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FINAL QUALIFYING PAPER (PROJECT)

on the topic:

**«Image risks in process of national brand formation»
(based on the data of Ministry of Foreign Affairs, Kyiv, Ukraine)**

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INTRODUCTION

Globalization of the world economy, increased international competition, occurring as a result of the rapid pace of scientific and technological progress, the activation of innovative processes, require new approaches to the socio-economic development of Ukraine. Ukraine is perceived by the World Society as a country of political scandals, economic crisis and environmental threat. Bigger half of the citizens of Ukraine are aware of the need to adjust the perception, becoming (brand) of the country towards positivity, believing that this process should start with changing the attitude of Ukrainians themselves to their country. Promoting national interests and the Ukraine brand are strategic investments in future. The success of economic growth and the dynamic development of relations with other countries largely depends on how the country's brand is formed and promoted in the domestic and world markets - the laws of competition and marketing promotion are the same at the state and business levels.

Creation of a positive image of the country should be the subject of special attention of the Government and any members of the Verkhovna Rada of Ukraine. After all, Ukraine is a European country with rich cultural traditions, natural resources and a great future. Therefore, it is important to establish what should be the brand of the country, to develop a sequence of branding - branding, which is based on the global experience of national branding.

In century where information became more valuable than money, well planned and innovative national brand can benefit for the whole country, its will attract investors and tourist, helped national enterprises became popular and present country to the world in the best shape.

In case to create national brand, where all the internal and external factors can influence and change the result thus, it's important to analyze all the available information that forms brand and its image. In our survey, we analyzed different international scores and indexes: The Anholt-GfK's Nation Brands Index [42],

Brand Finance's – Nation Brands [31], The Global Competitiveness Index [43] and the factors, which determine the place of the country in the world economy are identified: development of the investment segment, as well as the analysis of the risk level. We also analyzed authors works: Anholt [1], Dinnie [8], Keller [22], Kotler [25], Polishko [34], Papadopoulos [33] and Fan [13].

The discussion of problematic of national brand image risks must end by developing the complete, comprehensive and consistent model of national brand. Detailed, clear and structured approach, which will be easy to understand, implement and use in business, forums, sports, news, celebrating and achievements.

The purpose of this project is to evaluate image risks in the process of Ukrainian national brand formation.

The object of research is a process of national brand formation.

The subject of research is a set of external and internal factors that create image risks and measures of minimizing its and influence on national brand in world community.

The task of the project is to:

- research the international rankings and indexes of national's brands;
- analyze the Ukrainian brand development;
- monitor the external environment of national brand development of Ukraine;
- evaluate image risks of Ukrainian brand;
- substantiate the measures to increase the competitiveness of Ukraine's national brand in European markets;
- forecast and evaluate the effectiveness of the proposed measures.

In this work we used different empiric and theoretical methods of study, synergistic approach to the integrated use of commercial, non-profit and regional brand; management approach to the process of national brand control in the specific market conditions; situational approach to the brand as a tool for solving of social,

economic and political problems complex of the country. For the purposes of relationships study, we used deduction and induction.

Research and practice originality of the study are reflected to the following:

1. Elaboration and specification of the known data through new forms and critical analysis, providing broad and deep observation of rankings, country activity and the reputation that they made on national brand.
2. Suggestions that will be offered in the Chapter 3 might improve the stability and prosper of national brand on the international arena.

Approbation and utilization of research results: article “National brand as the basis of state image” in collection of scientific articles part 2 “International economics”, KNUTE, Kyiv, 2019.

The final qualifying paper consists of an introduction, three sections, general conclusions, references and applications. The study materials are presented on 61 sheets, in 11 tables, in 12 figures and in 2 appendixes. The list of used references contains 50 names.

Research methods. The basis of the research are the methods of statistical observation, analysis and synthesis, different empiric and theoretical methods of study, management approach, forecasting approach as long as the empiric and deduction.

In the first chapter analyze different international rankings and tendencies, indexes that compose national brand and influence image of it. Research the process of Ukrainian brand formation, its origins and factors for its modern growth.

In the second chapter study the influence of world's brands on the national brand, its adopting by the world, the expectation from new brand. Define and evaluate image risks, their influence and types of its mitigation. Also to analyze Ukraine economic activity we used PEST-analysis and SWOT-based analyst.

In the third chapter we provide the main measures that will helped country brand became famous and prosper, evaluate the needed future steps and forecast changes in future brand position in the world

The conclusion of the thesis summarizes the final conclusions concerning the topic of final qualifying paper.

PART 1

SURVEY OF MODERN STATE OF NATIONAL BRAND

1.1. Research of international rankings and indexes of national's brands

Historically countries are engaged in national image management. The national image building aims to serve two purposes; to create domestic political support and also improvise a country's international influence. The latter function is deemed to be more crucial today since nations desire to integrate with global markets, to participate in global affairs, and to enhance their status on the world stage. How a country is perceived and projected by other countries can result in changes in their mutual relationships and to their strategic responses. The last two decades particularly since the beginning of twenty first century observed a practice of the marketing technique and branding by many countries to improve their national image, hence the reputation of the country.

A nation's image is what a nation's people want the world to understand is most central, enduring and distinctive about their nation while reputation is a particular type of feedback received by the nation from the outside world, concerning the credibility of the nation's identity claims. What nation branding concerns is the image and reputation a nation enjoys in the world. A nation's image is defined by the people outside the country; their perceptions are influenced by stereotyping, media coverage as well as personal experience. Like commercial brands, a nation's image can be repackaged, repositioned and communicated in a professional fashion.

The problem with the formation of national branding is that its main generators are statesmen. However, the private sector has a strong knowledge of branding. It is a challenge for business and government - to combine the knowledge of the private and the public sector. The country's branding program

must integrate political, management and technical expertise representatives from different countries. Simon Anholt, a prominent British expert on national branding, proposes to combine the six forces that form the perception of any state [1, p.5].

S. Anholt for the first time, as a term, used the concept of “branding places” and was the main developer of integrated, diversified approach to branding of territories, as opposed to focusing on any one aspect (mostly tourism). He believed that provided support for the development of export product brands and consistency of government support to the national development strategy may affect the long-term prospects of the country.

National strategy for development of brand determines the most realistic and competitive strategic vision of the country and ensures that this vision is supported at every interaction between the rest of the world.

The Nation Brands Index, a project run jointly by Simon Anholt and a polling firm called Global Market Insite (GMI), is the only major source for numerical data on the relative strengths of national brands. Every three months, Anholt and GMI record the opinions of consumers in thirty-five different countries, mainly in developed markets, tracking their perceptions of several different aspects of a country’s image [42].

Anholt divides the idea of nation branding into six main subfields (fig. 1.1).



Fig. 1.1. The Nation Brand Hexagon Simon Anholt

Source: The Anholt-GfK's Nation Brands Index [42]

1. Tourism - Tourism is often the most visibly promoted and loudest voice in branding a nation, as most tourist boards and many other public institutions spend lots of money on 'selling' the country around the world.

2. Export and Brands - In this point of the hexagon, consumers are asked about their level of satisfaction with products and services produced in each country, and also about their perceptions of each country's contribution to progress in science and technology. Export brands often can be seen as "ambassadors" of each country's image abroad (e.g. Mercedes as the brand of Germany or Sony for Japan).

3. Governance - Here, respondents are asked to rank countries according to how competently and fairly they are governed, how much they respect the human rights of their own citizens, how far they trust them to make responsible decisions which uphold international peace and security, what their international contribution is to the environment and poverty reduction and policy decisions a country's government makes both foreign as well as domestic policy.

4. Investment and Immigration - This point of the hexagon looks at the 'business-to-business' aspect of the nation brand, asking respondents about their personal willingness to live and work in each country for a substantial period, and their views on which country would be the most suitable location for setting up an overseas branch of their company. Inward investments, which mean the recruitment of foreign talents and students and the expansion of foreign companies into the own country do also belong to this sector.

5. Culture and Heritage - In this point the hexagon measures the perceptions of a country's cultural exchange, activities and exports: The appreciation of or intention to consume its popular, more commercial cultural products and activities (as e.g. music, art, literature, design, famous film-makers etc.) and the perception of a nation's sporting prowess can influence a nation's reputation immensely.

6. People - is representing the 'human capital' of each country, that shows how welcoming the people of a country are perceived to be, how their mentality is

valuated and whether they are the kind of people that respondents would choose to have as a close personal friend.

Anholt-GfK's annual ranking of 50 countries is gleaned from interviews with over 20,000 individuals in 20 countries see table 1.1.

Table 1.1

Anholt-GfK Nation Brands Index results

Nation	Rank				
	2018	2017	2016	2015	2014
Germany	1	1	1	2	2
Japan	2	4	6	6	7
United Kingdom	3	3	3	3	3
France	4	2	4	4	5
Canada	5	4	5	5	4
Italy	6	7	7	7	6
United States	6	6	2	1	1
Switzerland	8	8	8	8	8
Sweden	9	10	10	10	10
Australia	10	9	9	9	9

Source: The Anholt-GfK's Nation Brands Index [42]

U.S. continues to lose ground. While the overall NBI rank of the United States in 2018 remained №6 (now tied with Italy), of the 50 countries measured in the study, the U.S. saw the greatest overall NBI score drop this year. The U.S. brand image has been further eroded in the Governance, Culture, and People categories, where the United States ranking dropped by three positions, driven by more negative perceptions in Canada and China. Mexicans continued to be critical of the U.S., although with a lesser degree of negativity than a year ago. Nevertheless, the U.S. still ranks among the top five nations for three of NBI's six categories: Culture (where the U.S. is ranked fifth), Exports (second), and Immigration/Investment (fifth).

Japan gains in Governance and People. Japan's National image continues to hinge mostly on two key categories: Exports (where it ranks first) and People (fifth, here Japan gained three positions, its greatest progress across sub-categories in 2018). Japan ranks in the top 10 nations for Culture (7th), Tourism (7th), and Immigration-Investment (9th). The only Index category where Japan does not rank in the top 10 is Governance (12th), where it is gaining ground, up by two spots.

Japan's overall rank advancements are driven mostly not by score improvements, but by the consistency of its brand image. Japan's overall score is boosted by improved perceptions among South Africans (+2.84), Polish (+2.68), and the French (+2.45). However, these are not extraordinary score gains, and in a year where most nations experienced score declines, Japan experienced a minimal shift in the overall NBI score (-0.08). UK: Stable performance despite change. The UK remained one of the most stable leaders in its NBI performance. The nation has ranked in the global top-three the past three years, despite uncertainties around Brexit. The UK was ranked among the top four on four reputational categories, including Tourism, a hotly contested dimension in which the UK was behind destination heavyweights Italy, France, and Spain, but ahead of Greece. There were 50 nations measured in the latest edition of the index. A large percentage of developing countries were left out. The survey is focused mainly on developed countries. The Top 10 is composed of Western countries (Japan included) and there are no newcomers in comparison to 2015. All of the Top 10 countries, however, have lost points in various categories. The growing global skepticism towards their accountability was visible.

The second index is named Brand Finance – Nation Brands and takes, naturally, a more economic perspective, stemming from the GDP growth, trading conditions, and statistics, but also some societal, political, and governance factors (Table 1.2).

