares simulated data for the gravity and classical models with actual data for the UK, and finds the classical model dominates. Second, he then evaluates the economic consequences of Brexit using the Cardiff World Trade Model. By contrast with results from gravity models (and indeed some computable general equilibrium models), his results point to net gains rather than net losses from a “clean Brexit” (or what some describe as a “hard Brexit”). The source of these gains is fourfold: moving to free trade with non-EU countries which currently face high EU protection; substituting UK-based regulation for EU-based Single Market regulation; discontinuing subsidies the “four freedoms” forces the UK to give EU unskilled immigrants; and ending UK budget contributions to the EU. Together, these could lead to UK growth being 0.5% per annum higher over the next 15 years.

These results stand in marked contrast to outputs from gravity models and most CGE results, and Minford carefully explains why this is the case, which emphasizes again the importance of being very clear on assumptions, and understanding fully the modelling strategy deployed.

We should know the terms of the UK's separation from the EU in the short term, if only because of the imminence of 29 March 2019. It will take a bit more time to establish what follows, and an even longer passage of time before we have the data to establish consequences and causes.

But none of that means we cannot deploy careful analysis and modelling to explore what might happen, and inform policy choices.

The next problem of UK economic is debt of the country. At the end of the financial year ending March 2018, UK general government gross debt was £1,763.8 billion, equivalent to 85.4% of gross domestic product (GDP) (Table 1 and Figure 1). This represents an increase of £43.8

²⁹ Greenaway D., Milner K. The economic impact of Brexit on the UK economy. *World Econ.* 2019;42. (p. 2–4.) (13.12.2018)

billion since the end of the financial year ending March 2017, although debt as a percentage of GDP fell by 1.1 percentage points from 86.5%. This fall in the ratio of debt to GDP implies that GDP is currently growing more quickly than government debt.

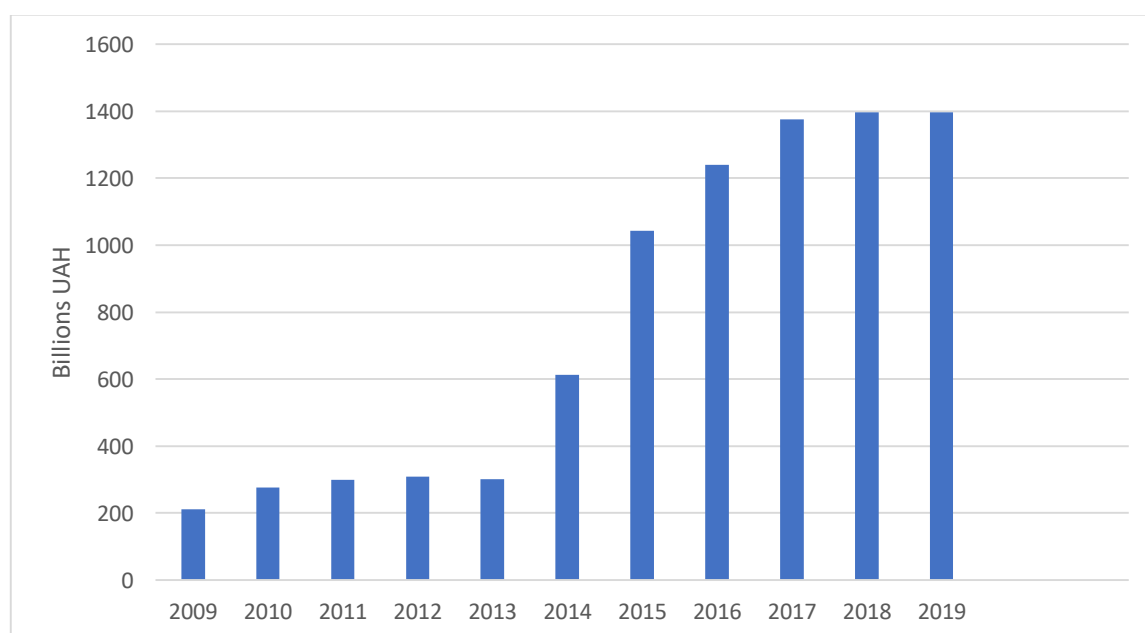
General government gross debt first exceeded the 60.0% Maastricht reference value at the financial year ending March 2010, when it was 69.6% of GDP (or £1.076.6 billion) and continues to remain above this reference value.

