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## **COMPARATIVE ANALYSIS OF ECONOMIC PERFORMANCE OF UKRAINE AND THE DEMOCRATIC REPUBLIC OF CONGO**

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### **ПОРІВНЯЛЬНИЙ АНАЛІЗ ЕКОНОМІК УКРАЇНИ ТА ДЕМОКРАТИЧНОЇ РЕСПУБЛІКИ КОНГО**

In this study we will analyse the economic situation from a macro-economic point of view of Ukraine and the Democratic Republic of Congo. Thus we will conduct a comparative analysis of the following elements: GDP, demographic growth situation, unemployment rate and economic growth.

Economic situation from a general point of view

#### I.1 Ukraine

Ukraine has a diversified economy, but still relies on industries established in the Soviet era. It's a free emerging market, where growth has been double-digit in recent years until the Orange Revolution. Its natural resources revolve around agriculture (sunflower, walnuts and sugar beets). Another strong point of its agriculture, the country was also seventh in the list of the world cereal producers in mid-2010, dominated by the United States, thanks to a strong progression. The agricultural sector, however, is in decline in other areas: the first six years of the decade 2010, the country has never regained place in the list of the eight largest world sugar producers.

Mineral resources (iron, steel, uranium, potash, etc.) play an equally important role. The economy is characterized by high inflation and still weak economic returns.

From a business point of view, its main economic partner is Russia, even if Ukraine tries to turn to the countries of the European Union that are geographically close to it. The country plays an important role in European gas distribution. In 2015, despite the Donbas war, Ukraine remains dependent on Russia for 21% of its imports and 12% of its exports.

The national currency, the hryvnia, was introduced in 1996 and helped to reduce the hyperinflation that prevailed then.

From 1989 to 1999, GDP collapsed by 60%, from 467 billion international dollars to 172 billion, then rose to 312 billion until the crisis of 2008, since which GDP tends to decrease irregularly (GDP in 2012: \$ 292 billion international).

In 2001, the government made the decision to accelerate the accession process to the World Trade Organization (WTO), but the results were not as good as expected. The objective was to join the WTO in February 2007 (the only country opposing this being Kyrgyzstan), which was on February 5, 2008.

The political crisis of 2006 could have affected the Ukrainian economy because of the length of the appointment of the Prime Minister. Investors were not really frightened and the economy resisted well. GDP growth in July 2006 was 9% compared to July 2005, industrial production increased, the banking sector expanded, thanks to the arrival of European banks. In 2009, as a result of the financial crisis, Ukrainian GDP dropped by 15%, one of the worst economic performances recorded during this period. Thanks to exports, growth resumed in 2010, but external conditions are likely to hamper efforts for economic recovery in 2011.

The armed conflict has had a significant impact on the country's economic activity, with GDP declining by 6.6% in 2014, then by 9.8% in 2015 and recovering slightly in 2016 (2.3%). From 2013 to 2017, GDP fell by 49%, totalling only \$ 93 billion in 2017 and 183 in

2013. The country's political instability also constitutes unfavourable ground for foreign investors.

#### I.2 Democratic Republic of Congo

The economy is essentially agricultural (70% of assets) or export-oriented. Minerals are great resources. The economy has been badly hit by corruption and mismanagement since 1977. This explains the high rate of smuggling, illegal export and illegal mining activity. Government revenues and exports have fallen sharply over the last 40 years. The economy was ravaged by the war (1997-2005: 5 million dead). The biggest trading partner since 2010 is China (import, export, credit).

Since the Belgian colonization, the economy is strongly turned towards the export, thanks in particular to the mining products. No high-tech industry has been developed by the colonizers or the governments of the independent Congo. For example, copper is extracted in large quantities, but it must be exported for processing, before returning imported in finished forms (cables, electrical wires ...). Tourism has been ruined by civil wars.

Most of the population remains active in agriculture, although cultivated land represents only 3% of the territory. The political elite of Mobutu has diverted a great deal of money from the state coffers. Indeed, all Mobutist top officials had assets in almost all industrialized countries and made Congo / Zaire one of the most indebted countries in Africa.

In detail, the Democratic Republic of Congo has significant potential for natural and mineral resources. Its economy, however, has drastically slowed since the mid-1980s because of embezzlement.