Table 1.2

Nation Brand	Rank					Brand Value trillion \$			Brand Rating	
	2015	2016	2017	2018	2019	2018	2019	Change, %	2018	2019
United States	1	1	1	1	1	25.899	27.751	7.2	AAA	AAA
China	2	2	2	2	2	13.869	19.486	40.5	AA	AA
Germany	3	3	3	3	3	5.147	4.855	-5.7	AAA	AAA
Japan	5	4	4	5	4	3.598	4.533	26.0	AAA	AAA-
United Kingdom	4	5	5	4	5	3.750	3.851	2.7	AAA	AAA
France	6	6	6	6	6	3.224	3.097	-4.0	AA+	AA+
India	7	7	8	9	7	2.159	2.562	18.7	AA-	AA
Canada	8	8	7	7	8	2.224	2.183	-1.8	AAA	AAA-
South Korea	12	11	10	10	9	2.001	2.135	6.7	AA+	AA

Italy	9	9	9	8	10	2.214	2.110	4.7	AA-	AA-
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Top 10 most valuable nation brands

Source: Developed by author based on The Brand Finance's [31]

India ranked seventh in the Brand Finance Nation Brands 2019 ranking, up from ninth last year, after recording 19 per cent growth in brand value to \$2.6 trillion, according to a report by brand valuation consultancy Brand Finance. Looking beyond the top 10, the average year-on-year nation brand value growth among developing nations stands at 13.9 per cent. This is compared to 0.4 per cent for the developed economies included in the annual study of the world's 100 most valuable nation brands. Claiming second position, China continues to grow at a very healthy rate, recording an impressive 40 per cent rise in brand value to \$19.5 trillion. Building on its solid performance in previous years, China is closing the gap behind long-standing leader the United States, which has recorded a brand value growth of just 7 per cent over the past year. The difference in value between the two nation brands has dropped from \$12 trillion last year to just over \$8 trillion in 2019. Other movers in the top 10 include Japan and the United Kingdom swapping places; Canada, dropping from seventh to eighth (down 2 per cent to \$2.2 trillion); Italy falling from eighth to tenth (down 5 per cent to \$2.1 trillion); and South Korea, which inched up one place from tenth to ninth (up 7 per cent to \$2.1 trillion), according to a press release from the UK-based consultancy. This implies on an average, the nation brands of developing economies have been growing at a pace 31.3 times faster than the developed ones.

Nation brand values of most developed economies have contracted or stagnated year on year. Japan is a notable exception with 26 per cent growth, but even so, it is only the 15th fastest-growing nation brand this year, behind many developing African, Middle Eastern, Asian and Latin American nation brands. Consistently with previous years' trends, 11 out of the 20 fastest-growing nation brands of 2019 come from the Middle East and Africa, with Ghana (up 67 per cent), Uganda (up 56 per cent), and Egypt (up 50 per cent) in the top five. Although catching up, at \$37.8 trillion, the combined nation brand value of the 65

developing economies in the study remains far behind that of the 35 developed economies, which sits at \$60.3 trillion.

Topping the ranking again this year, the nation brand value of the United States alone stands at \$27.8 trillion. Behind the US, China, and third-placed Germany, Japan's brand value has increased 26 per cent to \$4.5 trillion. In spite of predictions that its economy would suffer in the face of a global slowdown, Japan has been able to reap the benefits from its solid consumer spend and high levels of business investment. Japan has pushed the UK, which saw little uplift from last year (up 3 per cent to \$3.9 trillion), into fifth position. With the final Brexit decision yet to come and therefore not currently accounted for in the nation's brand value, the next few months will be crucial in determining the UK's future outlook. The uncertainty around Brexit has prevented both the UK and the rest of the EU from faster growth. Ireland, however, seems to be making the most of the situation. Ireland's nation brand value has more than doubled since 2015—the year before the disruption of status quo through the Brexit referendum—increasing 110 per cent. By contrast, in the same period, the UK's nation brand value and the combined brand value of the other European Union (EU) member states have only grown 19 per cent and 32 per cent respectively. Confirming strong performance, Ireland is the fastest-growing nation brand in Western Europe in 2019, up 12 per cent to \$604 billion, while all other players in the region have recorded a minimal uptick or a decline. A potential no-deal scenario is, however, likely to cause challenges for Ireland going forward. Turkey has recorded a remarkable turnaround from its performance in 2018, going from a loss of almost a third of its nation brand value, to this year leaping up 47 per cent to \$560 billion.

The nation is back on track following a recession and the sharp fall in value of the lira, which tainted the economy in the second half of 2018. Singapore has retained its title of the world's strongest nation brand, earning the elite AAA+ rating and a Brand Strength Index (BSI) score of 90.5 out of 100. Although this is a slight drop from 2018, Singapore is the only nation in the ranking to record a BSI

over 90.

1.2. Analysis of Ukrainian brand development

Taking branding as a point of departure, it needs to be stated that Ukraine was tackled in the Brand Finance – Nation Brands in its 2018 edition. The National Brand of Ukraine, according to experts of Brand Finance, earned it the 60th place in the ranking among its closest neighbors and partners in 2018 (Table 1.3).

We emphasize that with a brand value of \$ 84 billion. In 2018, the US rose from 62nd place in 2016, and in 2017 the Ukrainian brand outperformed all neighboring countries except Romania (by 27%) in terms of growth rate (23%). Russia has the highest rating, which is ranked 18th among the countries with the most expensive brands in the world. It should be noted that the brands of such neighboring countries as Ukraine, Moldova and Belarus do not even reach the 100 popular brands in the world.

Table 1.3

Ranking of national brands of Ukraine and its neighbors in 2016-2018

Rank 2018	Nation Brand	Brand Value trillion \$ 2018	Change in value, %	Rank			
				2017	2016	2015	2014
18	Russia	830	0	17	18	18	12
23	Poland	654	+14	23	21	20	20
34	Turkey	382	-33	24	26	19	19
45	Romania	222	+27	49	47	48	48
54	Hungary	149	+15	54	54	53	52
55	Slovakia	123	+18	55	57	60	57
58	Ukraine	84	+23	61	62	68	53

Source: Developed by author based on The Brand Finance's [30]

Even though this report focuses primarily on financial factors, it underlines also the fact that Ukraine remains highly vulnerable to hybrid warfare and information attacks, also due to the resistance in the Ukrainian government towards the development of a communications strategy and tools.

As for other reports, more focused on the economy, the Heritage

Foundation, one of the leading conservative think tanks in the US, annually publishes The Index of Economic Freedom (Fig. 1.2).

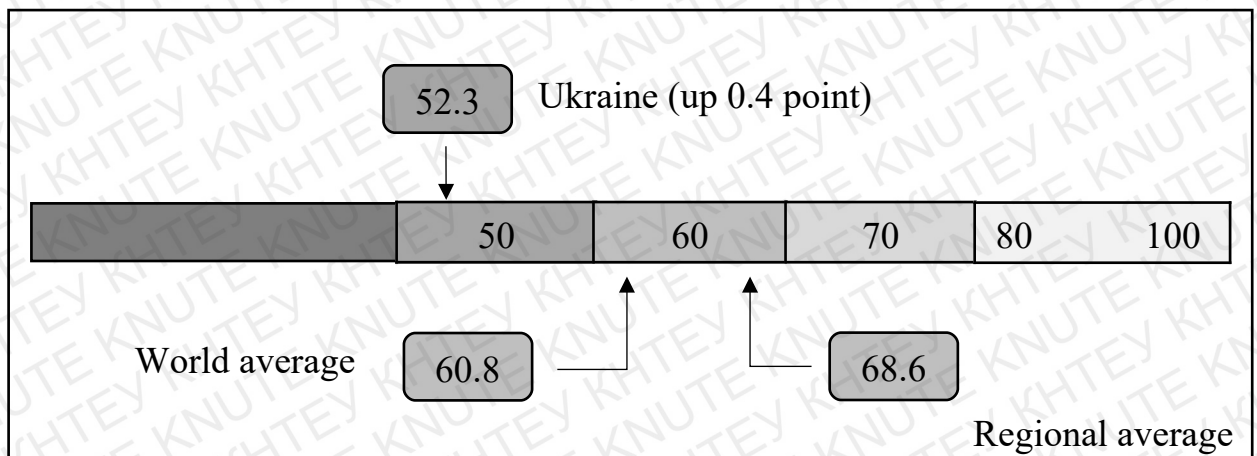


Fig. 1.2. Economic freedom score of Ukraine in comparison with the World and the European Region in 2019

Source: Developed by author based on the Index of Economic Freedom [45]

Ukraine's economic freedom score is 52.3, making its economy the 147th freest in the 2019 Index. Its overall score has increased by 0.4 point, with improvements in fiscal health, business freedom, and property rights outpacing declines in labor freedom and trade freedom.

Ukraine is ranked 44th among 44 countries in the Europe region, and its overall score is below the regional and world averages (Fig. 1.3). Progress has lagged on many much-needed but contentious structural reforms such as cutting subsidies and raising energy tariffs, fiscal consolidation, and the fight against corruption.

As Ukraine's oligarch-dominated economy improved in 2018, partly because of greater inflows of remittances, Western institutions found that they had less leverage to press for further reforms to make the country more prosperous, democratic, and transparent. Ukraine also needs to develop its capital markets, privatize state-owned enterprises, and improve both its legal framework and the rule of law.

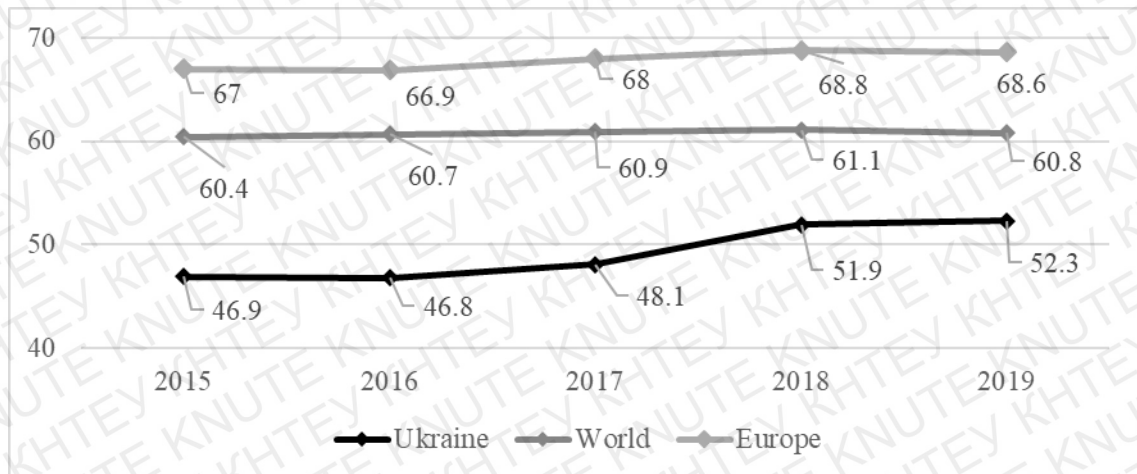


Fig. 1.3. Dynamics of economic freedom score of Ukraine in comparison with the World and the European Region 2015-2019 (%)

Source: Developed by author based on The Index of Economic Freedom [45]

Ukrainian law protects property rights. Mortgages and liens are recorded, and the government reduced fees for construction permits in 2018. Enforcement of contracts is time-consuming and costly (Fig. 1.4). The judiciary is susceptible to political pressure and fraught with corruption and bribes, and public confidence in its effectiveness is weakened as a result. Criminal penalties for corruption are not implemented effectively, and corruption remains endemic.