At the end of the calendar year 2018, UK government gross debt was £1.786.1 billion (87.1% of GDP). This represents an increase of £54.7 billion since the end of the calendar year 2016.

4.3.2 Ukraine

Since 2012, the economy of Ukraine annually reduces GDP in comparable prices and in the prices of the world freely convertible currencies. There are various quantitative estimates which we have already considered above. During the years of functioning outside the USSR, Ukraine has not improved the structure of the economy and industry, decreased population, industrial production, increased unemployment.

Figure 7. The dynamic of growing the foreign debts of Ukraine



Source: Ministry of Finance of Ukraine (URL: <https://index.minfin.com.ua/economy/gdp/2018>) (16.12.2018)

The industrialized country changed into an agro-industrial, and then – in agricultural. External debt on loans is growing. The differentiation of the population by income is in a critical zone. The main part of the population is excluded from property and management. The social sphere is collapsing. The main economic problem of the state is the pressure of foreign debts. The growing of foreign debts is presented at the Figure 7.

Also, the main problems of the Ukrainian economy are the following:

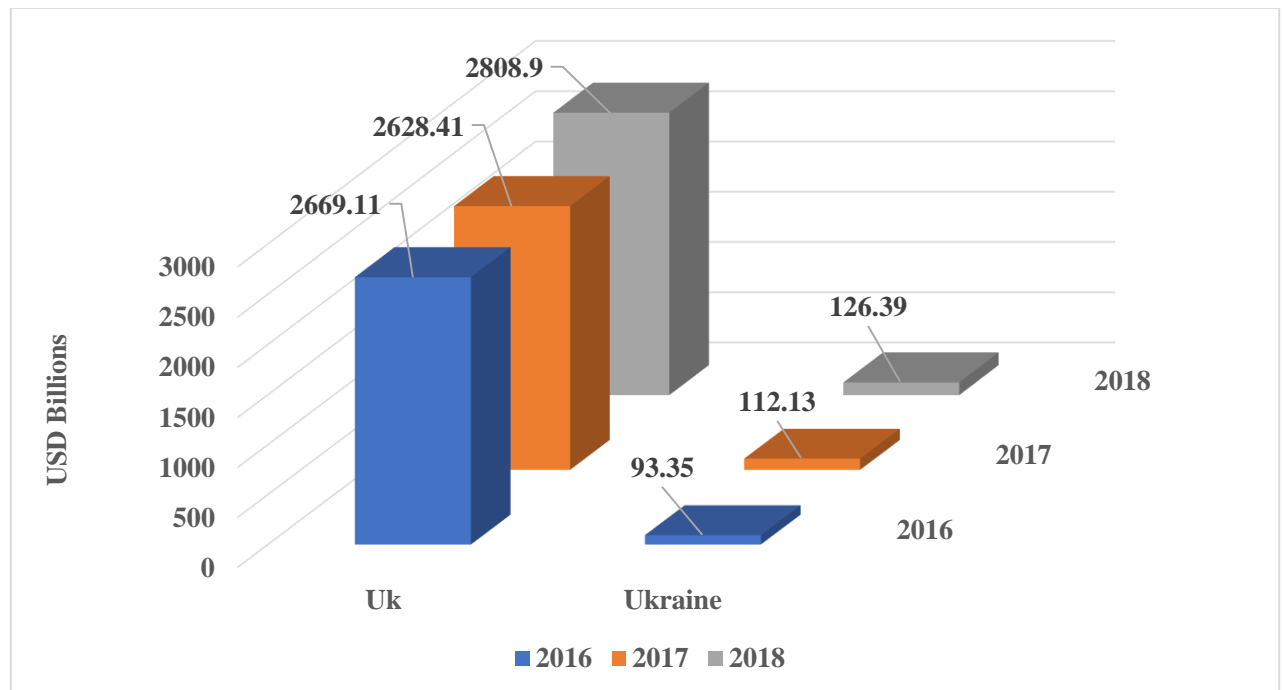
- Global economic crisis;
- corruption, which continues to increase;
- Shadow economy;
- The situation of military conflict;
- The dependence of the country's economy on the harvest;
- Dependence of the country's economy on financial transfers of Ukrainians working abroad.

