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MYKHAILO TUHAN-BARANOVSKYI DONETSK NATIONAL UNIVERSITY  
OF ECONOMICS AND TRADE

**ENSURING THE NATIONAL ECONOMIC  
INTERESTS IN THE CONTEXT OF EUROPEAN  
INTEGRATION PROCESSES**

COLLECTIVE MONOGRAPH

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The monograph highlights the theoretical and practical aspects of ensuring the national economic interests in the context of European integration processes. The main aspects of ensuring the national economic interests in the context of European integration have been identified in terms of: mining industry, anti-money laundering measures, social marketing of tourist services, providing a secure environment for tourism, strategic measures for the development of the tourism industry of Ukraine. The monograph is targeted at scientists, decision-makers in the field of the development of strategy of the ensuring the national economic interests in the context of European integration processes, teachers, postgraduates, masters and students of economics.

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## ПЕРЕДМОВА

Одним із першочергових завдань при створенні та забезпеченні системи економічної безпеки, як складової цілісної системи національної безпеки держави має визначення національних економічних інтересів. Розробка концепції і стратегії забезпечення економічної безпеки обов'язково базується на довгострокових національних економічних інтересах.

Законодавство визначає національні інтереси України як «життєво важливі інтереси людини, суспільства і держави, реалізація яких забезпечує державний суверенітет України, її прогресивний демократичний розвиток, а також безпечні умови життєдіяльності і добробут її громадян».

Національні економічні інтереси – це життєво важливі матеріальні, інтелектуальні цінності, визначальні потреби суспільства і держави, реалізація яких гарантує економічний суверенітет держави, її незалежність у розробці економічної політики та реалізації управлінських рішень, стійкість національної економіки, її відтворення та прогресивний розвиток.

Захист національних економічних інтересів тісно пов'язаний із забезпеченням економічної безпеки держави – станом, коли національні економічні інтереси захищені від внутрішніх і зовнішніх загроз. Захист національних економічних інтересів є найважливішою функцією системи забезпечення безпеки економічної сфери.

Одним із найважливіших національних пріоритетів є економічний розвиток та економічне зростання добробуту населення, що майже не можливе без зростаючого залучення у світову економіку. Звісно, що інтереси становлення і зміцнення державності вимагають інтенсифікації процесів культурного відродження і розвитку національної ідентичності, але при цьому процес модернізації соціально-економічної системи потребує найширшої відкритості країни, внаслідок чого суспільство стає об'єктом інтенсивних, далеко не завжди бажаних, політичних, економічних, соціальних і культурних впливів.

Продовження євроінтеграційних процесів України актуалізує проблему збереження та захисту національних економічних інтересів, вимагає визначення шляхів та напрямів реалізації програми євроінтеграції з урахуванням ризиків та можливостей.

1 вересня 2017 року після тривалого процесу ратифікації Угода про асоціацію між Україною та ЄС набула чинності у повному обсязі. Угода за своїм обсягом і тематичним охопленням стала найбільшим міжнародно-правовим документом за всю історію України та найбільшим міжнародним договором з третьою країною, коли-небудь укладеним Європейським Союзом.

За даними Євроінтеграційного порталу за час співробітництва в частині залучення ресурсів країн-донорів Європейський Союз став надійним партнером у наданні Уряду України та громадянському суспільству підтримки щодо

реформування широкого спектру сфер соціально-економічного розвитку України та європейської інтеграції.

На сьогодні пріоритетними секторами співпраці України та ЄС є: економічний розвиток і торгівля, урядування та громадянське суспільство, енергетика та енергоефективність, соціальна інфраструктура та послуги, транспорт та інфраструктура, аграрний сектор, банківський та фінансовий сектор, національна безпека та оборона, комунікації та ІКТ, відновлення Донбасу та ВПО, охорона здоров'я, ядерна безпека. Згідно моніторингу реалізації плану заходів з виконання Угоди, представленому на Євроінтеграційному порталі, рівень прогресу за період 2014-2024 рр. складає лише 44% (2014 – 94%, 2015 – 94%, 2016 – 79%, 2017 – 60%, 2018 – 60%, 2019 – 40%, 2020 – 22%).

На виконання положень розділу VI Угоди про асоціацію між Україною та ЄС Кабінет Міністрів ухвалив рішення про запровадження системи взаємодії органів державної влади з метою протидії та запобігання випадків шахрайства, які можуть виникати під час використання фондів ЄС, наданих як міжнародна технічна допомога.

Завдяки досягненню високої інтенсивності політичного діалогу вітчизняні підприємства отримали змогу брати участь у різноманітних програмах ЄС, спрямованих на розвиток підприємництва, стимулювання інноваційного розвитку: Програма Horizon-2020, Програма COSME, Програма "Креативна Європа".

Найбільш популяризованими можливостями реалізації Угоди є: відсутність торговельних бар'єрів між Україною та ЄС, впровадження стандартів ЄС, спрощення працевлаштування українців та відкриття філій українських компаній в ЄС, спрощення візового режиму з ЄС тощо.

В представленому науковому виданні авторами зроблено спробу визначити основні аспекти забезпечення національних економічних інтересів в умовах євроінтеграції у розрізі: гірничовидобувної промисловості, подолання легалізації злочинних капіталів, соціального маркетингу туристичних послуг, забезпечення безпечного туризму, стратегічних заходів розвитку туристичної галузі України.

Теоретико-методологічною базою дослідження стали положення економічної теорії, макро- та мікроекономіки, теорії управління, праці провідних вітчизняних і зарубіжних науковців з захисту національних інтересів та євроінтеграційних процесів з позиції менеджменту, маркетингу та публічного адміністрування.

В монографії сформульовано ряд таких положень:

– процес поглиблення євроінтеграції України до ЄС характеризується суттєвими загрозами для національної економічної безпеки, зокрема, зростають ризики: знищення окремих внутрішніх товаровиробників за умов гострої конкуренції на європейських ринках, зростання рівня безробіття, загострення

проблеми трудових ресурсів у середині країни, виникнення конфліктів на національному чи релігійному підґрунті, втрати вітчизняними суб'єктами підприємництва значної долі внутрішнього ринку, в тому числі й ринку фінансових послуг тощо. Але з іншого боку, можливості для національної економіки від євроінтеграції України до ЄС - безсумнівні, зокрема, підвищення конкурентоспроможності вітчизняного товаровиробника, зростання потенціалу і статусу України в регіоні, здійснення модернізації економіки, подолання технологічної відсталості, залучення іноземних інвестицій і новітніх технологій, зміна сировинної орієнтації країни в експорті на інноваційну, створення нових робочих місць, вихід на світові ринки, ефективна координація дій з європейськими державами у сфері контролю за експортом і нерозповсюдження зброї масового знищення та інші. Таким чином, визначено необхідність продовження курсу на західну економіку – продовження євроінтеграційних процесів національної економіки.

– для максимального збереження національних економічних інтересів, економічної безпеки та економічного розвитку держави необхідний відповідний механізм: застосування інформаційних технологій для автоматизованого управління збором інформації про стан та складові економічної безпеки національної економіки України на державному, регіональному та місцевому рівнях; розробка програмних продуктів спеціального призначення, які забезпечують ефективне виконання конкретних завдань, що пов'язані зі статистичною обробкою даних, ранжуванням спеціалізованої інформації, підтримкою управлінських процесів діагностики загроз, їх впливу, прогнозування рівня економічної безпеки регіонів та національної економіки в цілому; формування національного нормативно-правового забезпечення; дотримання стратегії забезпечення умов для економічної безпеки тощо;

– основними напрямками зниження ризиків загроз євроінтеграції для національної економічної безпеки можуть бути: вивчення аспектів розвитку української промисловості у контексті забезпечення безпеки держави, дослідження соціальних факторів, що визначають розвиток туристичного ринку в Україні; обґрунтування засобів безпеки надання туристичних послуг в Україні; визначення стратегічних заходів розвитку українського туризму у контексті економічної безпеки країни тощо;

– підприємства гірничовидобувної промисловості відчують кризові явища, притаманні економіці та промисловості держави у даний період; гірничовидобувні підприємства забезпечують прямий внесок 5% у ВВП України, 14% від інвестицій у промисловість нашої держави, 29% у загальному експорті України, що дозволяє стверджувати про стратегічний характер даної галузі для економіки держави; оцінка концентрації ринку показала, що найбільш концентрованим є ринок залізничного концентрату, найменш концентрованим – ринок агломерату; гірничовидобувні підприємства функціонують прибутково та