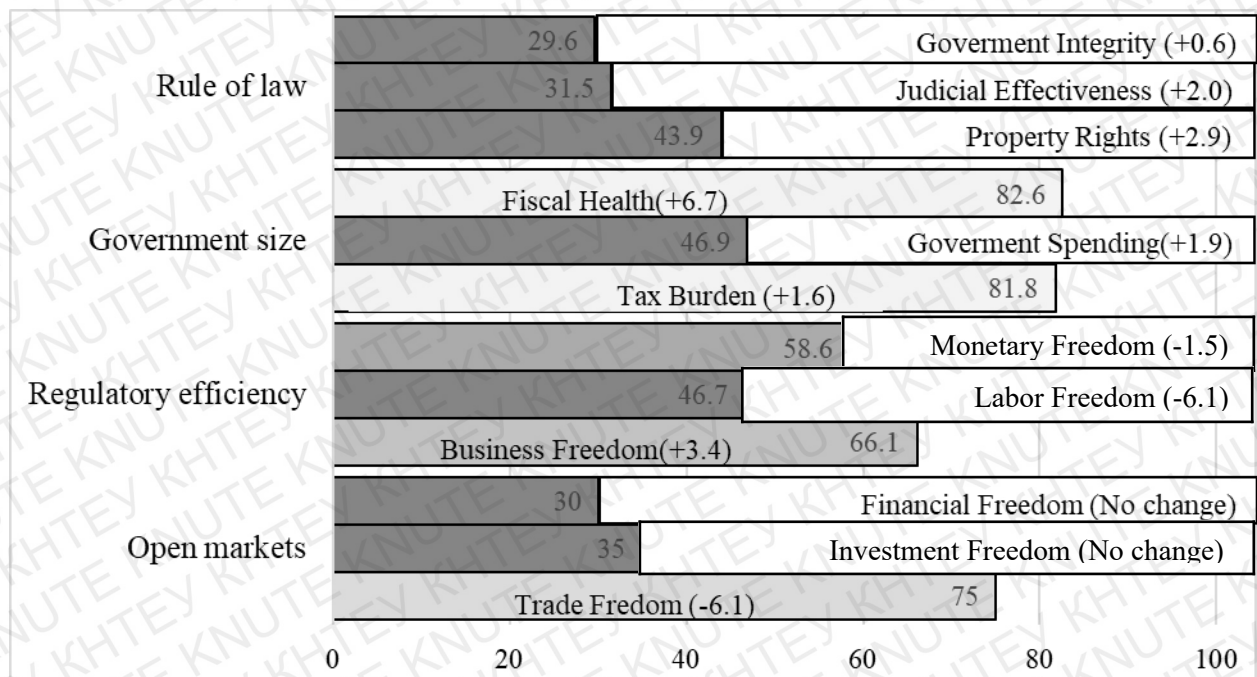


Fig. 1.4. Economic freedom of Ukraine (%)

Source: Developed by author based on The Index of Economic Freedom [45]

The top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.1 percent of total domestic income. Over the past three years, government spending has amounted to 42.1 percent of the country's output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 75.6 percent of GDP.

The business start-up process has been streamlined, but completion of licensing requirements is still time-consuming. Overall, political instability continues to compound regulatory uncertainty in commercial transactions. The labor code is outmoded and lacks flexibility. Defying pressure from international financial institutions, the government extended price controls on natural gas in 2018.

Staying close to the economic factors, one should take notice of the World Economic Forum's Global Competitiveness Index, with its latest edition published in October 2019. Ukraine's competitiveness on the global stage has improved in some areas but appears to have faltered overall, according to findings released on October 9th in a report from the World Economic Forum (WEF) [43].

The Global Competitiveness Report 2019, in which the WEF publishes its assessment of the competitiveness of 141 countries worldwide, puts Ukraine in 85th place, having dropped two places overall in comparison to the previous year (Table 1.4).

According to the report's so-called performance overview for 2019, Ukraine has improved in some areas. Its labor market and state institutions are slightly better and the level of skills and education among the population has shown improvement.

Ukraine's commodity market has improved substantially, according to the report, while the country's ranking in infrastructure and technology implementation have remained largely the same [34]. But the report also draws attention to various areas in which Ukraine's competitiveness has faltered or

regressed. Macroeconomic stability has dropped two places; the level of health care has dropped seven places.

Table 1.4

The Global Competitiveness Index 2018-2019 of Ukraine

	Rank		Score		Change	
	2018	2019	2018	2019	Rank	Score
Institutions	110th	104th	46.3	47.9	6 ↑	1.6↑
Infrastructure	57th	57th	70.1	70.3	-	0.2↑
ICT adoption	77th	78th	51.0	51.9	1↓	0.9↑
Macro-economic stability	131rd	133rd	55.9	57.9	2↓	2↑
Health	94st	101st	72.0	65.6	7↓	6.4↓
Skills	46th	44th	68.9	69.9	2↑	1↑
Product market	73th	57th	55.3	56.5	16↑	1.2↑
Labor market	66th	59th	59.5	61.4	7↑	1.9↑
Financial system	117th	136th	48.7	42.3	19↓	6.4↓
Market size	47th	47th	62.7	63.0	-	0.3↑
Business dynamism	86th	85th	55.3	57.2	1↑	1.9↑
Innovation capability	58th	60th	39.0	40.1	2↓	1.1↑
Overall	83th	85th	57	57	2↓	-

Source: Developed by author based on The Global Competitiveness Index [43]

The financial system has faltered badly this year. The financial sector was ranked 117 last year, and is now ranked 136, dropping 19 places.

Another global competitiveness report published by the International Institute for Management Development (IMD) back in May, had a slightly better outlook for Ukraine, concluding that the country had risen five positions to 54 out of 63 countries ranked. But according to the WEF, Ukraine's overall global competitiveness now ranks just below Albania, North Macedonia, Argentina and Sri Lanka, and just ahead of Moldova, Tunisia, Lebanon and Ecuador [20].

Conclusion to Part 1

Only a few scholars and practitioners have so far attempted to define nation branding (as distinct from place branding), whereas definitions of public diplomacy are abundant. Nation branding can be conceptualized as a special area of place branding. As the following definition demonstrates nation branding often refers to the mere application of branding strategies and tools for nation states: 'Nation branding concerns applying branding and marketing communications techniques to promote a nation's image' [13].

This definition also highlights that nation branding is concerned with image promotion and - similarly to many definitions of place branding — image promotion is identified as the ultimate goal, an Icelandic brand practitioner defines nation branding in a similar way but he identifies the government as the initiator of branding, acknowledging its indirect involvement and influence:

'Nation branding occurs when a government or a private company uses its power to persuade whoever has the ability to change a nation's image. Nation branding uses the tools of branding to alter or change the behavior, attitudes, identity or image of a nation in a positive way' [17].

He also dismisses the popular idea that nation branding is a process to brand a nation, arguing that nations or their governments cannot be branded per se; however, governments and other public institutions can use the techniques of branding. For some writers the notion of the nation as a brand is 'commonly accepted' while others are more skeptical about the applicability of branding concepts to nations differentiates between a national brand and a nation-brand, which he defines as 'the unique, multidimensional blend of elements that provide the nation with culturally grounded differentiation and relevance for all of its target audiences' [9]. This definition makes reference to a nation's culture as well as to target audiences in the minds of whom nation brands are 'situated'. Nation

branding, however, can be conceptualized independently from branding. It can be defined as the strategic self-presentation of a country with the aim of creating reputational capital through economic, political and social interest promotion at home and abroad. Nation branding is successful when the brand is lived by the citizens, who are considered by Anholt as both the mouthpiece and the recipient of the message:

When it comes to the brand of Ukraine, a few observations stem from the abovementioned data. First of all, the effort of the government to act and implement certain reforms in the times of conflict and turmoil is acknowledged. Second, there is a feeling that some years have been lost or at least the time was not used effectively. The grey zone and corruption stand still in Ukraine. And as long as corruption will be mentioned in any (and every) analysis of Ukraine, no tremendous change and a sustainable and long-lasting advance in development will take place. Here we focus on development, much broader than the GDP growth. Development based on corruption will not prove sustainable and long lasting, even though the economic growth may be booming.

Every single survey devoted to (or at least mentioning) innovation and human capital highlights the great potential that lies in Ukrainian people, especially the young generation. This is good news, especially when the research on the future of work is concerned. Every report in this field underlines that in the age of artificial intelligence, robotics, and the Internet of Things, these are social and soft skills, as well as life-long learning and the open-mindedness of the students and labor force that will decide what the fate of a country will look like.

PART 2

RESEARCH OF IMAGE RISKS FACED BY NATION IN GLOBAL SCOPE

2.1. Monitoring of the external environment of national brand development of Ukraine

The national brand tools are: the laws and regulations of the state, decisions and orders of state authority and local self-government, political diplomacy, summits, etc. [3]. According to the above scientific and methodological approaches to the definition of national branding and its components, its profile, based on the decomposition of the mental image of the country, will be created (see Table 2.1).

Table 2.1

National brand profile

Goals	Economic, political
Functions:	Social: the consolidation of the interests of stakeholders; enhance the feelings of national identity and national pride of the citizens; Financial: attracting investment, improving the stability of the currency; Marketing: the conquest of market niches on international markets; strengthening the competitiveness of the country; Law: implementation of international law
Participants	Governmental and non-governmental organizations, business structures citizens.
Targets audiences	Governments, consumers (products and services), international financial institutions.
Tools	Political and economic decisions at various levels, the position in the negotiation process, the image of political leaders, security and ease of doing business, investment attraction, working with the media.
Strategy	Promoting a positive image; Expansion of cooperation; Strengthening the position in the international arena
Tactic	Smoothing of problematic situations at the international level; Formation of the components of recognition: product groups, attractions, public people; Creating a mutually beneficial environment for international cooperation.

Source: own representation

We use the PEST and SWOT - analyses (see Table 2.2) to describe the quantitative and qualitative characteristics of the crisis in various spheres, as well as to identify strategic opportunities to stabilize the economy of Ukraine. The data we employ compares the results of individual international ratings having Ukraine as their main focus.

Table 2.2

SWOT analysis of Ukraine

Strengths - has high agricultural potential due to its fertile soil and geographical location. - has great potential for the development of cooperation with European countries - High skilled labor force - can act as a trading bridge between Asia and Europe - International financial and political support	Weaknesses - Conflict with Russia and Russian-speaking populations with severed territorial integrity; Russian counter-sanctions - Political and social instability against a backdrop of widespread poverty, corruption and oligarchy - Low economic diversification - High external debt
Opportunities - development of the economy of Ukraine in the framework of association with the EU - creation of new enterprises and branches of European companies in Ukraine - Growing interest in the country by multinationals and financial investors - implementation of new technologies in manufacturing, energy conservation, alternative types of energy	Threats - indecision of future economic reforms -Strengthening the oligarchic system of public relations in Ukraine and the oligarchic-bureaucratic model of government - Environmental problems in Ukraine threatening to escalate into an environmental disaster - The probability of increased emigration from the country of youth and skilled workers

Source: own representation

The PEST analysis describes the SWOT analysis in the context of the various factors that have an impact on the national economy.

Political factors.

The indicator of the political situation in the country is the International Property Rights Index, which is calculated by the Institute for Liberty and Democracy (Peru) [26]. It includes three groups of factors: legal and political environment, physical property rights and intellectual property rights. That index

varies from 1 to 10 (Table 2.2). The first indicator is characterized by a degree of judicial independence, rule of law, political stability and control of corruption. The sub-index of physical property rights reflects the degree of these rights protection, the specificity of ownership registration and ease of obtaining a loan. The intellectual property rights indicator demonstrates the degree of patent, intellectual and copyright protection.

Table 2.2

Ukraine - IPRI Overall Score 2019

Statistic	Score	Global	Region
Overall	4.432	109	23
Legal and Political	2.971	120	25
Physical	5.747	101	24
Intellectual	4.578	88	15

Source: Developed by author based on the International Property Rights Index [26]

Ukraine's IPRI score increased by 0.149 to 4.432 placing it 23rd in the Central Eastern Europe and Central Asia region and 109th in the world. Ukraine is classified by the IMF as part of the Commonwealth of Independent States group and by the World Bank as a Lower middle income country. Ukraine's Legal and Political Sub index score increased by 0.286 to 2.971 with scores of 2.906 in Judicial Independence, 3.577 in Rule of Law, 3.432 in Control of Corruption, and 1.968 in Political Stability(Fig.2.1.).

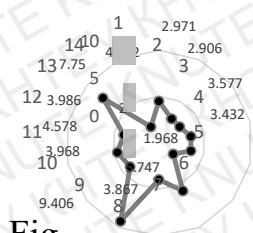


Fig.

2.1.

Ukraine - IPRI Overall
Score 2019

1: IPRI	7. Physical Property Rights Sub index
2: Legal and Political Sub index	8. Property Rights Protection
3: Judicial Independence	9. Registering Property
4: Rule of Law	10. Ease of Access to Loans
5: Control of Corruption	11. Intellectual Property Rights Sub index
6: Political Stability	12. Intellectual Property Rights
	13. Patent Protection
	14. Copyright Piracy

Source: Developed by author based on the International Property Rights Index [26]

Ukraine's Physical Property Rights Sub index increased by 0.021 to 5.747 with scores of 3.867 in Perception of Property Rights Protection, 9.406 in Registering Property, and 3.968 in Ease of Access to Loans.

Ukraine's Intellectual Property Rights Sub index score increased by 0.142 to

4.578 with scores of 3.986 in Perception of Intellectual Property Protection, 7.75 in Patent Protection, and 2 in Copyright Protection.