5. Results and Discussion

5.1 The results of practical analysis

In the course of practical analysis, we concluded that the Ukrainian and British economy have huge differences. The income level of the state, the level of the population's life, GDP, all these indicators are dramatically different. Also, the components of GDP are different. The difference between indicators of GDP is shown at the Figure 8 (per capita).

Figure 8. Comparison of the GDP indicators of Ukraine and UK



Source: State Statistics Service of Ukraine (URL: <https://ukrstat.org/en>) (23.07.2019)

Office of UK National Statistic (URL:<https://www.ons.gov.uk/economy/economicoutputandproductivity>) (21.09.2018)

Thus, we can conclude that the economy of Ukraine significantly leaves off in comparison with the UK economy development.

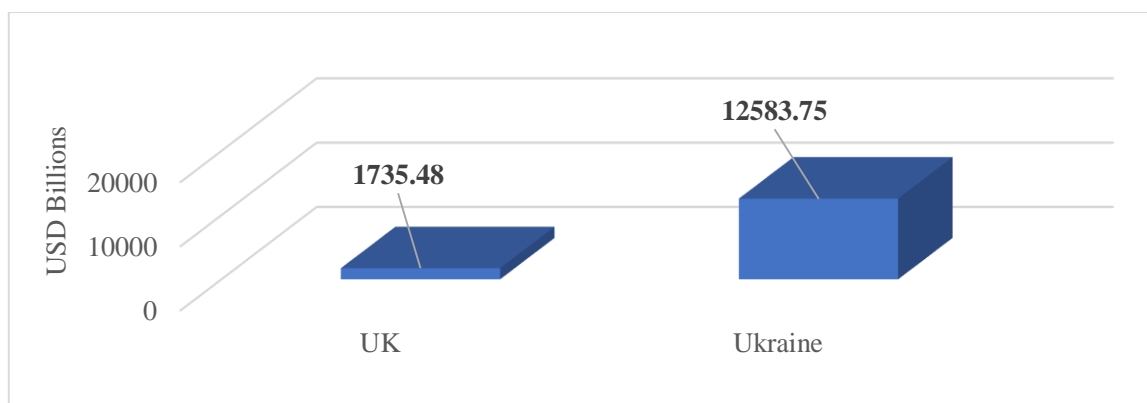
Also, I have highlighted the main problems of UK and Ukrainian economy. The results are presented at the Table 4.

Table 4 The common and different problems of the UK and Ukraine economy

United Kingdom	Ukraine
<i>Common problems</i>	
Global economic crisis	
Debt of the country	
<i>The differences</i>	
Large influx of immigrants	Corruption, which continues to increase
Low productivity indicators	Shadow economy
Brexit	The situation of military conflict
	The dependence of the country's economy on the harvest
	Dependence of the country's economy on financial transfers of Ukrainians working abroad

Source: own work.