рентабельно, що доводить наявність у них потенціалу розвитку та протистояння ентропійним впливам зовнішнього середовища; серед фокусної групи підприємств відбувається зміна стратегічних позицій основних учасників ринку, а значить – реалізація стратегічних змін потребує врахування даних тенденцій при виборі системи управління стратегічними змінами в умовах складно структурованого зовнішнього середовища;

– для забезпечення стабільного функціонування гірничовидобувних підприємств як бази ГМК України варто реалізувати наступні стратегічні напрямки: забезпечувати нарощування стратегічного потенціалу підприємств, та в першу чергу – нарощувати потенціал підприємств, які мають диверсифікований продуктовий портфель, що забезпечить, окрім економічних здобутків розвиток здорової конкуренції в галузі. Основою комплексу заходів із підтримки стратегії даних підприємств має стати: субвенції та субсидії підприємствам на оновлення виробничих фондів як бази стратегічних змін в галузі та бази забезпечення конкурентоспроможності вітчизняної сировини на Європейських ринках; стабілізація ситуації із відтоком кваліфікованих кадрів з підприємств ГМК; забезпечення підтримки галузі у сфері регулювання енергозабезпечення, оподаткування, підтримки інтелектуальної власності та стабілізації питань користування надрами. Тільки сукупність зазначених стратегічних напрямків дозволить забезпечити підтримку та створення бази лобіювання інтересів галузі та всього ГМК України на ринку металосировини Європейського союзу та Китаю;

– на сьогоднішній день економічна безпека України знаходиться на досить низькому рівні через загрози, властивості та ризики. Зовнішніми загрозами національній системі є: високий рівень корупції, нестабільна безпекова ситуація в Україні, високий рівень офшоризації та тінізації національної економіки. Що стосується рівня корупції, то Україна займає 120 місце серед 180 країн світу. Основні наслідки прояву корупції в Україні: гальмування та викривлення соціально-економічних реформ; поглиблення соціальної нерівності громадян; збільшення соціальної напруги в суспільстві; підриг економічних основ держави; зниження іноземних інвестицій; «тінізація» економіки; зростання впливу організованих злочинних груп; підриг політичної системи; зниження рівня легітимності політичної влади як всередині держави так і на міжнародній арені; порушення принципів формування і функціонування демократичних засад суспільства і держави. Для того, щоб подолати зростання організованої злочинності та зміцнити економічну безпеку України, необхідно забезпечити взаємодію між СБУ, НПУ, Державної міграційної служби України, Держприкордонслужби, ДФС та іншими органами державної влади в розробленні й реалізації заходів в боротьбі з цією загрозою;

– зміна властивостей системи маркетингових комунікацій передбачає створення нової моделі комунікацій на основі предметно-предметної взаємодії

виробника турпослуг та споживача. Основою цієї взаємодії є поширення інформації не про властивості туристичних продуктів, а про реальні вигоди та вигоди для клієнта. Сформована авторська модель соціального маркетингу представляє інструменти, за допомогою яких стає можливим створення якісного туристичного продукту. Перш за все, це завдання виконують високоякісні Інтернет-ресурси, які впливають на конкурентоспроможність турфірми. Результати аналізу використання інтернет-ресурсів українськими туристичними агенціями свідчить, що саме розширення спектру нових інтернет-ресурсів і технологій дозволяє компаніям скористатися ринком туризму;

- відокремлення класифікаційних особливостей загроз туристичній безпеці, розкриття зовнішніх впливів дозволяє систематизувати стандарти безпеки туристичного обслуговування; чинники безпеки туристичних послуг доповнено системою захисту від пандемії на глобальному, національному та місцевому рівнях у сфері туризму;

- стратегічні заходи розвитку туристичної галузі України сприятимуть поширенню позитивного іміджу країни, зростанню ВВП, формуванню привабливого інвестиційного клімату та, у комплексі, забезпеченню економічної безпеки країни. У подальших дослідженнях доцільно проаналізувати інші аспекти формування міжнародного іміджу держави, які визначають економічну безпеку країни.

Монографію «Забезпечення національних економічних інтересів в умовах євроінтеграційних процесів» підготовлено на виконання завдань науково-дослідних робіт кафедри маркетингу, менеджменту та публічного адміністрування, затверджених Міністерством освіти і науки України: «Ефективні моделі соціального партнерства для забезпечення сталого розвитку: держава, освіта, бізнес» (номер державної реєстрації 0120U101528, 2020–2022 рр.), «Стратегічне управління змінами на підприємстві в умовах нестабільного зовнішнього середовища» (номер державної реєстрації 0118U100488, 2018-2020 рр.), «Механізми управління інноваційним маркетингом в умовах нестабільності зовнішнього середовища» (номер державної реєстрації 0120U101462, 2020–2021 рр.).



## **PREFACE**

One of the primary tasks in developing and ensuring the economic security system, as part of a holistic national security system of the state, is to identify the national economic interests. The development of concept and strategy for ensuring the economic security is to be based on long-term national economic interests.

The legislation defines the national interests of Ukraine as "vital interests of individual, society and the state, the realization of which ensures the state sovereignty of Ukraine, its progressive democratic development, as well as safe living conditions and welfare of its citizens."

National economic interests are the vital material and intellectual values, the determining needs of society and the state, addressing which guarantees the economic sovereignty of the state, its independence in economic policy development and management decisions implementation, sustainability of the national economy, its reproduction and progressive development.

The protection of national economic interests is closely related to ensuring the economic security of the state which means the situation where national economic interests are protected from internal and external threats. Protection of national economic interests is the most important function of the economic sphere security system.

The economic development and economic growth in the welfare of the population, that is almost impossible without increasing involvement in the world economy, is one of the most important national priorities. Of course, the interests of statehood formation and strengthening require the intensification of cultural revival and national identity development, but the process of socio-economic system modernization requires the widest possible openness of the country, as a result of which society becomes the object of intensive, but not always desirable, political, economic, social and cultural influences.

The continuation of Ukraine's European integration processes raises the issue of preserving and protecting national economic interests and requires to identify the ways and directions of the European integration program implementation considering risks and opportunities.

On September 1, 2017, after a lengthy ratification process, the Association Agreement between Ukraine and the EU entered into force in full. The Agreement in its scope and thematic coverage has become the largest international legal document in the history of Ukraine and the largest international agreement with a third country ever concluded by the European Union.

According to the European Integration portal, over the period of cooperation in attracting resources from donor countries, the European Union has become a reliable

partner in providing support to the Ukrainian Government and civil society in reforming a wide range of areas of the socio-economic development of Ukraine and European integration.

Today, the priority sectors of cooperation between Ukraine and the EU are the following: economic development and trade, government and civil society, energy sector and energy efficiency, social infrastructure and services, transport and infrastructure, agricultural sector, banking and financial sector, national security and defense, communications and ICTs, reconstruction of the Donbass and TDPs, health care, nuclear safety. According to the monitoring of the execution of the action plan for the Agreement implementation, featured on the European Integration Portal, the level of progress for 2014–2024 amounts only to 44 % (2014 — 94 %, 2015 — 94 %, 2016 — 79 %, 2017 — 60 %, 2018 — 60 %, 2019 — 40 %, 2020 — 22 %).

In pursuance of the provisions of Section VI of the EU-Ukraine Association Agreement, the Cabinet of Ministers has decided to introduce a system of synergies between authorities in order to combat and prevent fraud that may occur during the use of EU funds provided as international technical assistance.

Due to the high intensity of political dialogue, domestic enterprises have been able to participate in various EU programs aimed at developing entrepreneurship and stimulating innovative development, such as: Horizon 2020, COSME, Creative Europe.

The most popular opportunities for the implementation of the Agreement are: absence of trade barriers between Ukraine and the EU, introduction of the EU standards, simplification of employment of Ukrainians and opening of Ukrainian companies branches in the EU, simplification of visa regime with the EU, etc.