Another direct indicator of the political macro-environment is the Rule of Law Index [36]. It is calculated based on a survey of a representative sample of 1000 respondents in the three largest cities of the country and a number of experts from practicing law firms and representatives of the academic community. The index demonstrates level of the population's law abidance in 8 indicators, including: lack of corruption, government transparency, respect for fundamental rights, etc. In 2018, Ukraine retained its position on the Rule of Law Index and ranked 77th out of 126. It may be noted that among all the index components, the indicator of order and security in the country is the most important - 0.73 with a maximum value of 1.00. On the whole, in recent years, Ukraine has been steadily improving its position on the Rule of Law Index.

The analyzed political and legal indicators are interrelated with each other and other indicators of the external market environment. The greater society law abidance is, the higher the degree of intellectual property protection in the country is. In turn, the intellectual rights protection and the rule of law stimulate the country's innovative development [15]. Companies that invest in innovation are confident that their investments will bring them the expected return through the exclusive right to sell their product in the market.

Economic factors.

An important indicator of the economic macro environment is the Ease of Doing Business Index, which covers 190 countries [10]. The index takes into account 11 indicators, including the ease of starting a business, registering property, obtaining a loan and construction permit, etc. For the last 3 years, Ukraine has consistently improved its position on this indicator (Fig. 2.2.).

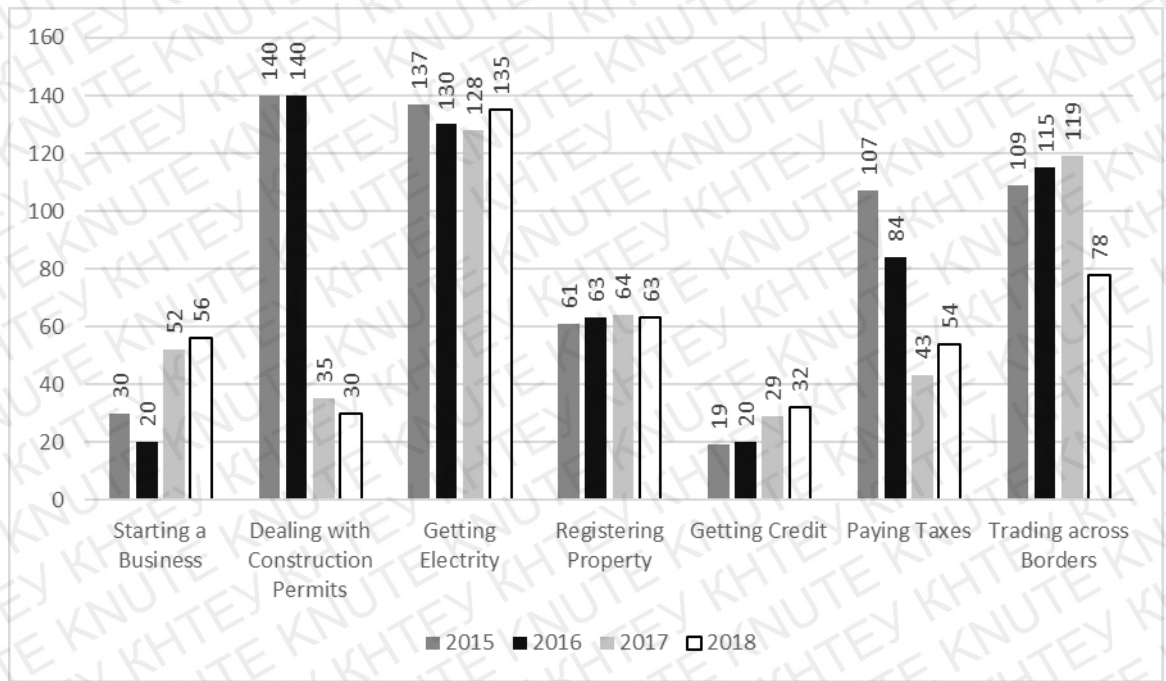


Fig. 2.2. Dynamics of Ukraine's Position in DBR

Source: Developed by author based on the Ease of Doing Business Rating [10]

Thus, in 2018, it was 71st (76th – in 2017, 80th – in 2016 and 83rd – in 2015). Meanwhile, the dynamics of sub-indices is ambivalent. The strongest positive changes are observed in the sphere of construction permits. By this indicator, Ukraine has significantly improved its position due to reduction of required payments, rising from the 140th position in 2016 to the 30th in 2018. The introduction of an electronic payment system has simplified the process of paying taxes. As a result, the country rose from 84th (2016) to 54th (2018). Getting Electricity and Trading across Borders indicators have taken low values, even as Ukraine has improved its position in relation to the second indicator. Meanwhile, after improving the situation with ease of setting up a business, in 2018 Ukraine dropped to 56th position.

According to the WEF, the main obstacles to doing business in Ukraine are inflation, corruption, political instability, the level of taxation and fiscal policy, governmental instability, low availability of financing, inefficient government bureaucracy, etc. [44]. The country has a high position in terms of market size due to the considerable number of potential consumers (47th in the world).

Social factors.

The main factor determining Ukraine's demographic situation is its population dynamics [49]. For this indicator, Ukraine consistently demonstrates negative trends (Table 2.3). In the last 70 years, the largest number of inhabitants was observed in 1991 – over 51m people. Thus, over the years of its independence, Ukraine has lost more than 9m inhabitants. The last significant loss was observed in 2014 with the occupation of the Crimea.

Table 2.3

The dynamics of the Ukrainian population

Year	Population	Growth Rate
2015	42,773,039	-5.47 %
2016	42,617,345	-0.36 %
2017	42,462,218	-0.36 %
2018	42,307,656	-0.36 %
2019	42,153,656	-0.36 %

Source: Developed by author based on the Country meters [49]

During 2019 Ukraine population is projected to decrease by -153,439 people and reach 42,000,217 in the beginning of 2020. The number of deaths will exceed the number of live births by 189,691, so the natural increase is expected to be negative. If external migration will remain on the previous year level, the population will be increased by 36,252 due to the migration reasons. It means that the number of people who move into Ukraine (to which they are not native) in order to settle there as permanent residents (immigrants) will prevail over the number of people who leave the country to settle permanently in another country (emigrants) [6].

Social and cultural situation in society can be described by 6 indices according to G. Hofstede: Power Distance, Individualism / Collectivism, Masculinity / Femininity, Uncertainty Avoidance, Long / Short-term Orientation, Indulgence / Restraint. Fig. 2.3. shows situation in Ukraine is described by high indices of Power Distance and Uncertainty Avoidance (92 and 95, respectively). This explains the reluctance to change significantly the current way of life.

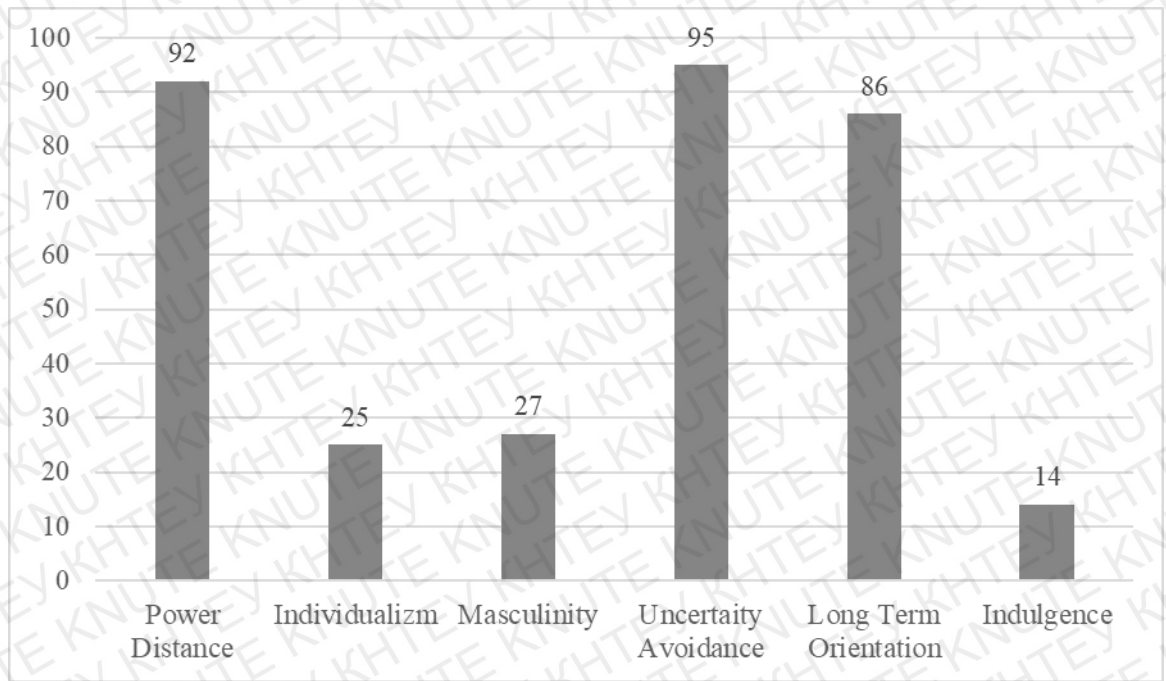


Fig. 2.3. Hofstede Indices in Ukraine

Source: Developed by author based on the Ease of Hofstede Insights [44]

Meanwhile, the Long-term Orientation Indicator's value is 86, which means the society has begun to understand the need for change for the sake of its future. The low Masculinity Index (27) shows the country's orientation towards compliance with social standards and the value of human life. At the same time, there is an extremely low degree of tolerance to any public manifestations of happiness and enjoyment of life (the corresponding index's value is 14). As we move to the West of Europe, the Power Distance begins to decrease. Individualism, Masculinity, Indulgence and Long-term Orientation indices, on the contrary, are growing.

Technological factors.

The IMD World Competitiveness Center launched the Digital Competitiveness Ranking that measures the country's ability to adapt and use digital technologies that promote transformation at all spheres of social development. The rating covers 63 countries and is based on three groups of factors: knowledge, technology and future readiness. The digital competitiveness indicator takes values from 0 to 100 (Fig. 2.4.).

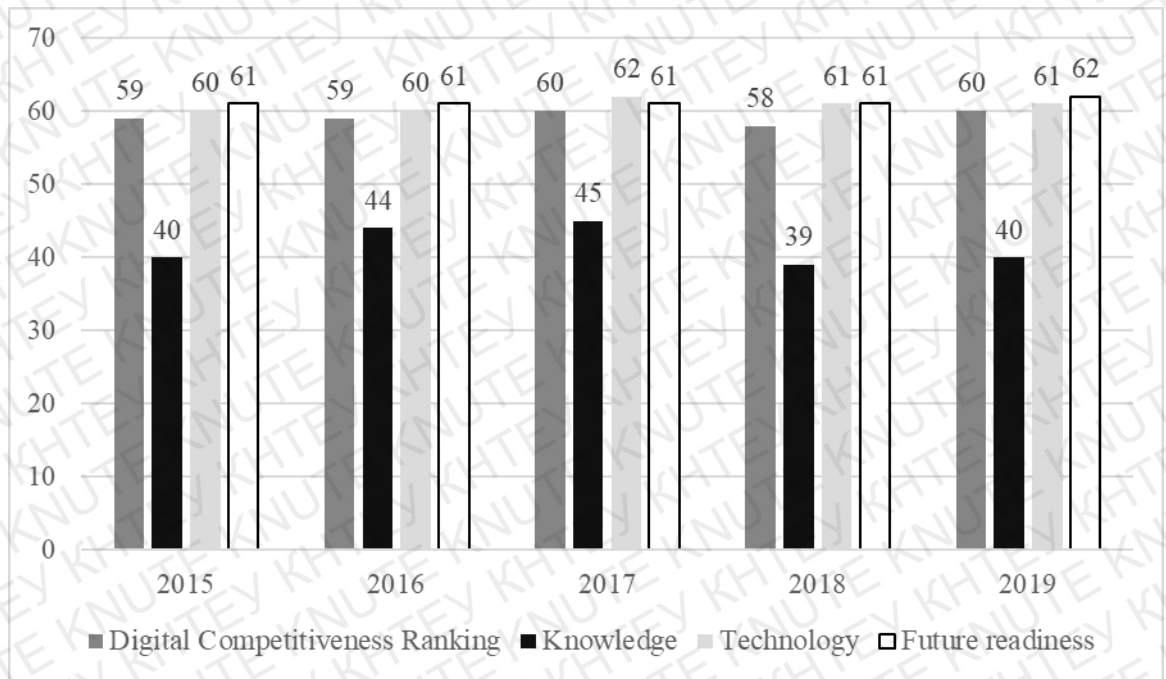


Fig. 2.4. Dynamics of Ukraine's Position in the Digital Competitiveness Ranking

Source: Developed by author based on the IMD World Digital Competitiveness Rankings [20]

Ukraine is in a low position in this rating – 60th out of 63 countries (60th in 2018). A worse situation is observed only in Peru, Mongolia and Venezuela. In terms of sub-indices, Ukraine ranks 40th in “Knowledge” and 61st in “Technology” and 62nd “Future Readiness”. The best state is observed in the education sphere(40th).