Figure 9. Comparison the volume of foreign debt of Ukraine and UK



*Source: State Statistics Service of Ukraine (URL: <https://ukrstat.org/en>) (23.07.2019)
Office of UK National Statistic (URL:<https://www.ons.gov.uk/economy/economicoutput-andproductivity>) (21.09.2018)*

Thus, we can observe that systems of the analyzed countries there are only two common problems:

- Global economic crisis, which has the strong influence on the economy of both countries.
- Debt of the country, which has the negative influence. For the present day, the Ukrainian foreign debt is 50 334.7 billion dollars, and UK foreign debt is 1 076.6-billion-pound sterling, (Figure 9 per capita).

5.2 SWOT-analysis of UK and Ukrainian economy

As a result of our analysis, we will compare the strengths, weakness, opportunities and threats by SWOT-analysis of economy of two countries (Table 5, 6).

Table 5 SWOT-analysis of UK economy

Strengths	Weakness
<p>The largest economy in Europe; High level of personal incomes resulting in high levels of disposable incomes; High level of GDP and GVA; Strong macroeconomic environment;</p>	<p>The decrease in the level of the economy as a consequence of Brexit; The huge number of immigrants; Rising rate of inflation.</p>
Opportunities	Threats
<p>A weaker pound resulting in lower costs of operations; The UK is marketing itself as a business destination after the Brexit vote; The UK is encouraging businesses through economic easing policies that attract investors; The UK has high populations of Asian communities; The country is renegotiating trade deals in the post-Brexit era; Open door policy to foreign businesses.</p>	<p>A possible slowdown in the economic as many firms relocate to other European countries; The market is full of new competitors; The continuing the military conflict.</p>

Table 6 SWOT-analysis of Ukraine economy

Strengths	Weakness
<p>Ukraine is one of the richest countries in the world in natural resources;</p> <p>Unique geographical and geopolitical location;</p> <p>The present potential of the economy is more than 500 billion dollars;</p> <p>High potential of the processing industry;</p> <p>Access to markets, technologies and standards of public administration, which are the most developed and promising today.</p>	<p>Anti-social oligarchic formation of social relations that destroys the economy and artificially lowers social standards in the state;</p> <p>Ukraine's economy is one of the weakest economies in the world;</p> <p>Population of Ukraine is the poorest, the least solvent buyers among residents of European countries;</p> <p>Corruption blocks effective socio-economic development of Ukraine;</p> <p>The Ukrainian economy is a low-tech, raw material, low-margin monopolized system of pseudo-economic non-competitive relations, characterized by a high degree of depreciation of fixed assets and extremely low productivity;</p> <p>The shape of small business is sharply reduced;</p> <p>High level of subordinated state external debt of Ukraine;</p> <p>High level of hidden unemployment;</p> <p>High level of shadow economy.</p>
Opportunities	Threats
<p>Evolutionary replacement of oligarchic formation;</p> <p>Dynamic growth of the economy of Ukraine, in accordance with the annual plans of the Strategic Development Program, providing an annual increase the income of the Ukrainian population;</p>	<p>Strengthening the oligarchic system of public relations in Ukraine and the oligarchic-bureaucratic model of government;</p> <p>The continuing decline in the economy of Ukraine, threatening to bring the state to external and internal default, followed by the</p>

Transformation of the Ukrainian economy into an "open" economy, which enables Ukraine to integrate into the world system of capital, technology and labor resources movement; Common market with Russia; The emergence of new, high-tech, highly profitable budget-forming sectors of the Ukrainian economy; Intensive development of the domestic consumer market; Small and medium business development; Development of the middle class.	transition of Ukraine under the external protectorate; Ukraine is in the sphere of influence of Russia; Continuing decline in living standards of the vast majority of the Ukrainian population; High level of militarization the part of the population of Ukraine; The probability of increasing emigration from the country of young people and skilled workers; Constant growth of external debt; Deep depreciation fixed assets of the state.
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Source: own work.