The authors of the presented scientific edition have made an attempt to identify the main aspects of ensuring the national economic interests in the context of European integration in terms of: mining industry, anti-money laundering measures, social marketing of tourist services, providing a secure environment for tourism, strategic measures for the development of the tourism industry of Ukraine.

The theses of economic theory, macroeconomics, microeconomics, management theory, the works of leading domestic and foreign scientists on protection of national interests and European integration processes from the standpoint of management, marketing and public administration form theoretical and methodological foundation of the study.

The monograph formulates a number of such theses:

- the process of deepening Ukraine's integration into the EU is characterized by significant threats to national economic security, in particular, the following risks are growing: the risk of the discontinuation of certain domestic producers operation in a highly competitive environment of European markets, of the rising unemployment, of

the exacerbation of labor problems in the country, the outbreak of conflicts on national or religious grounds, the risk for the domestic businesses to lose a significant share of the domestic market, including the financial services market etc. But on the other hand, opportunities for the national economy provided by Ukraine's European integration into the EU are unquestionable, in particular, it means increasing the competitiveness of domestic producers, increasing Ukraine's potential and status in the region, modernizing the economy, overcoming technological backwardness, attracting foreign investment and new technologies, changing the country's status from export-commodity-dependent country to innovation-oriented one, job creation, access to world markets, effective coordination with European countries in the field of export control and non-proliferation of weapons of mass destruction etc. Thus, the need to continue heading for the Western economy and to continue the European integration processes of the national economy has been identified;

- for the maximum possible preservation of national economic interests, economic security and economic development of the state, an appropriate mechanism is needed: information technologies application for automated management of the data collection on the situation and components of the economic security of the national economy of Ukraine at the state, regional and local levels; development of special-purpose software that ensures effective performance of specific tasks related to statistical data processing, ranking of special information, support of management processes for diagnosing threats, their impact, forecasting the level of economic security of regions and the national economy as a whole; formation of national regulatory support; adherence to the strategy of creating the appropriate environment for economic security, etc.;

- the main ways to reduce the risks of threats connected with European integration to national economic security may be the following: study of aspects of the Ukrainian industry development in the context of ensuring the state security, study of social factors that determine the tourism market development in Ukraine; substantiation of the means of providing secure tourist services in Ukraine; determination of strategic measures for the development of Ukrainian tourism in the context of economic security of the country, etc.;

- mining enterprises are experiencing crises inherent in the state economy and industry in this period; direct contribution of the mining enterprises to the GDP of Ukraine amounts to 5 %, these enterprises make 14 % of investments in the industry of our country and their share in the total exports of Ukraine amounts to 29 %, that reveals the strategic nature of this industry for the state economy; results of market concentration assessment showed that the market of iron ore concentrate is the most concentrated, the market of agglomerate is the least concentrated; mining enterprises are profitable, that proves they have the potential to develop and to resist the entropic

effects of the environment; among the focus group of enterprises there is a change in the key market participants strategic positions, which means that the implementation of strategic changes requires taking into account these trends when choosing a management system for strategic change in a complex external environment;

- to ensure the flawless functioning of mining enterprises as a base of Ukraine's mining and metals sector, the following strategic lines should be implemented: to ensure the increase of enterprises strategic potential, and first of all to increase the potential of enterprises that have a diversified product portfolio, which will ensure not only the economic benefits, but the development of healthy competition within the industry. The basis of a set of measures to support the strategy of these enterprises should be: paying subventions and subsidies to enterprises for the production assets renewal as a basis for making strategic changes in the industry and a basis for ensuring the domestic raw materials competitiveness in European markets; stabilization of the situation with the outflow of skilled personnel from mining and metals enterprises; providing support to the industry in the field of energy supply regulation, taxation, intellectual property support and stabilization of subsoil use issues. Only the combination of these strategic lines will provide support and create a base for lobbying the interests of the industry and the entire mining and metals sector of Ukraine in the EU and Chinese market for metallics;

- today the economic security of Ukraine is at a fairly low level due to the threats, properties and risks. External threats to the national system are the following: high level of corruption, unstable security situation in Ukraine, high level of offshoring and shadowing of the national economy. As for the level of corruption, Ukraine ranks 120th among 180 countries. The main consequences of corruption in Ukraine are the following: inhibition and travesty of socio-economic reforms; deepening social inequality among citizens; increasing social tension in society; undermining the economic foundations of the state; reduction of foreign investments; "shadowing" of the economy; growing influence of organized criminal groups; undermining the political system; reducing the level of legitimacy of political power both within the state and in the international arena; violation of the principles of formation and functioning of democratic foundations of society and the state. In order to overcome the increase in organized crime and to strengthen Ukraine's economic security, it is necessary to ensure cooperation between the Security Service of Ukraine, the National Police of Ukraine, the State Migration Service of Ukraine, the State Border Guard Service of Ukraine, the State Fiscal Service and other public authorities in the field of development and implementing measures to combat this threat;

- change of the properties of the marketing communications system involves the creation of a new communications model based on the subject-subject interaction of the tourism service provider and the customer. The basis of this interaction is the

dissemination of information not on the tourism products properties, but on the real benefits and benefits for the customer. The social marketing model presented by the authors introduces the tools which allow to create a quality tourism product. First of all, this task is performed by high-quality Internet resources that affect the travel agency competitiveness. The results of the analysis of the use of Internet resources by Ukrainian travel agencies show that it is the expansion of the new Internet resources and technologies range that allows companies to take advantage of the tourism market;

- separation of classification features of threats to tourist safety and disclosure of external influences allow to systematize the tourist service safety standards; tourist services safety factors have been supplemented by a system of defense against pandemics in the field of tourism at the global, national and local levels;

- strategic measures for the development of Ukraine's tourism industry will contribute to the spread of a positive image of the country, GDP growth, the formation of an attractive investment climate and ensuring the economic security of the country in the complex. In further research, it is advisable to analyze other aspects of the state international image formation, which determine the economic security of the country.

The monograph "Ensuring the national economic interests in the context of European integration processes" has been prepared as a result of completing the R&D tasks, approved by the Ministry of Education and Science of Ukraine "Effective models of social partnership to ensure sustainable development: state, education, business" (state registration number 0120U101528, 2020–2022), "Strategic change management at the enterprise in an unstable environment" (state registration number 0118U100488, 2018–2020), "Mechanisms of management of innovative marketing in the conditions of environmental instability" (state registration number 0120U101462, 2020–2021).

## SECTION 1. EUROPEAN COURSE: OPPORTUNITIES AND THREATS FOR UKRAINE

*Iryna Karabaza<sup>1</sup>, Natalia Ivanova<sup>2</sup>,  
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The main advantage of international economic integration is the establishment of peace and security, increasing the level of the economic, social and political systems stability not only between the integrating states, but also in their relations with the rest of the world. Unlike any other alliance, which achieves the common goals through making political or military decisions, international economic integration involves the gradual implementation of common policies in various areas of state activity. Yes, Zh. Mone believed that "the union between individuals or groups is not natural, it can only be the result of intellectual action with the starting point being the statement of the need for change. The main thing is that the individuals would have common interests" (Travin, 2003).

Thus, international economic integration is an ongoing process in the world economy development, the completion of which is impossible to be determined. Given that integration is a voluntary process, it can be concluded that sovereign states have the right to join the integration grouping at any time in accordance with the procedures and criteria established by the relevant integration unit (Cherneha, Basem Abudavuda, 2016).

V. Marhasova (2014, pp. 42–51) states, that nowadays Ukraine has faced a very sharp contradiction: on the one hand, the interests of statehood formation and strengthening require the intensification of cultural revival and national identity development, but on the other hand the process of socio-economic system modernization requires the widest possible openness of the country, as a result of which society becomes the object of intensive, but not always desirable, political, economic, social and cultural influences.

The main priority of the national interest is to strengthen the country's position in the process of significant economic development, because there is almost absolute pattern in the globalization process: no country is able to achieve significant economic growth in the welfare of the population without increasing involvement in the world economy. In the national interests' structure, the desire to own advanced technologies that ensure compatibility with the most modern means of information, communication and transportation also comes to the fore. At the same time, globalization alters the

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area of national and international security and the definition of counter-measures to the today's threats in any field (Marhasova, 2014, pp. 42–51).