On the whole, the dynamics of digital competitiveness sub-indices is negative.

This PEST analysis has demonstrated positive changes. Positive changes were observed in Ukraine's political, economic and technological environment [5]. Negative trends were seen in the demographic sphere. This urges us to consider the identified trends when making economic forecasts at the global, sectoral and local levels.

2.2. Evaluation of image risks of Ukrainian brand

Image risks. This is a group of characteristics that reflect the danger of negative awareness of the concept or characteristics of the object. In the process of creation of brand, image risks can be considered as those characteristics of the subject that will undermine the foundations of positive perception of the brand and its promotion. In the scale of national brand, image risk can be the prerequisite of future decrease in some factor or value that create the unfavorable awareness of the country or somehow related to public opinion of this issue (Table 2.4).

Table 2.4

Main economic indicator of Ukraine in 2017-2019

Indicator:	2017	2018	2019
Real GDP growth (% year)	2,5	3	2,7
CPI inflation (%), average	14,4	11	8,1
Exports of goods (USD bn)	49,5	51,8	53,6
Exports of services (USD bn)	15	16,9	19,1
Imports of goods (USD bn)	51,4	55,5	59,6
Imports of services (USD bn)	11,7	12,5	13,4
Exports of goods (% year)	5,6	4,5	3,6
Imports of goods (% year)	6,5	8,1	7,4
Current account (USD bn)	-2,4	-4,6	-4,5
Current account balance (% of GDP)	-2,2	-3,7	-3,3
Exchange rate per USD (year average)	26,6	27,2	28,5
External debt total (USD bn)	113,3	130,1	134,6
Government balance (% of GDP)	-2,2	-2,4	-2,5
Gross government debt (% of GDP)	71	65	59,5
Population (millions)	42,6	42,4	42,1
Nominal GDP (USD bn)	112,2	124,6	135,6
GDP per capita (USD current prices)	2633	2983	3221

Source: Calculated by author on the base of source [7]

Emphatic election wins this year for President Zelenskiy and his Servant of the People party have been accompanied by a sharp pick-up in GDP growth, to 4.6% y/y in Q2 from 2.5% in Q1 [35]. The upturn, with q/q growth up to 1.6%, mainly reflects stronger recovery in fixed investment and consumption following

recent income growth. But full-year expansion is still expected to be capped around 3% in 2019-20, with limited room to accelerate until the new government begins to deliver on pledges to reduce corruption, improve the business environment and end the conflict in the industrial east. But the peaceful political changeover has strengthened prospects for continued steady expansion, underpinned by:

IMF staying onboard: recognizing the need to maintain IMF support, the government has indicated it will seek a new 3-4-year loan when the current one expires at yearend, possibly retaining trusted finance minister Oksana Markarova for the negotiation [4]. IMF conditions would raise the chances of the government delivering promised reforms, including privatization of main state-owned banks and other enterprises, and relaxation of current rules on foreign ownership of land.

Risks have been reduced only slightly by this year's arrival of a pro-reform president with a clear parliamentary majority, and there is limited upside to the 2019-22 forecast due to:

Initial boost from more emigration: faster outward migration since 2014 pushed by internal conflict and downturn, and pulled by better opportunities in Russia and the EU has driven a sharp rise in remittances (to more than 6bn USD in H1 on initial estimates) while helping to hold down unemployment and welfare costs. There are now 3.2m working abroad, 18% of the working-age population, on official estimates. While this also means a loss of generally younger and higher-skilled taxpayers, there is a likelihood of Ukraine emulating Poland in replacing some of its emigrants with economic immigrants (from other ex-Soviet countries) willing to work for lower pay, with a net economic benefit until the unemployment rate falls well below the present 9%.

Difficult reforms ahead: election-time promises to lift growth rates to 5-7% depend on the new government quickly using its unprecedented popularity to tackle old industrial concentrations, infrastructure deficiencies, oversized and corrupt bureaucracy, and other structural constraints their predecessors failed to attack [24]. Zelenskiy has not yet appointed the range of non-party technocrats that

his outsider status makes possible, and is still at risk of being captured by ‘oligarchs’ threatening to run down their investments or offering media-empire support.

Debt strains continue: while external debt is on a sustainable path due to GDP growth, 2015 restructuring and IMF support, problems could still re-emerge in 2020 over repayment costs, and beyond 2020 on components that trigger extra payments if GDP growth exceeds 3%. Current low global interest rates give a limited opportunity to issue new lower-cost debt, but this might also erode fiscal discipline and politicize official growth projections.

Consumption and export slowdown: industrial output growth reached only 1.6% y/y in Q2, leaving the faster GDP rise largely dependent on agriculture (up 6.3%), retailing and other consumer-focused services. Unless there is prolonged acceleration of investment, spreading beyond metals/minerals into new industries and farming, medium-term GDP expansion could be held below 3% by a slowdown in household income and net export growth. Fears of a weaker world economy have outweighed the brightening domestic political outlook so far this year, with first-half FDI down 12% y/y (to just under 1bn USD).

Rocky road to peace: despite cordial first meetings with Putin, Zelenskiy will find the promised restoration of peace in the east hard to achieve without unpopular concessions to Russia and the rebel leaders it supports [47].

Overall risk for Ukraine: 7.0 of 10

Ukraine's overall economic risk score of 7.0 is high, ranking it 139th out of 164 countries in the “Country Economics Forecast” by Oxford Economics, owing to a combination of macroeconomic imbalances, high domestic and external political risk and default on its sovereign debt [7]. With the economy now growing again and the imbalances sufficiently reduced to relieve some of the pressure on the UAH, the pro-presidential coalition had begun to back-track on IMF reforms (in particular those on anti-corruption, public procurement and energy) [32]. Despite the election of President Zelenskiy on an anti-corruption programme, his inexperience means there is a risk that the IMF programme may again falter,

potentially requiring another debt restructuring in 2020 when the bulk of restructured debt comes due.

Market demand: 6.0/10

Although recovery continues, the demand risk score is unchanged over the past six months at 6.0 and a little above the emerging market average of 5.6. Growth is weak due to subdued confidence, high inflation and the squeeze on disposable incomes after rises in energy and public service costs. Consumer demand is recovering, however, supported by more stable inflation and a doubling of the minimum wage [46]. Meanwhile, monetary easing has encouraged a rebound in consumer credit. But growth will be capped at about 3% by weak institutions, persistent corruption and some of the worst demographic trends in the world. The latter are aggravated by further outflow of labor to the neighboring CEE economies, particularly Poland.

Exchange rate: 6.6/10

Under our new methodology, Ukraine's exchange rate risk is still very high at 6.6, well above the EM average of 4.6. After depreciating sharply in 2015, the UAH steadied in 2016 as a more stable external balance and IMF disbursements enabled some recovery in foreign reserves. Depreciation was more modest in 2017 as further IMF disbursements, rising exports and reduced external debt costs (following the restructuring) enabled the central bank to use its managed UAH float to bring inflation under control. However, given the large current account deficit, there are still downside risks to the exchange rate, with further corrections possible in 2019-20 if there are further delays to IMF loan disbursements.

Sovereign credit: 6.5/10

Ukraine's sovereign risk score of 6.5 is high and significantly above the emerging market average of 5.0. With five IMF bailouts and three defaults (1998, 2000 and 2015) on record, Ukraine is one of the riskiest sovereign credits in the world. Following the last debt restructuring in 2015, the government has achieved

impressive macroeconomic adjustment (the current account and fiscal deficits fell from 9% and 4.8% respectively in 2013 to 1.4% and 2.2% in 2016), but the deficits are rising again and the debt burden appears unsustainable. The debt restructuring still leaves medium-term strains as the write-off fell short of what was needed to achieve debt sustainability, and interest costs may rise significantly when the initial repayment cap expires this year.

Trade credit: 10.0/10

Trade credit risk remains very high, at a maximum 10.0, despite the recovery in foreign reserves as the current account deficit fell and a loosening of capital controls in October 2015 that widened exemptions from the compulsory conversion of hard currency. Exports, already hit by capacity constraints due to the military conflict in eastern Ukraine, remain constrained by Moscow's suspension of free trade arrangements and by the severance of trade ties with the rebel-controlled territories, which were the key source for supplies of coal. The free-trade agreement with the EU will boost trade-related investment over the medium term, but new technical requirements and initial quotas on key industrial exports limit its immediate impact.

According to World Economic Forum (2018b), the largest global risks are associated with environmental factors, and the climate change situation which happens now. Since 2011, environmental risks have consistently hit the top five largest risks in terms of likelihood and impact. In 2018, 3 of 5 global risks were environmental namely: events caused by natural disasters, extreme weather conditions and the inability to adapt and minimize the impact of global climate change. The main environmental indicator is the Environmental Performance Index, which is based on 24 environment indicators and calculated for 180 countries. The index value can vary from 0 to 100 [11]. In 2018, Ukraine was at 109th place in this rating (YCEP, 2018 b; YCEP, 2014). Over the past 12 years, it has worsened its position by more than 2 times, dropping down from 51st position in 2006. The decrease of indicator value we can observed with forestry and air quality (Fig. 2.5.). Because of this the country ranks 154th in terms of SO₂

emissions. In agriculture sector we observed negative tendency in indicator value. Water supply a wastewater systems have also deteriorated. Despite this, the quality of drinking water remains quite high, and Ukraine ranks 55th in the world. At the same time for the ecosystem viability, it sank to 139th position.

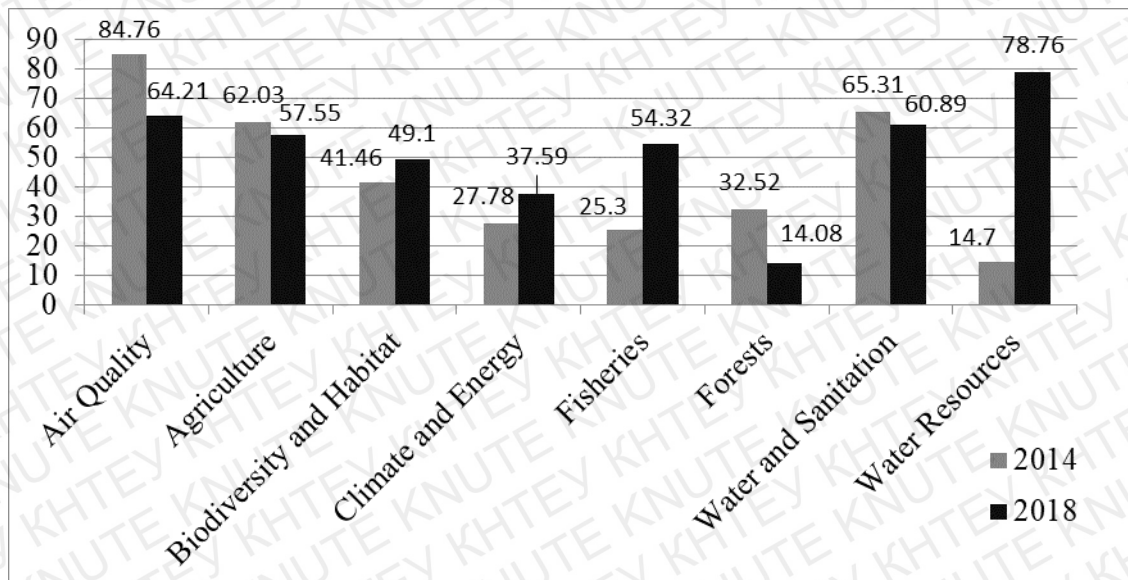


Fig. 2.5. Dynamics of Ukraine's Position in the Environmental Performance Rating

Source: Developed by author based on the Environmental Performance Indices [11]

The situation with access to water, fisheries, biodiversity and natural habitat, climate and energy has improved. However environmental factors have a significant interdependence with the country's political, social, technological and economic indicators. The environmental index growth strengthens the country's position in the global competitiveness and innovation rating. On the other hand, population's law abidance improves the ecological situation. Compliance with the laws aiming to reduce environmental pollution (in particular, waste management) has a positive impact on the environment.