Tables 5 and 6 show the huge difference between the Ukrainian and British economies. Thus, we can conclude that the economy of Ukraine has a large resource potential, but these resources are not properly used - more than 50% of the Ukrainian potential remains untapped in the economy. It provokes the growth of economic debt. The UK economy, on the other hand, shows many positive aspects that are in balance with opportunities, weaknesses and threats.

6. Conclusion

The thesis was devoted to the comparative analysis of the economy of two states: The United Kingdom and Ukraine. Having the complete analysis, we can summarize.

During the analysis of the theoretical aspects, we found out that the concept “economy” means the state of a country or region in terms of the production and consumption of goods and services and the supply of money. It is the system of trade and industry by which the wealth of a country is made and used.

We justified that the structure of a particular national economy is influenced by many factors – geographical, cultural, social, psychological, etc. It is specific for each particular country and cannot be artificially introduced. The economic system is a set of interrelated elements that form a common economic structure. There are 4 types of economic structures: traditional economy, command economy, market economy and mixed economy.

The United Kingdom is among the ten most developed countries in the world, the fifth largest in the world and the second largest in Europe in terms of GDP, producing 2.4% of the global volume. The United Kingdom ranks 4th in the world in terms of trade. Mechanical engineering and transportation, manufactured goods and chemicals are the UK's major exports.

Ukraine – is a state with a developed scientific and industrial base, is a major producer of electricity, the economy is characterized by a high technological level of development. The national economic complex of the country includes engineering, ferrous and non-ferrous metallurgy, shipbuilding, oil and gas and chemical industry, production of buses, cars and trucks, tractors and other agricultural machinery, locomotives, machines, turbines, aircraft engines and aircraft, equipment for power plants.

In the course of practical analysis, we concluded that the Ukrainian and British economy have huge differences. The income level of the state, the level of population`s life, GDP, all these indicators are dramatically different. Ukraine's GDP is just 3.5% of UK GDP. The GDP of Ukraine Also, the components of GDP are different.

The Ukrainian service sector is an average of 35% less than the UK service sector. This fact is indicating that this sector of the economy is much more developed in the United Kingdom. The UK indicators of the service sector are typical for a highly developed country, while Ukraine is at the medium level.

The share of manufacture sector is decreased from 20% to 12% of the whole GDP of Ukraine at the period of 2007-2018. This sector is in a state of crisis at the moment, the situation could

by changed only with the help of the serious economic changes. On the contrary, the UK manufacture sector remains in a stable position, the fluctuations of manufacture sector part in GDP are 1-1.5%.

Ukraine has a great agriculture potential. But many countries with comparable agricultural potential with Ukraine, agriculture provides a large amount of GDP. Now in the Ukrainian agricultural enterprises and farms has approximately the same number of people as in agriculture of United Kingdom (535 thousand), despite the fact that our country has a much larger area of agricultural land: 2.5 times more agro and 5.5 – arable land. That is, we can conclude that Ukraine has a unique potential in this sector, which, however, is not used even by 50%.

The economic issues of two states are observed in the Bachelor Thesis. The first observed country is the United Kingdom, which is characterized by set of economic problems such as, large influx of immigrants to the country from other EU countries, low productivity indicators, general trends of the global economic crisis, Brexit and debts problem. The second state is the Ukraine. The main problem of the Ukraine is Global economic crisis. What is more, economic problems contain increasing corruption, shadow economy, the situation of military conflict, economy dependency on the harvest and on financial transfers of Ukrainians working abroad. During the procedure has found out that Global economic crisis is common problem for both analyzed countries, so has the strong influence on the economy of the United Kingdom and the Ukraine as well.

The SWOT-analysis of countries' economies showed that the economy of Ukraine has a large resource potential, but these resources are not properly used - more than 50% of the Ukrainian potential remains untapped in the economy. It provokes the growth of economic debt. The Ukrainian economy is in a deep crisis now. The UK economy, on the other hand, shows many positive aspects that are in balance with opportunities, weaknesses and threats.

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