Once the first framework agreement between Ukraine and the European Communities had been signed in 1994 — the Partnership and Cooperation Agreement — the main vector of development for Ukraine became the focus on European integration.

European integration processes in Ukraine are treading a difficult path. First, the European Commission adopted the European Neighborhood Policy in 2004. It did not provide membership prospects for new European neighbors, including Ukraine, but the prospect of transition from simple cooperation to opportunities to join the European Single Market has been discussed. At the same time, the priorities of political, economic, and sectoral reforms for Ukraine have been jointly identified without determining any significant counter-commitments on the EU part except for commitment to provide the technical and financial support. Since 2010, Ukraine has acceded to the Energy Community Treaty, which brings together the EU and its neighbors, potential members of the Union. That is an important step for the country, as it is the first legally binding agreement with the EU to integrate markets in a key sector of the economy. During 2010–2013, the relations between Ukraine and the EU practically were not developing due to the difficult political crisis in Ukraine, which was exacerbated by the refusal to sign an agreement with the EU in 2013. In fact, the requirement to sign an agreement with the EU and officially choose to head for the European integration were the main reasons for the tragic Maidan events in 2013–2014 (Mission of Ukraine to the European Union, 2020; International Renaissance Foundation, 2019).

The Association Agreement between Ukraine and the EU was signed in 2014.

Today, Ukraine is one of the priority partners for the European Union (EU). Following the events of 2014 including the annexation of Crimea and the start of the military conflict in Donbass the EU seeks to support Ukraine in ensuring a stable, prosperous and democratic future for its citizens. The list of priority reforms includes the fight against corruption, judicial reform, constitutional and electoral reforms, improving the business climate and improving energy efficiency, and public administration reform and decentralization.

Thus, since 2014, the EU and financial institutions have mobilized more than EUR 15 billion in grants and loans to support the reform process providing strong conditions for further progress (Mission of Ukraine to the European Union, 2020).

In general, it should be noted that the expected opportunities for the Ukrainian national economy are the introduction and effective use of the European model of socio-economic development. And the Agreement itself is the main tool of

rapprochement between Ukraine and the EU, the basis for the development of deeper political ties, strengthening economic ties and respect for common values.

Given the peculiarities of the current economic performance of Ukraine, V. Marhasova and O. Akymenko (2018) give several arguments in favor of developing cooperation with the EU: the economic potential of the EU and the dynamics of its development, which contribute to a large market for goods and the inflow of freely convertible currency; technological renewal of Ukrainian production; implementation of European production standards at Ukrainian enterprises; improving the products competitiveness; use of Ukraine's potential as a transit state; access to new expanding markets; flexible response to changes in the international economic situation; formation of a transparent environment for production and commercial activities in the national market and mobilization of funds in the European financial market.

During the research (Marhasova, Akymenko, 2018), it has been determined that the potential areas of cooperation between Ukraine and the EU today are the following: in-depth targeted regulatory approximation focused on participation in European value chains; industrial outsourcing; wider involvement of Ukraine in Horizon 2020 and COSME programs; exchange of the latest technologies.

The EU, as an integration grouping that has made improving the competitiveness of its economy, employment and living standards a top priority for its existence, for decades has been developing a common infrastructure policy to which particular attention is being drawn in recent years. Despite significant progress in this process (especially in the formation of a common transport policy), global challenges are constantly changing the institutional framework and practical mechanisms for implementing the infrastructure development strategy, requiring the use of new administrative approaches to the infrastructure projects management.

The analysis of the peculiarities of EU infrastructure development management makes it possible to establish the competitive advantages and disadvantages of this process, transformation trends, mechanisms to overcome asymmetry and identify opportunities for Ukraine's participation in European infrastructure processes.

Thus, the EU infrastructure development is an important area of regulation and management carried out by the European Council and the European Commission within the framework of special policies. The EU's major joint infrastructure projects are implemented in the transport, energy and communications sectors, while other common EU policies necessarily include an infrastructure component and thus contribute to the accumulation of infrastructure benefits.

Infrastructure development strategies of individual sectors are formed under the influence of external and internal factors and are reviewed immediately in case of increased risks of non-fulfillment by the infrastructure of its basic purpose. The main development mechanism is the combination of the capacity of joint and national



budgets and investment funds and the use of public-private partnership instruments (Cherneha, 2016).

While gradually moving towards deeper European integration, on February 1, 2011 Ukraine joined the Energy Community that is a sectoral association initiated by the European Union to increase European-wide security of energy supply, including transit energy supply from the East through the territories of South-Eastern European countries, which are not the members of the EU.

The study allowed the authors (Cherneha, Ishkov, 2014) to conclude that Ukraine has to transform its energy policy, taking into account the need to overcome the threats posed by the shortcomings of the Ukrainian energy sector and the institutional environment of its operation. Such transformation should be within the defined strategic goals of Ukrainian energy development and at the same time correspond to the goals of functioning of the Energy Community, of which Ukraine is a member.

O. Cherneha and S. Ishkov (2014) believe that Ukraine should use the benefits of membership in the Energy Community not only to ensure the security of energy supply, including by diversifying the sources of natural gas, but also to gain experience in implementing innovative technologies in the domestic energy sector.

In addition, European integration processes contribute to Ukraine's entry into the European digital environment. According to Natorina A., in the context of globalization the economic development of any country is determined by information and communication technologies and hence by the level of their use by market participants in their own activities. Today a mass digitization of the market participants' activities, based on their desire to quickly adapt to changes inherent to the digital age, can be observed.

According to the Agreement, there are three main lines of European integration processes in Ukraine (Table. 1.1).

But along with the opportunities for the domestic producers to increase the competitiveness and to get access to world markets and the opportunities to attract foreign investment, European integration processes in Ukraine could have significant risks and lead to increased threats to national security.

In particular, under the conditions of European integration, domestic producers will have to compete under conditions of fierce, growing competition in European markets, which may lead to the discontinuation of certain domestic producers' operation, closure of enterprises and rising unemployment. Since it is export enterprises that will develop in the first place, and enterprises that are focused on the domestic market are not of paramount importance.

M.M. Hnatiuk (2010, p. 368) states that Ukraine's European integration may have negative consequences, in particular, "after joining the EU, Ukraine may be drawn into

low-growth areas with high social spending, strict labor market regulations and exacting environmental standards that increase costs and reduce competitiveness".

**Table 1.1.** Expected opportunities for the national economy of Ukraine

Lines of integration processes in Ukraine in accordance with the Association Agreement with the EU	The essence of the integration line	Opportunities for the national economy of Ukraine
tariff liberalization	focus on mutual opening of markets by progressive abolition of custom duty	1. Increasing the competitiveness of domestic producers 2. Increasing Ukraine's potential and status in the region 3. Customs policy development in compliance with the requirements of international organizations, namely through the elimination of obstacles to the production factors movement
sectoral integration	removing barriers to Ukrainian business operation in the EU market (and vice versa) provided that Ukraine implements EU requirements and standards in these areas/sectors	1. Modernizing the economy 2. Overcoming technological backwardness 3. Increasing the competitiveness of domestic producers 4. Access to world markets 5. Aligning the technical standards with international standards 6. Reduction of tax barriers 7. Establishing the international businesses 8. Abolition of several legal restrictions and standards that exist within national borders 9. Acceleration of scientific and technological progress
ensuring equal conditions for fair competition of Ukrainian and European businesses in the common market	gradual implementation by Ukraine of EU rules and standards on consumer rights, intellectual property, workers' rights, environmental requirements, state aid providing to enterprises and prevention of market monopolization	1. Attracting foreign investment and new technologies 2. Job creation 3. Increasing the competitiveness of domestic producers 4. Creation of the mechanisms of political stability, democracy and national security 5. Effective coordination with European countries in the field of export control and non-proliferation of weapons of mass destruction 6. Improving the tax and tariff policy of Ukraine in compliance to European standards through the simplification of tax rules for businesses; adaptation of the legislative and regulatory framework in the field of taxation of Ukraine to the European Union legislation; creating environment for taxpayers to voluntarily comply with the requirements of tax legislation; implementation of tax processes automation with the use of modern technologies

Source: compiled by author based on data [Hnatiuk, 2010, pp.367–374; 11, pp.112–120; 12, pp.84–90, 13, p.15, 23; 7]

Meanwhile, today the EU's enlarged membership includes 27 countries, and assistance provided to new members would never be the same as before. Thus, the creation of a single market within the EU is a challenge, even provided that there are no barriers to the movement of goods, services, individuals and capital, as all countries have different levels of economic development: the ratio between the richest and the poorest country is 8 to 1. The desire to maintain the achieved level of integration strengthens the requirements for new member states to help them to reach the level of the "old" members when joining the integration process. The EU faced such a problem in the early 90's, when in order to preserve the agreements enshrined in the Maastricht Treaty, the candidate countries were required to comply with the entire *acquis* (Hnatiuk, 2010, p. 369–372).