The main image risks of Ukraine:

- Military Risks
- Economic Stabilization Risks

- Political Risks
- Foreign Debt Risks
- Reputation Risks

Euromoney Country Risk Survey: This survey covers 186 countries and gives a comprehensive picture of a country's investment risk. The rating is given on a 100-point scale, with a score of 100 representing virtually zero risk [12].

High-risk Ukraine is over the worst, at least in terms of macroeconomic instability. Clearly, it's total risk score of just 32.1 points from a total 100 in Euromoney's country risk survey is still serving as a warning indicator to potential investors. Many of the problems go back to before the crisis of 2013. And it has since become consumed by continual political turmoil, while hosting a tense separatist battleground still undermining Russian relations. The situation could just as easily unravel, as it could improve, with Ukraine the 128th riskiest sovereign borrower worldwide from 186 countries in Euromoney's survey, facing large foreign debt payments due between now and 2020 (Table 2.5).

Table 2.5

Ukraine's risk ranking

Countries	ECR			Score changes	
	tier	score	rank	last 6 mths	Since 2010
Malawi	5	32.33	126	-0.72	+8.75
Moldova	5	32.25	127	+4.56	+1.10
Ukraine	5	32.12	128	+4.06	-7.19
Uzbekistan	5	31.83	129	+3.79	-1.09
Bangladesh	5	31.82	130	+0.86	-3.22

Source: Euromoney Country Risk [12]

Ukraine is still within the lowest of five tiers into which all 186 sovereign borrowers are categorized by Euromoney, according to their risk scores. All five of its economic risk indicators have improved on a year-on-year basis, but are still scoring less than half the marks available. Structural and corruption risk indicators are heavily marked down, despite capital-access improvements.

Overseas investing involves a careful analysis of the economic, political and business risks that might result in unexpected investment losses. This country risk

analysis is a fundamental step in building and monitoring the national brand.

Conclusion to Part 2

For a country to understand how its nation brand is viewed globally, surveying perceptions by participants in the global economy is a first step and an opportunity for nations to more actively manage their image. Documenting the global perception of nation brands is the objective of this inaugural rating of nations. We will note that most people will not agree with their nation's ratings. The ratings are not a reflection of objective dimensions, but rather how the country is subjectively perceived by a large sample of residents, business decision makers, and the educated elite of other countries.

The point of this analysis is to emphasize the economic importance of how others view our countries. It is an issue beyond national pride. A nation's brand affects its economy. It matters what others think about us. Our actions, visible on a global scale, have economic consequences far beyond the direct cost of those actions.

The analysis of macroeconomic trends of Ukraine reveals negative trends occurring in almost all sectors. The PEST analysis has demonstrated positive changes. Positive changes were observed in Ukraine's political, economic and technological environment. Negative trends were seen in the demographic sphere. This urges us to consider the identified trends when making economic forecasts at the global, sectoral and local levels. However environmental factors have a significant interdependence with the country's political, social, technological and economic indicators. The environmental index growth strengthens the country's position in the global competitiveness and innovation rating. On the other hand, population's law abidance improves the ecological situation. Compliance with the laws aiming to reduce environmental pollution (in particular, waste management) has a positive impact on the environment.

In the process of creation of brand, image risks can be considered as those

characteristics of the subject that will undermine the foundations of positive perception of the brand and its promotion.

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The absence of effective reforms hampers business activity and discourages foreign investment. The dependence of the Ukrainian government on international financial institutions holds back the initiative in making appropriate decisions. The political situation in Ukraine hinges on the balance of forces between the major players in the international arena: the US, EU and Russia. The economy is a reflection of the balance of political forces.

For the completion of the national brand, Ukraine must define goals to be included in the development country strategy. National brand strategy should rely on a legislative basis as well as on investment and financial mechanisms. The legislative mechanism should be implemented through state programmers. Institutional mechanisms should focus on the specialized state body which will be entrusted with the distribution in the international information space of positive information about the state, and the promotion of Ukrainian exports.

The financial mechanism should include the involvement of the international donor assistance for the modernization of enterprises, development of priority

sectors and for facilitating technology transfer; it should obtain loans to finance Ukrainian exports, provide export credits and insurance.

PART 3

WAYS OF INCREASE OF THE NATIONAL BRAND COMPETITIVENESS ON THE GLOBAL MARKET

3.1. Substantiation of measures to increase the competitiveness of Ukraine's national brand in European markets

Reputation has an unquestionable economic value to countries, just as it does to organizations and individual people (Fig. 3.1.). It is based on emotion and reason, the product of our impressions of a nation's actions and its communications, as well as our deep-seated perceptions, stereotypes, influences and direct experiences [25].

In an age of empowered, networked publics, the value of a country's reputation is rising — as is the importance of managing it as one of its greatest assets.

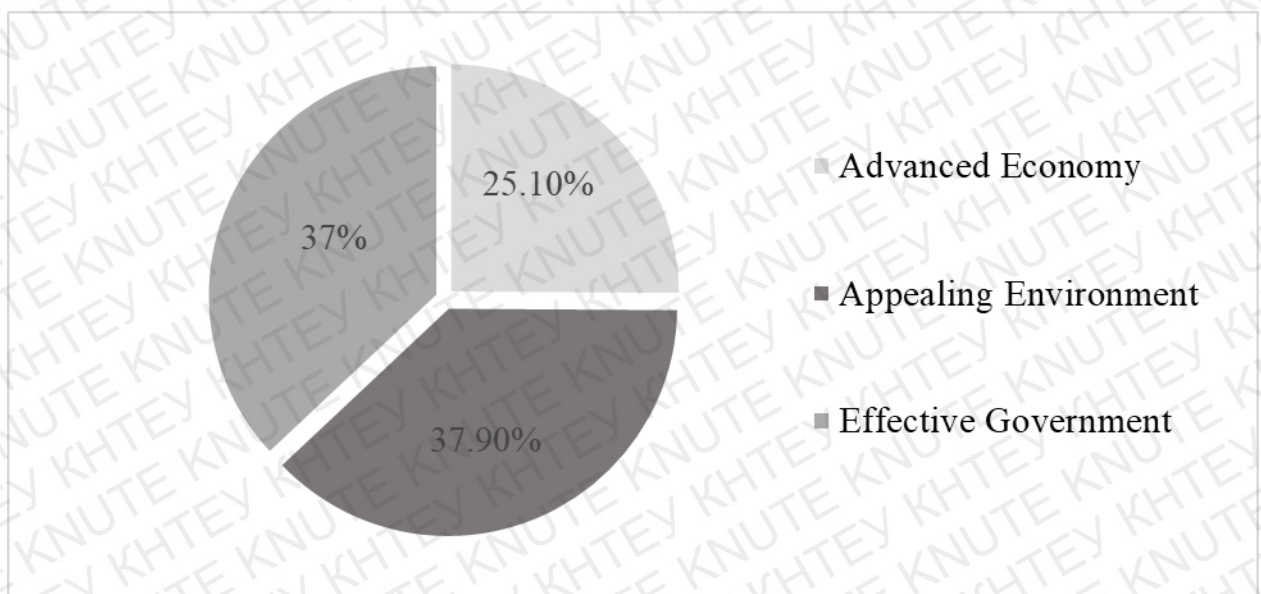


Fig. 3.1. Factors driving national reputations

Source: Developed by author based on the Country RepTrak [2]

Three factors drive national reputations:

- 37.9 percent comes from perceptions of its environment (e.g., welcoming people, beauty, lifestyle),
- 37 percent from its governance (e.g., public safety, ethics, international responsibility, social and economic policies),
- 25.1 percent from its economy (e.g., educated and reliable workforce, contributions to global culture, high-quality products and services)

As the global business and trade landscape becomes more competitive, investments in building strong country reputations will continue to deliver substantial economic value [18]. Building a reputation is not something that governments can do alone, nor is it just about marketing — the key is tangible action, conducted in partnership, and backed by both local and global communication.

Ukraine has a long way to go yet. A recent survey conducted by the Institute of World Policy about the perceptions of Ukraine in Europe has established that Ukraine is associated with Maidan, Russian aggression (war), and famous Ukrainians such as Klitschko brothers, winner of the 2016 Eurovision Song Contest Jamala [19]. Simultaneously, the country is associated with corruption and instability [29].

So who should be involved in making Ukraine's national brand? If we think of Simon Anholt's chart of nation branding as the sum total of a country's promotion in six areas, then everyone should be involved. Forming a country brand is a long and difficult process that requires clear and step-by-step steps. The starting point in this process was the official statement by the Cabinet of Ministers of Ukraine mark "Ukraine now" in May 2018 [48].

Ukraine Now. The New Ukrainian Global Brand.

The Cabinet of Ministers of Ukraine has adopted and approved the Ukraine NOW brand in 2018, which was created by the Ukrainian agency Banda within the

framework of the Commission for Promotion of Ukraine under the Ministry of Information Policy.

The aim of the new branding is to tell about “now”. It is dynamic, open and positive. The logo was made like this because we wanted to “highlight” by means of a yellow marker the main word of the message – “NOW”. And the blue element of logo resembles the alerts we see in social networks (Appendix A).

This is a symbol of something new, something that attracts attention. And Ukraine is really worth attention now.

As a result, the brand was made bright and modern. It expresses young good energy, energy of action.

“Now” is the most important word for Ukraine today. It is the basis of the new campaign and branding idea. Right now Ukraine is changing and gradually becoming what we want to see it. Modern Ukrainians are about “now.” They do not wait, do not hesitate. They act now and create new companies, new progressive businesses, new cafes, restaurants, festivals, new factories, new creative schools and innovative technology parks. We want to attract the attention of the same modern people from all over the world.

International campaign. Ukraine Now is the international marketing campaign initiated by the Government of Ukraine in 2018 to form the global country brand, attract foreign investment and increase tourism.

In Berlin, the Ukraine NOW brand is awarded with one of the most prestigious Red Dot Design Awards in 2018. A corporate design Ukraine NOW for presentation in the world has won in Corporate Identity nomination with a decision made by a panel of 24 experts. The official awarding ceremony took place on October 26th.

The logo was offered by the Banda Agency Ukrainian creative agency, that got the Red Dot Agency of the Year 2018, while the development and creation took place within the framework of the Commission on promotion of Ukraine under the Ministry of Information Policy with the participation of Ukrainian and foreign experts, the Information and Communication Department of the Secretariat

of the Cabinet of Ministers (Appendix B). The communication concept was prepared with the support and participation of experts from the British government. A series of focus groups were conducted in Warsaw, Berlin, London, and the message was tested in an international campaign on the CNN channel. There was also observed that Ukraine NOW is well perceived among audience in different parts of the world - Munich, Davos, Toronto, Frankfurt, London and Paris.

Images can help support the message, but it is crucial to get them right [38].

What works:

- Ukraine has a great color palette and flag;
- The landscape/ beaches/ mountains are beautiful and unexpected (intriguing);
- For people it's friendly individuals;
- Showing the 'real Ukraine' is key.

What doesn't:

- Pure industrial images this alienates consumers, and it's not appealing to business either;
- Crowds, and too many flags, can communicate revolution / protest.