Agriculture remains the main sector of the economy. The main agricultural resources are coffee, wood (afromosia, ebony, wenge, iroko, sapelli, sipro, tiama, tola, kambala, lifaki) and rubber.

The DRC is embarking on the establishment of special economic zones to encourage the revival of its industry. The first SEZ (special économique zone) should see the light of day in 2012 in the Kinshasa commune of N'Sélé and will be dedicated to agro-industries. The Congolese authorities are already planning to open another dedicated to the mining industries (in Katanga) and a third devoted to cement plants (in Bas-Congo).

The main copper and cobalt farms are dominated by Gécamines and its partners. Industrial diamond is extracted by MIBA. But in a country devastated by civil war, much of the exploitation and export of mining products is clandestine.

The Democratic Republic of Congo would hold 10% of the world's known gold reserves. Exploited in open pit mines as well as near Mongbwalu, the ore is the object of all traffic. Randgold Resources, a South African company, has just started construction of one of Africa's largest gold mines in the same region.

#### Comparative analysis

##### III.1 Growth analysis

UKRAINE		DRC	
Year	growth	Year	growth
2006	7,3%	2006	5,5%
2007	7,9%	2007	5,5%
2008	2,8%	2008	3,2%
2009	-14,8%	2009	5,1%
2010	4,2	2010	7,1%
2011	5,2	2011	6,9%
2012	0,2	2012	7,1%
2013	0,0	2013	8,5%
2014	-6,6	2014	9,5%
2015	-9,9	2015	9,8%

III.2 Statistics

Elements	UKRAINE	DRC
<b>1.Gross domestic product (nominal parity)</b>	\$ 74.8 billion	\$ 40.42 billion (2017)
<b>2.Gross domestic product in PPP</b>	\$ 373.1 billion	\$ 67.99 billion (2017)
<b>3.Rank for GDP in PPP</b>	44th	176th
<b>4.GDP per capita in PPP</b>	\$ 8,240	\$ 800
<b>5.GDP by sector</b>	agriculture: 9.9% industry: 60.5% services: 29.6% (estimate 2013)	agriculture: 37.4% industry: 26% services: 34%
<b>6.Inflation</b>	272% (CPI, 2015)	6.4% (2015)
<b>7.Population on the threshold of poverty</b>	24.1% (2010, CIA)	75% (2010, CIA)
<b>8.Index of human development</b>	0.786 (2006)	0.411 (168th) in 2006
<b>9.Active population</b>	22.17 million (2013 estimate)	37,800,000 people, or roughly 44% of the total population
<b>10.Active population by sector</b>	agriculture: 5.6% industry: 26.0% services: 68.4% (2012)	Agriculture : 2% Industry : 39% Services : 3%
<b>11.unemployment rate</b>	7.4% (2012 estimate)	80% (2012 estimate)
<b>12.Export</b>	\$ 71.14 billion (2013 estimate)	\$ 2.8 billion (2013 estimate)
<b>13.Principal clients</b>	Russia 22.1%, Turkey 6%, Italy 5.6% (2005)	China (44%), Belgium (16%), Finland (10%), United States (8%)
<b>14.import</b>	\$ 87.21 billion (2013 estimate)	\$ 11.37 billion (2013 estimate)
<b>15.Main suppliers</b>	Russia 35.5%, Germany 9.4%, Turkmenistan 7.4%, China 5% (2005)	South Africa (29%), Belgium (10%), Zambia (7%)
<b>16.Public debt</b>	70.2% of GDP (2014)	18.27% of GDP (2014)
<b>17.Public recipe</b>	\$ 53.07 billion (2012)	\$ 37.86 billion (2012)
<b>18.Public expenditure</b>	\$ 59.58 billion (2012 estimate)	\$ 43.26 billion (2012)

Conclusion

As you can see in this thesis, we wanted to expose you all the differences we can find between the Ukrainian and the Democratic Republic of Congo economy. And we hope that all those informations will help you to know more about the economy of those two countries from a macro-economic point of view as the GDP, the demographic growth and the economic growth from 2006 to 2015.

List of used literature

1. <https://www.banquemondiale.org/fr/country/drc/overview>
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