In addition, in the process of European integration the role of international organizations, through which the relevant capital policy of leading EU countries is implemented, is growing significantly. The interests of owners of the capital, that may be used for making foreign investment needed by Ukraine's economy, may not coincide with domestic policy.

Today, the EU is characterized by uneven development of member states, that may increase the influence of more powerful states and financial-industrial groups on weaker states, which could potentially include Ukraine. This influence can significantly affect the political sphere and adjust the line of the state development.

It should also be noted that rapprochement with the EU may exacerbate internal social conflicts in the country. According to a poll conducted by the Centre for Strategic Urban Development on May 14–30, 2019, 69 % of Ukrainians are ready to and support the EU accession, 13 % are against it and 18 % could not decide on their position. Meanwhile, European integration is most supported in Western Ukraine and is least supported in Donbass. At the same time, if we compare the polling data of 2012 and 2019, it should be noted that the number of Ukrainians who support the [EU](#) accession has increased by 27 % (Ukrinform, 2019).

The risk for the domestic businesses to lose a significant share of the domestic market, including the financial services market, are also inevitably associated with European integration processes. For Ukraine, this is one of the significant threats to national security.

European integration processes will definitely affect the migration of the population and labor. Significant increase in the number of labor migrants in Ukraine, who will be actively used by both foreign and domestic businesses, is expected. The practice of recent years has demonstrated that the work of foreign citizens is mostly much cheaper compared to the work of local employees. The situation may threaten not only with the reduction of economic resilience of the population and its inability to

replenish the domestic financial market with its funds, but also with the possibility of conflict arising on national or religious grounds.

On the other hand, open EU countries borders for Ukrainian workers may exacerbate the problem of labor resources that exists within the country, as wage levels in the EU member states are much higher than the ones in Ukraine. This increases the risk of leaving Ukraine's economic system without technical and unskilled workers for low complexity jobs, as well as leaving higher education institutions without entrants, as has happened after Poland, Lithuania, Latvia, Estonia joined the EU. At the same time, the risk of rapid population aging and the lack of means for fully ensuring social benefits is increasing.

Ensuring the national economic interests and economic security of the state in the context of European integration requires the existence of an appropriate mechanism, which is considered to be a system of organizational, economic and legal means of influence aimed at timely detection, prevention, neutralization and elimination of threats to national economic interests and economic security.

Analysis of theoretical sources (Tulchynskyi, 2017; Koniukhov, 2015; Lytvynenko (ed.), 2011; Stetsenko, 2013) led to the identification of the most effective methods, including the following: economic, administrative, organizational, socio-psychological, informational, regulatory.

Economic methods are related to solving problems connected with the prevention of actual occurrence of potential threats and forecasting the macroeconomic situation by region. This group of methods includes methods of economic planning and forecasting.

Administrative methods are the state measures, which include prohibitions, permits or coercion (decrees, orders, licensing, setting fixed prices, etc. (Bilyk, 2015)). The methods mentioned above are used in conditions where the current situation requires making tough administrative decisions. These methods should be used in the development and implementation of the transformation strategy, because it is then there is the greatest likelihood of turning potential threats into dangers. Administrative methods are developed by public policy actors and are binding. This group of methods is quite effective, as they take effect immediately and cover all actors involved in the relevant economic processes.

Organizational methods provide a system of organizational and administrative influence aimed at achieving the goal that is the ensuring the economic security of the national economy and the timely issuance of orders. The group of organizational methods includes the following:

- organizational rationing that includes standards, organizational and structural policies; administrative and organizational policies;

- organizational planning includes tasks aimed at achieving the goal of ensuring the national economic interests and economic security of the state in the context of European integration; qualitative indicators; ensuring the implementation of management activities on ensuring the economic national interests, a plan of organizational measures;

- organizational briefing involves advising and instructing professionals and employees in the economic security management system to assist them in eliminating difficulties that arise during the implementation of management decisions;

- organizational control is a program of implementation of the decisions and orders of governing bodies of different levels on economic security of the national economy;

- crisis periods diagnostics, indicative methods.

The methods of this group are closely related to the group of economic methods and require to be regularly reviewed and adjusted, because the economic situation changes and the uncertainties of the economic environment cannot remain unchanged for a long time.

The organizational aspect of compliance with the economic security of Ukraine must be carried out in accordance with the following requirements:

- clear delineation of functions of the Office of the President of Ukraine, the Cabinet of Ministers of Ukraine and other central executive authorities;

- definition of tasks of the state and local levels and the corresponding delineation of functions of the central and regional bodies at the ensuring of system of executive power integrity;

- adequate information support of state management functions.

The group of socio-psychological methods is represented by a set of specific methods of influencing personal relationships that arise in society, as well as the social processes that occur in them. Modern theory of public administration seeks new approaches to effective management and influence to ensure the economic development and security of the national economy. New approaches include the "nudge theory", which was developed in the field of public administration by Richard Thaler, the essence of which is as follows: "If you want people to do something, make it easy and remove unnecessary barriers." Since 2010, the concept has been used by the British government.

Informational methods are a set of techniques for conveying information, choosing information, availability of information sources etc.

Regulatory methods are the result of the implementation of administrative methods. These methods represent a set of ways to influence the elements of the system of economic security and the national economy as a whole through the formation of relevant regulatory and legal documents at different levels of government.

A full-fledged structural component of the mechanism for ensuring the economic security of the national economy of Ukraine are tools, practical approaches used by public policy actors to ensure the economic security and the national economy as a whole in Ukraine. It has been suggested to use two tools, namely technologies and programs:

information technologies application ensures the automated management of data arriving from various external and internal sources, with its further storage and processing; the main sources of information on the state and components of economic security of the national economy of Ukraine are the Internet resources of the following bodies: at the state level — the Ministry for Development of Economy, Trade and Agriculture of Ukraine, the State Statistics Service of Ukraine; Ministries of Regional Development, Association Council, Delegation of the European Union to Ukraine, Mission of Ukraine to the European Union, European Integration Portal; at the regional level – the official websites of regional state administrations and their respective departments; at the local level — websites of local executive committees;

special-purpose software ensures effective performance of specific tasks related to statistical data processing, ranking of special information, support of management processes for diagnosing threats, their impact, forecasting the level of economic security of regions and the national economy as a whole, implementation of the “strategy level of economic security” dynamic two-factor matrices, etc.

An important component of the mechanism for ensuring the economic security of the national economy of Ukraine is the regulatory support. The elements of legal support are the following: Laws of Ukraine; Presidential Decrees; Resolutions of the Verkhovna Rada; Resolutions of the Cabinet of Ministers; Association Agreement between Ukraine and the EU (including all "derivative" legal documents); Orders of Ministries and Departments; statutes of higher education institutions, research institutions and organizations. Organizational work on the implementation of current legislation is carried out by the following bodies: Ministry of Finance of Ukraine, Ministry for Development of Economy, Trade and Agriculture, Association Council, Delegation of the European Union to Ukraine, Mission of Ukraine to the European Union, local governments, such as regional state administrations, regional councils, city councils, other competent authorities.

In order to ensure the irreversibility of the European and Euro-Atlantic course of Ukraine, the Action Plan was approved to implement the strategic course of Ukraine to become a full member of the European Union and the North Atlantic Treaty Organization in accordance with the third part of Article 102 of the Constitution of Ukraine.

This Action Plan for the implementation of the strategic course of the state for Ukraine's full membership in the European Union provides for ongoing cooperation

with the European Union and its member States to develop suggestions for the implementation of the set of additional measures as part of the European Union's Eastern Partnership initiative to prepare Ukraine for achievement of full membership in the European Union; continuous application of measures to expand the presence of foreign educational institutions in Ukraine, in particular by opening a branch of the College of Europe and the Eastern Partnership European School in Ukraine, as well as the further development of the European camp in Ukraine.