Ukraine received a new national brand, but reforms are also needed. The country must make innovations in all areas so that the indices considered earlier rise [39]. The effectiveness of the modern economy of each country development depends on access to acutely scarce resources: capital, energy, labor, knowledge and high technology. Ukrainian society, as a provider of intellectual labor is characterized with highly entrepreneurial ability, what makes it one of the most attractive in the world and is the key to transforming the country into a prosperous, powerful developed country. Creating the conditions for realizing the potential of the intellectual capital of Ukraine One should concentrate on mobilizing domestic economic potential of Ukraine, what provides:

- operational introduction of reforms

- capitalization of property and equipment and intangible assets;
- the development process of branding the commercial and non-commercial projects;
- promoting a national brand of Ukraine.

The reform of the administration, legal system, social development is a basic issue which provides an opportunity for carrying out the other measures with the purpose of qualitative transformations in the country (Table 3.1). One of the main issues is the return of confidence in the government's domestic economic potential because people can become a source of funding.

Table 3.1

New Reform Plan

Goals	Key action
Economic Growth	Maintaining macroeconomic stability, agriculture sector reform, privatization, deregulation, energy reform, tax and customs reform, increasing exports and attracting investment
Effective Governance	Public administration reform, public finance management reform
Human Capital Development	Development of people through better education, healthcare, social security and culture
Anti-corruption and Rule of Law	Effective anti-corruption policies and institutions, protection of property rights, equal access to justice
Defense and Security	Protection of sovereignty and territorial integrity, securing a safe environment for citizens

Source: compiled by the author

It is necessary to create messages with the image of Ukraine we want to see in the minds of potential tourists or investors. Then, it is important to target the markets, i.e. not to promote Ukraine for everybody. There is not enough budget for it [41]. We have to choose priority countries. We propose to focus on targeted international tourist markets, such as:

- 1) Neighboring countries (Poland, Hungary, Slovakia, Belarus);

- 2) Countries with which we have a stable tourist flow and good logistic connections (Turkey, Israel, Germany);
- 3) Countries with hyper-big tourist markets and tourists potentially interested in the Ukrainian tourist product (China, Canada);
- 4) Countries of potential consumers of the Ukrainian medical tourist product and services (Azerbaijan, UAE, Qatar).

These countries should be informed about Ukrainian investment and tourist products by means of holding “Ukrainian days” there, inviting journalists to press-tours, organizing fam-trips for specialists, tour operators, developers, etc.

Business and government can work together [21]. One example of this kind of cooperation is a public awareness campaign run by Germany “Du bist Deutschland” and “Germany, Land of Ideas.” The first one was launched in fall 2006 and aimed at branding domestically; the second was launched at the beginning of 2018 around the World Football Cup and was aimed at strengthening Germany’s international image. The list of companies that contributed to this informational campaign is impressive. Among them were Adidas, Bayer, BASF, DHL, Deutsche Telecom, E.ON, Deutsche Bank, Bertelsmann, Fidelity International, and others. Business is capable of establishing a fund that would carry out the National Brand Ukraine Program [23]. Thus, Ukrainian, European, American companies could make their own contribution to accelerating.

Ukraine’s economy. In addition to money, such companies can contribute their knowhow, contacts and international experience. The National Brand Ukraine Program will not only contribute to establishing an international image for Ukraine, but will also work on establishing a national identity in Ukraine, a sense of a general purpose and national pride. This, in turn, could help unite Ukrainians around a single idea: the economic development of their country.

3.2. Forecast evaluation of the effectiveness of the proposed measures

Efficiency of successful implementation of national brand is duty of all country but first of all by the government. Of course, there is a lot of comprehensive work of its implementing, but what is more important is the result from all of it. Some firms are just successful only by producing regular product but from well-known and famous country of origin. The benefit for national economy could be stun.

First of all, introduction to the world community best of Ukraine could influence a lot image of Ukraine, its rights and power. After the situation in 2014 Ukraine faced the terrific situation when blindness and own interests win over the international laws and standards. Ukraine was left for itself and much of it was by the unknowing the real potential of Ukraine, its business, its desires of European standards of living, its hard-working people and other things but not just that it is some country [40]. Now after 5 years of this crisis which is still in our country the first point of strategy, to see in Ukraine equal partner, with which is need to negotiate and deal but not to force and impose own policy. It's needed to show also that we have strong power that interests of the country are valuable and the result is the matter of honest deal.

Secondly, the economic benefit for business of all type. Among other – tourist industry. Ukraine is full of masterpiece, hundreds of museum, operas, theatres and their treasures — exhibitions, pictures, singers, actors and others. At the present stage, especially in recent years, the problem of analyzing the factors and components of economic growth in Ukraine has been exacerbated, in order to counteract the main macroeconomic imbalances and stabilize further economic development.

In the medium to long term, globalization processes are likely to accelerate with respect to all structural elements of the reproduction system, but above all

consumption, circulation and the financial system [33]. To the impact of the end of the current and the middle of the next decade in Ukraine globalization is likely to have a new configuration: production and technological structures partially integrated into international value chains; production and territorial clusters; corporate organizational structures of transnational character.

The globalization of circulation, the financial system and consumption is expected to lead to a significant change in the institutional environment towards greater openness and compliance with international rules and standards, as well as the type of worker and entrepreneur; infrastructure of markets for goods (services) and capital, with the closure of much of it to international structures.

These shifts are likely to reduce the effectiveness of the existing system of public and corporate governance and will stimulate changes in legal, regulatory and organizational governance mechanisms.

The most significant trends. In the field of consumption, the pace of globalization will correspond to the pace of middle class formation. The globalization of consumption is expected to affect processes such as: rising consumer standards, bringing them closer to European middle class standards; consumption information (dissemination of information technologies) with access to global information and trading networks; increasing the mobility of the population; a change in the pattern of consumption, from current income to expected income as consumer lending expands [8].

In the sphere of circulation, globalization will manifest itself in enhancing the role of global trading networks and foreign trading companies in the markets of Ukraine. In the banking and financial spheres, globalization will manifest itself in the form of liberalization of cross-border operations with capital and mass access of Ukrainian companies to international financial markets: expanding the presence of transnational banking, insurance, investment and auditing companies in Ukraine; unification of domestic and international standards of banking and financial transactions, as well as the requirements for financial statements of companies; unification of banking and financial technologies with access to

international capital markets, payment and settlement systems, currency and insurance operations [22]. Different fields of reproduction will integrate into the world economy at different speeds.

Most of all it concerns:

- Consumption areas where the gap between the standards and the lifestyle of the middle class and the underprivileged will widen;
- the sphere of circulation associated with the formation of a globalized segment of trade focused on the middle class and traditional, oriented on the poor;
- Production areas where globalization is most likely to relate to the bulk of export-oriented commodities, energy and electrical engineering, household appliances, food (fruit, confectionery, tobacco), and health (services) education, tourism).

The globalization of production will cause: a sharp decrease in the role of the price factor in competition in the domestic markets and an increase in the value of quality and the complex of conditions that the manufacturer can provide to the buyer (credits, pre-sales preparation and after-sales service, etc.); changes in production efficiency criteria, increasing the role of the company and its sustainability opportunities to access markets and resources when evaluating them; intensive capitalization of companies, increasing the value of their real assets; changes in the configuration of flows of goods (services) and capital in favor of competitive manufacturing due to their incorporation into global value chains.

Opportunities for Ukraine caused by this factors could be:

- formation of production-territorial structure and economy of relying on processing industries and services partially integrated into international value added chains;
- the growth of capitalization of a large part of the domestic economy with attracting foreign capital;
- enhancing Ukrainian companies' access to markets and development resources (technology, finance, human resources).

Risks for Ukraine: exhaustion of price competitive advantages and falling competitiveness of a large part of processing industries below the acceptable level; inconsistencies in the development of production, trade and financial structures due to the asynchronous processes of globalization [37]. This will lead to the rapid formation of multifaceted economy; inconsistencies in the development of industrial-territorial clusters and social infrastructure in the regions; transferring capital assets to foreign markets outside the national jurisdiction.

Innovation.

If the country wants to be engaged in global advantage race, innovation is the best boost for it (Fig.3.2.). And of course national brand perfectly suited to support it. The main indicator is the Global Innovation Index [16].

Over the past 5 years, Ukraine has significantly improved its position in the innovation index. In 2019, it was 47rd among 127 countries.

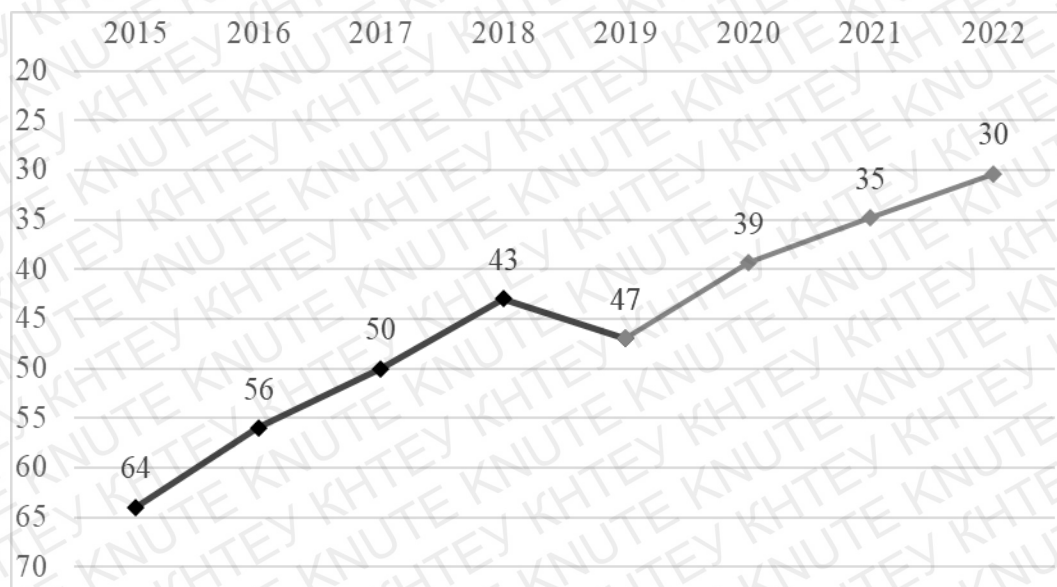


Fig. 3.2. The forecast of Global Innovation Index in Ukraine

Source: Developed by author based on the Global Innovation Index [16]

Now the trend is positive. The highest rates are observed in the level of education and technological innovations – registration of patents, industrial designs and trademarks (for the last indicator, Ukraine ranks 6th). In addition, the country ranks 11th in terms of ICT services' export.

Moreover, as the new parliament are very enthusiastic about digitalization and technological improvements in all spheres of life: from e-driver license, to country in mobile. The ability of making very progressive innovation is high in future years, which lead us to assumption that the Ukrainian rank in the Innovation Rank will grow and in a year we will not only benefit from reforms but also improved Ukrainian image by its high score.

Investment.

The investment model is expected to change: the transition from a model based on the use of enterprises' own funds to a model based on attracted capital; the transition from "cheap" investments to "expensive" investments, the price of which will largely be determined by interest rates [28]. Requirements for capitalization of companies, development of banking system and stock market will increase sharply. Due to the growth of organized savings of the population, with a noticeable outperformance of GDP dynamics, and the emergence of "long money" in the financial markets as a result of withdrawal of pension savings into the markets of non-government securities, the base of "long" resources of domestic banks needed for medium- and long-term lending will be expanded [50].

Opportunities for Ukraine:

- Expected expansion of investment demand will create the basis for the growth of competitive industries of investment engineering, innovative production and technological cooperation development;
- the emergence of "long" money in the financial markets (pension funds, organized savings of the population) will make it possible to move to a new model of investment based on attracting funds;
- FDI growth will create conditions for development of new technologies on the one hand, and for Ukrainian companies to enter the world markets on the other.

Risks for Ukraine:

- a sharp slowdown in investment growth if it is not possible to move to a value-based investment model;

- loss of national control over strategically important sectors of the economy and companies

Brand “Ukraine now” made a great work for the year it was launch — it was the must slogan on various forums, important meetings, advertising, on clothes, conferences, in trading sphere and in more other spheres. The brand has become so successful that on it base creates lectures and trainings. It used everywhere on internet by the state institution and it’s the right strategy made by government [27]. By this tough every-see strategy more and more foreigners learn about Ukraine. Especially brand is spreading by the youth in network, and as the using of brand is free everyone can simply adjust it to its own purposes to its own need and still people will see national brand logo there.

If there still a lot of work to be done, mostly by the government: to make reform, rule the economy, infrastructure, service sphere, eliminate bureaucracy and so on, we’ve already accomplish a lot. A few years ago Kyiv host Eurovision contest, year ago UEFA Champions league in Kyiv, and many others. Our sportsmen, business, scientists, students couch successfully present Ukraine on tournaments, forums, expo showrooms, Olympiads and win, spreading the fame and high standards of Ukraine.

Still the best results from all action will be it the nation will know about the brand, if the nation will have faith in country, in one sentence that will united everyone everywhere. Because as the theory shows without national support its very hard to pursue other believe in country in its business and brand (Fig. 3.3.).

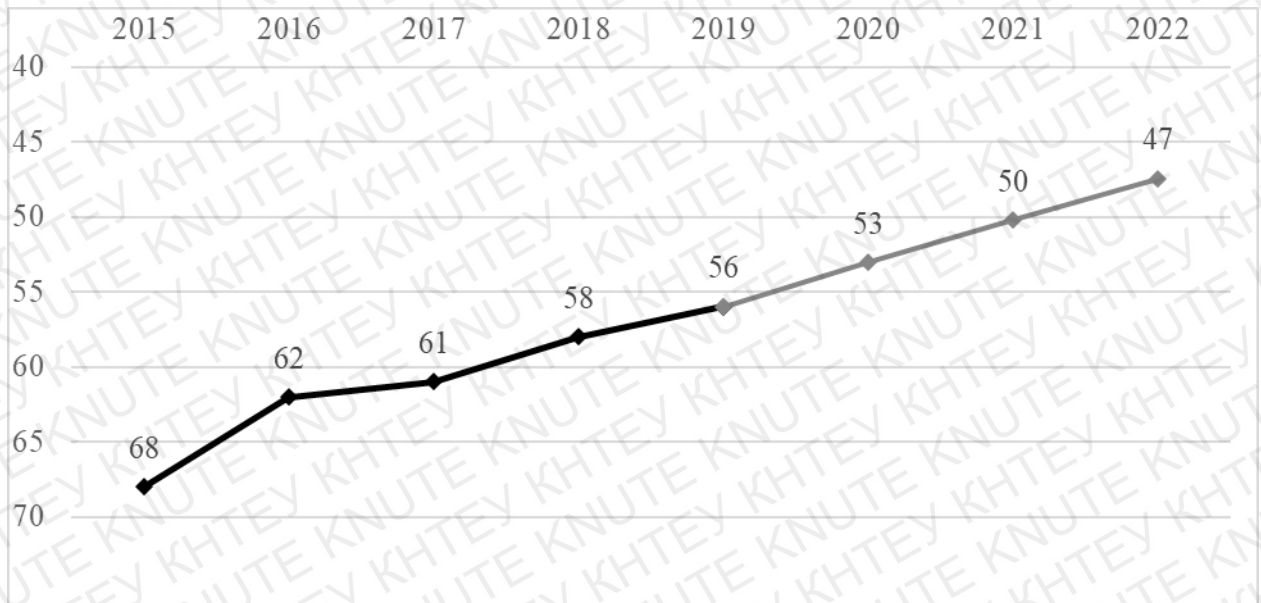


Fig. 3.3. The forecast of national brands of Ukraine

Source: Developed by author based on the Brand Finance's [31]

We can observe that in recent years the tendency of national brand of Ukraine was up, and country improved its score from 68th place in 2015 to 58th in 2019. And as the launch of new national brand and all the efforts and advertisement that was made, we can assume and predict the growth of Ukrainian position in this ranking.

As the Ukraine is on the way to European Union membership it is important to have strong national brand. In European Union, where the market is saturated and where you can easily buy products from such a giant-branded country as France, Germany, Italy own unique, style and brand is a must. Thus, its perfect time now no advertise Ukraine, so when we will be ready to be a member we will already had our own image, and deal with other as equal.

Only a year passed but national brand made a lot and its needed more time to penetrate in other spheres, other countries, to be well known and bring the right image to the world community. The real results from implementing and promotion hard to see, because in commercial if the brand of product is good you just simply buy their commodities or services, you became loyal to them and permanent buyer. In case of country you sometimes don't know if foreigners deal with you in case of brand or just you best deal, national brand make people think, associate country to

things in it, and this buyer, tourist, foreigner just mentally decide does he or she like it and spent time and money to deal with Ukrainian? And now it is only up to us, to government — will we do our best to promote our country, to use national brand in regular life and share it meaning, will we unite and take our high place in the world, its more about time and efforts.

Conclusion to Part 3

When it comes to the brand of Ukraine, a few observations stem from the abovementioned data. First of all, the effort of the government to act and implement certain reforms in the times of conflict and turmoil is acknowledged. Second, there is a feeling that some years have been lost or at least the time was not used effectively. The grey zone and corruption stand still in Ukraine. And as long as corruption will be mentioned in any (and every) analysis of Ukraine, no tremendous change and a sustainable and long-lasting advance in development will take place. Here we focus on development, much broader than the GDP growth.

Development based on corruption will not prove sustainable and long lasting, even though the economic growth may be booming. But third, every single survey devoted to (or at least mentioning) innovation and human capital highlights the great potential that lies in Ukrainian people, especially the young generation. This is good news, especially when the research on the future of work is concerned. Every report in this field underlines that in the age of artificial intelligence, robotics, and the Internet of

Things, these are social and soft skills, as well as life-long learning and the open-mindedness of the students and labor force that will decide what the fate of a country will look like. Moreover, it is said that apart from the competition over exports, FDIs, and tourists, talent attraction is to mostly influence the national branding of tomorrow. Therefore, if the government of Ukraine focuses on its

people, on their education (from primary to tertiary), on their access to labor market and just salaries (which means also a grand anticorruption reform and responding to demographic and migration challenges), they will build a national brand that Ukraine needs and can eventually obtain.

As the Ukraine is on the way to European Union membership it is important to have strong national brand. In European Union, where the market is saturated and where you can easily buy products from such a giant-branded country as France, Germany, Italy own unique, style and brand is a must. Thus, its perfect time now no advertise Ukraine, so when we will be ready to be a member we will already had our own image, and deal with other as equal.

The Cabinet of Ministers of Ukraine has adopted and approved the Ukraine NOW brand in 2018, which was created by the Ukrainian agency Banda within the framework of the Commission for Promotion of Ukraine under the Ministry of Information Policy.

The effectiveness of the modern economy of each country development depends on access to acutely scarce resources: capital, energy, labor, knowledge and high technology. Ukrainian society, as a provider of intellectual labor is characterized with highly entrepreneurial ability, what makes it one of the most attractive in the world and is the key to transforming the country into a prosperous, powerful economically developed country.

Today, the main tasks for the state are effective revision of the system of formation and support of FDI in Ukraine, analysis of priorities of the strategy of economic development, determination of the factors causing the ineffectiveness of legislative acts, which are responsible for support attractiveness of the investment climate. In order to achieve this, it is necessary to make a gradual anti bureaucracy of the economy, to ensure the consistency of economic reforms, the protection of the market rights and freedoms of the investor.

CONCLUSIONS AND PROPOSITIONS

The absence of effective reforms hampers business activity and discourages foreign investment. The dependence of the Ukrainian government on international financial institutions holds back the initiative in making appropriate decisions. The political situation in Ukraine hinges on the balance of forces between the major players in the international arena: the US, EU and Russia.

The economy is a reflection of the balance of political forces. For the completion of the national brand, Ukraine must define goals to be included in the development country strategy. National brand strategy should rely on a legislative basis as well as on investment and financial mechanisms.

The legislative mechanism should be implemented through state programmers. Institutional mechanisms should focus on the specialized state body which will be entrusted with the distribution in the international information space of positive information about the state, and the promotion of Ukrainian exports. The financial mechanism should include the involvement of the international donor assistance for the modernization of enterprises, development of priority sectors and for facilitating technology transfer; it should obtain loans to finance Ukrainian exports, provide export credits and insurance.

The history of independent Ukraine is short and our country is young, where decades our government was associated to bureaucracy and corruption, transitional economy, low standards of living, all of it had bad influence of foreign society and scared investors. And now the government should implement brand wisely and in complex, all the business, infrastructure, institution need to be organized in one direction, send the same message to people, entities, countries and so on. To convince other, that here is better country with best possibilities for investors funds, the best places for tourists to visit, the best national products to buy and best business to deal with.

As the global business and trade landscape becomes more competitive, investments in building strong country reputations will continue to deliver substantial economic value. Building a reputation is not something that governments can do alone, nor is it just about marketing — the key is tangible action, conducted in partnership, and backed by both local and global communication. As the Ukraine is on the way to European Union membership it is important to have strong national brand. In European Union, where the market is saturated and where you can easily buy products from such a giant-branded country as France, Germany, Italy own unique, style and brand is a must. And now it is only up to us, to government — will we do our best to promote our country, to use national brand in regular life and share it meaning, will we unite and take our high place in the world, its more about time and efforts. Thus, its perfect time now no advertise Ukraine, so when we will be ready to be a member we will already had our own image, and deal with other as equal.

So who should be involved in making Ukraine's national brand? If we think of Simon Anholt's chart of nation branding as the sum total of a country's promotion in six areas, then everyone should be involved. Forming a country brand is a long and difficult process that requires clear and step-by-step steps. The starting point in this process was the official statement by the Cabinet of Ministers of Ukraine mark "Ukraine now" in May 2018. Ukraine Now is the international marketing campaign initiated by the Government of Ukraine in 2018 to form the global country brand, attract foreign investment and increase tourism.

First of all, the effort of the government to act and implement certain reforms in the times of conflict and turmoil is acknowledged. Second, every single survey devoted to (or at least mentioning) innovation and human capital highlights the great potential that lies in Ukrainian people, especially the young generation. This is good news, especially when the research on the future of work is concerned.

Every report in this field underlines that in the age of artificial intelligence,

robotics, and the Internet of Things, these are social and soft skills, as well as life-long learning and the open mindedness of the students and lab our force that will decide what the fate of a country will look like. Moreover, it is said that apart from the competition over exports, FDIs, and tourists, talent attraction is to mostly influence the national branding of tomorrow. Investing in efforts to develop Ukraine's image can be seen as a classical win-win situation. Putting money into the country's brand is good for everyone: the government, business, and the general population. The practice in developed countries is for the government to invest about 10–20% of the necessary funds directly from the budget. Business can function as the main sponsor, as it stands to gain the most from Ukraine's good image, ahead of both the government and the people. Major Ukrainian corporations and foreign investors in Ukraine are quite able to support this kind of process.

Thus, Ukrainian, European, American companies could make their own contribution to accelerating Ukraine's economy. In addition to money, such companies can contribute their knowhow, contacts and international experience.

The National Brand Ukraine Program will not only contribute to establishing an international image for Ukraine, but will also work on establishing a national identity in Ukraine, a sense of a general purpose and national pride. This, in turn, could help unite Ukrainians around a single idea: the economic development of their country.

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APPENDIXES

Appendix A

The logo of the Ukrainian Global Brand



Certificate Red Dot



Certificate Red Dot

The Red Dot is the award for high design quality. The international jury for the Red Dot Award: Communication Design only awards this sought-after seal of quality to projects that win it over with their good design quality and creative performance. In 2018, it is presented to:

Ukraine NOW

[Corporate Design]

Client:
Government of Ukraine
Kyiv, Ukraine

Design:
banda.agency
Kyiv, Ukraine

Berlin / Germany, 26 October 2018

Professor Michel de Boer
Member of the jury
Netherlands

Uwe Melicher
Member of the jury
Germany

Knut Maierhofer
Member of the jury
Germany

Professor Dr. Peter Zec
Founder & CEO of Red Dot
Germany