In order to ensure the effectiveness of the reproduction process in separate regions and the country as a whole, it is necessary to pursue a strategy of creating the environment for economic security, which plays a very important role in ensuring the national security of the country.

State activities to ensure the economic security of the country include the following measures:

- creation of a data base for implementation of objective and comprehensive monitoring of the economy and society in order to identify and forecast internal and external threats to the vital interests of economic security;
- development of a set of operational and long-term measures to prevent and neutralize internal and external threats, evaluation of the results of their implementation;
- organization of work on the implementation of a set of state measures to ensure the economic security.

The exercise of these functions requires the use of a system of economic security indicators.

Economic security is achieved through the implementation of a unified state policy, a coherent, balanced, coordinated system of measures adequate to internal and external threats. Without the development of a unified state policy to ensure economic security, it is impossible to overcome the crisis, stabilize the economic situation in Ukraine, and create effective mechanisms for social protection.

The mechanism for implementing the strategy of the regional socio-economic development is a set of principles, forms, methods and tools of purposeful management influence of the regional public authorities on socio-economic processes in order to implement strategic choices (Koniukhov, 2015).

The mechanism for ensuring the national economic interests and economic security of the state in the context of European integration must meet the following requirements:

- to function within the existing legal framework;
- to ensure reliable protection of national and regional economic interests;
- to provide an opportunity for forecasting and timely prevention of threats and adverse processes in economic security;

- to function effectively in both routine and emergency situations;
- to have a clear structure and functional delineation of the bodies of legislative, executive and judicial branches of government.

The direct subject of the mechanism of economic security of the national economy in the context of European integration is the Mission of Ukraine to the European Union, Department for International Economic, Trade and Agricultural Cooperation, Department for Exporter Relations and Export Promotion, the Department of Multilateral and Bilateral Trade Agreements, Department for Protection of Domestic Manufacturers, Security and Defense Economics Department of the Ministry for Development of Economy, Trade and Agriculture of Ukraine. It is responsible for the development of regulations on the calculation and forecast of the regional economic security, methodological support, assessment of the level of economic security of the national economy and the development of a mechanism for ensuring the economic security at the state level.

For the development of the regional economy and its potential it is important to ensure the expansion and modernization of its own territorial infrastructure, to develop and implement strategies to support and promote the development of basic and priority economic activities, to form and ensure the development of the local interregional, intersectoral and intra-industry integrated production systems, to activate the small and medium business entrepreneurship, to increase the efficiency of scientific and technological, intellectual and human resources potential through the development of venture business.

Thus, as a result of the study it can be concluded that the process of deepening Ukraine's integration into the EU is characterized by significant threats to national economic security, in particular, the following risks are growing: the risk of the discontinuation of certain domestic producers operation in a highly competitive environment of European markets, of the rising unemployment, of the exacerbation of labor problems in the country, the outbreak of conflicts on national or religious grounds, the risk for the domestic businesses to lose a significant share of the domestic market, including the financial services market etc. But on the other hand, opportunities for the national economy provided by Ukraine's European integration into the EU are unquestionable, in particular, it means increasing the competitiveness of domestic producers, increasing Ukraine's potential and status in the region, modernizing the economy, overcoming technological backwardness, attracting foreign investment and new technologies, changing the country's status from export-commodity-dependent country to innovation-oriented one, job creation, access to world markets, effective coordination with European countries in the field of export control and non-proliferation of weapons of mass destruction etc. Thus, the need to continue heading for the Western economy and to continue the European integration processes of the



national economy has been identified. Meanwhile, for the maximum possible preservation of national economic interests, economic security and economic development of the state, an appropriate mechanism is needed: information technologies application for automated management of the data collection on the situation and components of the economic security of the national economy of Ukraine at the state, regional and local levels; development of special-purpose software that ensures effective performance of specific tasks related to statistical data processing, ranking of special information, support of management processes for diagnosing threats, their impact, forecasting the level of economic security of regions and the national economy as a whole; formation of national regulatory support; adherence to the strategy of creating the appropriate environment for economic security, etc.

The main ways to reduce the risks of threats connected with European integration to national economic security may be the following: study of aspects of the Ukrainian industry development in the context of ensuring the state security, study of social factors that determine the tourism market development in Ukraine; substantiation of the means of providing secure tourist services in Ukraine; determination of strategic measures for the development of Ukrainian tourism in the context of economic security of the country, etc.

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## SECTION 2. THE UKRAINIAN MINING INDUSTRY DEVELOPMENT AS THE BASIS FOR PROVIDING NATIONAL ECONOMIC INTERESTS

*Natalia Pryimak<sup>4</sup>*

In the process of crisis market transformation of the national economy, the problem of ensuring the competitiveness of the economy of the country as a whole, its industries and individual enterprises and such its component as sustainable efficiency of production and management is sharpening. The crucial issue is the development of a strategic group of enterprises, the effective formation and the usage of their assets, capacities, logistics flows and others. This problem is very urgent for the Ukrainian mining industry.

The prospects for improving the efficiency of production and management in Ukraine depend to a large extent on the national economy management system, which does not yet meet the requirements of a flexible successful economy with well-developed anti-crisis management mechanisms. The particularly important role belongs to the strategic management, focused on achieving the long-term fundamental goals of economic development, which is actually in the initial stages of its formation in our country. The issues of strategic management of the production facilities of mining enterprises and aspects of their usage in the context of European integration and quotas of mining and metallurgical products, which began in 2019, are under consideration.

The problems of efficient functioning of strategically important enterprises and maintenance of managerial preconditions for its increase are actively investigated by economic science. The works of foreign scientists L. Abalkin, R. Akoff, S. Bru, D. Gelbreit, L. Kantorovich, D. Keynes, D. Lvov, K. McConnell, G. Popov, M. Porter, P. Samuelson, R. Frisch, M. Fridman, F. Hayek, J. Shumpeter, etc. are devoted to various aspects of this problem, as well as domestic scientists - O. Amosha, V. Vynnikov, S. Galuza, V. Heits, A. Gritsenko, V. Gurnak, B. Danylyshyn, V. Dykan, Y. Kulaev, A. Zolotarev, E. Lieberman, I. Lukinov, V. Sobolev, O. Tyshchenko, M. Chumachenko, O. Chukhna, L. Ukrainska, and others. Particularities of strategic management in the mining industry are considered by Y. Barash, V. Galaburda, O. Deineka, N. Kolesnikov, L. Pozdnyakova, E. Sych, V. Chekalovets, V. Shynkarenko. etc.

However, many issues of strategic management in the mining industry in the context of European integration processes and aggravation of crisis phenomena due to the action of internal factors (holding the ATO in Donetsk and Luhansk regions) and external factors (global socio-economic crisis, which continues since the second half

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of 2019) haven't even been solved in theory. Moreover, there is an urgent need to create a coherent concept of managing strategically important for the Ukrainian economy enterprises in the context of enhancing their role in ensuring the national interests of our country.

The complex of the above mentioned and some other strategic issues of economic management of the mining industry enterprises confirms the relevance of the chosen research direction.

Ukraine's mining industry is one of the sectors that provides our country's net exports. In addition, this sphere of activity provides the population with jobs, and the results of its functioning affect the economic and industrial potential of a number of regions of our country and the entire national economy. To this date, mining enterprises are characterized by poor performance, and their technical and production potential is not consistent with global trends due to the under-utilization of the development opportunities in the industry. Neither is conducive to this process the set of economic leverages, used by the European Union to protect its interests, and tariff regulation of products of this industry in Ukraine.

The dynamics of industrial production index and mining industry index and the development of quarries in Ukraine are given in Table 2.1.

**Table 2.1.** The dynamics of industrial production index and mining industry index and the development of quarries in Ukraine in 2008-2018

Indicator	Years										
	2008	2009	2010	2011	2012	2013	2014 <sup>1</sup>	2015 <sup>1</sup>	2016 <sup>1</sup>	2017 <sup>1</sup>	2018 <sup>1</sup>
Industrial production index	95	79,4	112	108	99,5	95,7	89,9	87	102,8	100,4	101,6
Mining and quarrying index	94,7	78,2	112	108,8	99,1	100,8	86,3	85,8	99,8	94,3	102,4
Deviation mining / industry, + -	-0,3	-1,2	0,3	0,8	-0,4	5,1	-3,6	-1,2	-3	-6,1	0,8

(Created by the author on the basis of [2])

<sup>1</sup> Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol and parts of the temporarily occupied territories in Donetsk and Lugansk

The data in Table1 show that the mining industry indices and quarrying development indices and industrial production indices in the Ukrainian economy before 2013 are almost exactly the same: the deviations are [-1,2; 0,3] percentage points.

Since 2013, the year of the economic downturn in the country due to the socio-political processes, the mining and quarrying volume indices are starting to lag far behind the industry figures. The recovery of the industry indicators has been observed only since 2018, while the increase in the industrial production in the country began in

2016. The reasons for such tendencies are the alienation of the assets of the industry in the ATO zone and the breaking of the chain of production and technical cooperation between the enterprises in the temporarily occupied territories and in Ukraine, as well as the change of international conditions of activity in connection with anti-dumping measures and redistribution of property within the industry.

The fall in production volumes had a negative impact on the financial results of enterprises (Table 2.2).

**Table 2.2.** The dynamics of financial results of industrial enterprises activities in Ukraine and mining industry and quarrying development (MIQD) in Ukraine for 2009-2018, million UAH

Year	Financial results before tax, mln.			% of profitable businesses			Profitability,%		
	Industry	MIQD	Deviation MIQD / Industry, +-	Industry	MIQD	Deviation MIQD / Industry, +-	Industry	MIQD	Deviation MIQD / Industry, +-
2009	-4760,7	2978,8	7739,5	59,7	56,5	-3,2	1,8	4,3	2,5
2010	31221,1	24265,9	-6955	58,7	47,8	-10,9	3,5	14,8	11,3
2011	58662,3	30260,7	-28402	62,6	50,9	-11,7	4,7	17,3	12,6
2012	21353,4	15698,3	-5655	62,4	49,3	-13,1	3,4	14,7	11,3
2013	13698,3	15838,1	2139,8	63,3	53,7	-9,6	3	12,5	9,5
2014	-166414	-4764,7	161649	63,3	52,2	-11,1	1,6	21,4	19,8
2015	-181360,9	-21973,8	159387	72,9	61,1	-11,8	0,9	6,4	5,5
2016	-7569,6	23456	31026	72,8	58,9	-13,9	4,2	16,7	12,5
2017	87461,7	73344,5	-14117	71,8	62,4	-9,4	6,8	34	27,2
2018	103790,5	77063,5	-26727	68,9	75,4	6,5	7	40,9	33,9
Δ 18/09, +-	108551,2	74084,7	-	9,2	18,9	-	5,2	36,6	-

(Created by the author on the basis of [3])

Table 2.2 shows that in 2009-2018, the financial performance of mining and quarrying enterprises exceeded the overall financial performance of the Ukrainian industry, indicating that the financial performance of mining and quarrying was quite high. Negative financial results prior to taxation of mining and quarrying were recorded only in 2014-2015 - during a period of exacerbation of the crisis, the collapse of prices for iron ore and exchange rate fluctuations. However, the increase in the financial result for the period under review is higher in the industry, which is a way out of loss.

The analysis of the share of profitable enterprises showed that the number of profit-making enterprises in the industry in 2009-2017 was larger, by 3-14%, but in 2018 the number of enterprises having profit in mining and quarrying is larger and is 75.4% against the level of 68.9%. For a decade, the share of profitable enterprises in industry has grown by 9.2% and in mining and quarrying by 18.9%, which is a significant increase.

In 2009-2018, the profitability of the mining and quarrying enterprises was higher

than the profitability of the industrial enterprises by 2-33%, and the profitability increase was 5.2 and 36.6%, respectively, by types of industry.

In general, the data analysis of Tables 2.1 and 2.2 showed that mining and quarrying enterprises make a significant share in the industrial production of our country, both in terms of gains in financial results and in terms of profitability, which once again updates their importance and strategic significance for the Ukrainian economy, and also proves the urgent nature of the effective change management, both at the industrial level as a whole and at the level of each individual enterprise in the industry.

Mining enterprises form the basis of Ukraine's mining and metallurgical complex (hereinafter referred to as the GMK of Ukraine) and provide metal raw materials for enterprises in Ukraine, Europe and China. Over the last 10 years, Ukraine is on the list of major exporters of iron ore in the world, providing 2.7% of world deliveries (for comparison - Russia - 1.7%, Canada 2.8%, India - 3.4%, Australia - 46.5 %) (according to the WSA of 01.2018) [7, c. 45].

Mining and metallurgical complex is one of the basic industries of Ukraine, which is confirmed by the following values of indicators in 2017:

- the input to the GDP of the state - UAH 347 billion (direct input 5% of GDP; indirect input to supplying enterprises - 5.7% of GDP);
- UAH 25.5 billion capital investments (14% of investments in the industry of our country);
- the total exports amount to UAH 47.3 billion (29% of total exports);
- the number of the employed in the industry and related industries is 679 thousand people;
- payments of the GMK companies in the form of wages and salaries, including ERUs, amount to UAH 135 billion (11.5% of total government payments);
- 108 million tons of transported rail freight (34% of rail freight), 52.7 million tons of sea freight (40% of all cargo handled in seaports);
- the order to machine-building enterprises by the GMK is UAH 17.3 billion. (18% of mechanical engineering orders in Ukraine);
- tax payments paid amount to UAH 26 billion (3.5% of the total tax revenues in Ukraine) [6].

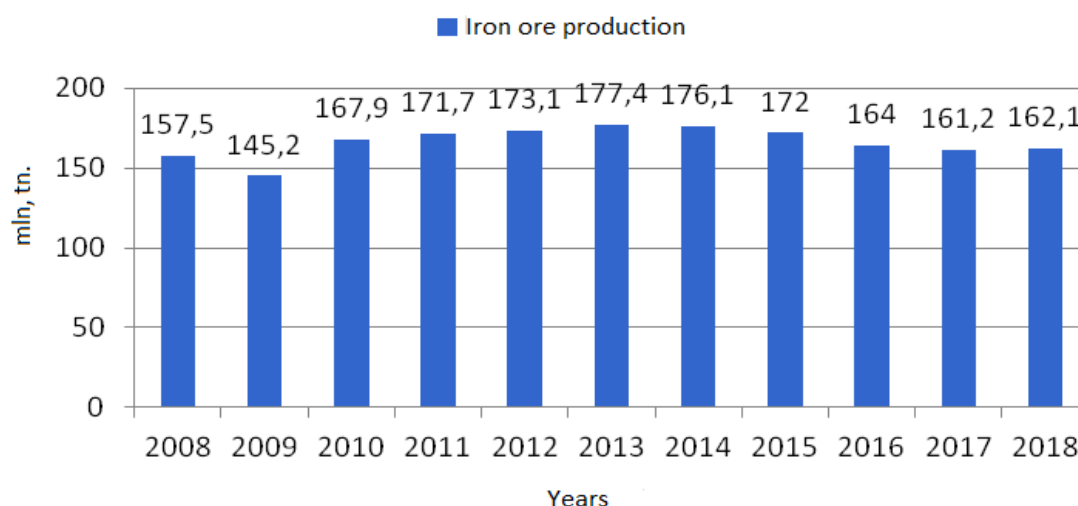
The data presented prove the strategic character of the GMK for the economy and industry of Ukraine and allow for an up-to-date studying of one of the central branches of the GMK.

Mining enterprises in Ukraine operate on the basis of five major iron ore basins and districts, which determines the location of the enterprises of the industry. According to the State Research Institute of Geoinform of Ukraine «as of 01.01.2018 the State balance of mineral resources of Ukraine includes 60 iron ore deposits, of

which 25 are under development. The total balance reserves of iron ores are 19711.8 million tonnes, C2 - 7447.3 million tonnes; off-balance - 5085.5 million tonnes ”[9]. In the previous 2017 year, 0.84% of ore reserves were repaid, of which 0.03% was unproductive ore losses. Of the 25 deposits under development, 18 (72.0%) are in the Kryvyi Rih iron ore basin (Dnipropetrovsk region) ” [7, c. 45].

These reserves are located in the following basins: Kryvyi Rih (PJSC "Kryvyi Rih Iron and Steel Works", PJSC "ArcelorMittal Kryvyi Rih", PJSC "Evraz Suhaya Balka", PJSC "Pivnychnyi Mining Processing Plant", PJSC "Pivdennyi Mining Processing Plant", JSC" Ingulets Mining Processing Plant"), Kremenchug (JSC "Poltavskyi Mining Processing Plant", LLC "Eristovskyi Mining Processing Plant"), Bilozirskyi (Foreign Enterprise PJSC "Zaporizhzhya Iron and Steel Works") and Kerch [8].

The dynamics of iron ore production in Ukraine in 2008-2018 is shown in Figure 2.1.



**Figure 2.1.** The dynamics of iron ore production in Ukraine in 2008-2018 (created by the author on the basis of [4])

Figure 2.1 shows that iron ore production in 2008-2018 ranges from 157.5 million tonnes up to 162.1 million tonnes. The trend of ore production increasing in 2009-2013 (by 22.18% for the period) can be traced. Since 2014, production volumes have been declining, which is related to the economic and geopolitical processes taking place in Ukraine in the current period (9.13% decrease). In 2018, an insignificant recovery in iron ore production (0.56%) is associated with an increase in demand for iron ore raw materials by domestic consumers, who are resuming production. The total volumes of processing of commodity iron ore by the enterprises of Ukraine, as well as indicators of exports and imports of iron ore are given in Table 2.3.

**Table 2.3.** The indicators characterizing the production, exports and imports of iron ores by Ukrainian enterprises in 2008-2018, ths. tons

Indices	Year											Δ 2017/2008 pp., +-%
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Production of iron ore	71807	65827	79170	81189	80826	83696	82409	81966	74967	60498	60758	-15,39
<i>Yearly change, + -%</i>		-8,33	20,27	2,55	-0,45	3,55	-1,54	-0,54	-8,54	-19,30	0,43	
Exports of iron ore	22779	27613	32742	34124	35053	37986	40836	45653	39203	37409	38076	67,15
<i>Yearly change, + -%</i>		21,22	18,57	4,22	2,72	8,37	7,50	11,80	-14,13	-4,58	1,78	
Share in production, %	31,72	41,95	41,36	42,03	43,37	45,39	49,55	55,70	52,29	61,84	62,67	97,55
Imports of iron ore	2869	3339	2738	1838	2882	3110	3212	2255	1765	297	304	-89,40
<i>Yearly change, + -%</i>		16,38	-18,00	-32,87	56,80	7,91	3,28	-29,79	-21,73	-83,17	2,36	
Domestic consumption	51897	41553	49166	48903	48655	48820	44785	38568	37529	23386	22986	-55,71
<i>Yearly change, + -%</i>		-19,93	18,32	-0,53	-0,51	0,34	-8,27	-13,88	-2,69	-37,69	-1,71	
Ratio of exports over imports	7,94	8,27	11,96	18,57	12,16	12,21	12,71	20,25	22,21	125,96	125,25	117,31

(compiled by the author, on the basis of generalization [1,2,5])



The data in Table 2.3 show a downward trend in the production of commodity iron ore by the GMK of Ukraine in 2008-2018 - a reduction by 15.39% in the studied period. The downward trend in the production is observed in 2013-2017, with an average rate of decline by 7.48%. In 2018, the decline in production stopped, an increase by 0.43% was shown. The exports of iron ore increased by 67.15% in the analysed period, the growth is stable over the years (exceptions - 2016 and 2017), which is related to the export orientation of the industry in general. The imports of iron ore reduced by 89.4% in the period under review, which is a result of a decrease in demand for metallurgical raw materials by enterprises of the metallurgical complex in Ukraine due to the lack of capacity utilization, and disruptions in the work of enterprises located in the area of the ATO. According to the data of 01.01.2019, the main countries to which iron ores are exported are European countries (67.1%), incl. Poland (15.0%), Slovakia (11.43%), the Czech Republic (14.18%) and Asia (31.71%), incl. China (24.1%), Japan (2.75%), Korea (2.07%). The countries importing iron ore are the Russian Federation (99.8%) [2].

This trend is confirmed by the indices of domestic iron ore consumption in Ukraine, which decreased by 55.71% over the period of 2008-2018, with an annual trend of their decline in the studied period (exceptions 2010 and 2013).

The ratio of exports and imports of iron ore in Ukraine in 2008-2018 is  $> 1$ , its value increases by 117.31 points, which proves the export orientation of producers of iron ore in Ukraine.

The characteristics of the indicators characterizing the main activity of the GMK in Ukraine are given in Table 2.4.

**Table 2.4.** The structure of iron ore extraction by the GMK in Ukraine in 2013-2017, %

Name of enterprise	Years					$\Delta$
	2013	2014	2015	2016	2017	2017/2013, +-
%						
PJSC “ArcelorMittal Kryviy Rih”	14,66	14,12	14,17	12,85	15,89	1,23
LLC “Vostok-Ruda”	0,34	0,23	0,02	0,00	0,00	-0,34
PJSC “Mariupol Illich Metallurgical Steel Plant”	0,38	0,29	0,35	0,33	0,43	0,05
PJSC “Suhaya Balka”	1,70	1,61	1,69	1,60	2,05	0,35
PJSC “Central GZK”	8,45	8,21	8,05	7,22	9,02	0,57
PJSC “Ingulets GZK”	18,94	18,06	16,53	16,64	19,27	0,33
PJSC “Pivdennyi GZK”	14,39	13,65	14,27	15,70	0,20	-14,19
PJSC “Pivnychnyi GZK”	18,50	16,45	16,46	15,16	18,23	-0,27
PSC “Kryvyi Rih Steel Plant”	3,03	3,12	3,03	3,02	3,59	0,56
PJSC “Zaporozhskyi Steel Plant”	2,55	2,57	2,58	2,65	3,24	0,69
PJSC “Poltavskyi GZK”	17,1	21,7	22,8	24,8	28,1	11,03
	100,0	100,0	100,0	100,0	100,0	-

**Table 2.4.** continued

Name of enterprise	Years					$\Delta$ 2017/2013, +-
	2013	2014	2015	2016	2017	
Ranks						
PJSC “ArcelorMittal Kryviy Rih”	4	4	5	5	4	-
LLC “Vostok-Ruda”	11	11	11	11	11	-
PJSC “Mariupol Illich Metallurgical Steel Plant”	10	10	10	10	9	1
PJSC “Suhaya Balka”	9	9	9	9	8	1
PJSC “Central GZK”	6	6	6	6	5	1
PJSC “Ingulets GZK”	1	2	2	2	2	-1
PJSC “Pivdennyi GZK”	5	5	4	3	10	-5
PJSC “Pivnychnyi GZK”	2	3	3	4	3	-1
PSC “Kryvyi Rih Steel Plant”	7	7	7	7	6	1
PJSC “Zaporozhskiy Steel Plant”	8	8	8	8	7	1
PJSC “Poltavskiy GZK”	3	1	1	1	1	2

(created by the author, based on [1,2, 9])

Table 2.4 shows that iron ore mining by the GMK in Ukraine in 2013-2017 (about 90% of production) is mainly provided by six enterprises: PJSC "ArcelorMittal Kryviy Rih", PJSC "Ingulets GZK", PJSC "Pivdennyi GZK", PJSC "Pivnychnyi GZK" and PJSC "Poltavskiy GZK".

The structure of the iron ore extraction market is stable; the leading positions since 2014 belong to PJSC "Poltavskiy GZK", but it is worth noting that the production of the Yeristovskiy basin, which is operated by LLC "Yeristovskiy GZK" since 2017, is taken into account. The second place in terms of production belongs to PJSC "Ingulets GZK", third - PJSC "Pivnychnyi GZK". It should be noted that the listed six enterprises carry out the extraction of iron ore in open quarries, except for PJSC "Central GZK" and the mine department for underground mining of PJSC "ArcelorMittal Kryviy Rih", which carry out both mining and quarrying. The conducted research of the organizational and legal characteristics of these enterprises showed that the enterprises of PJSC "Ingulets GZK", PJSC "Central GZK" and PJSC "Pivnychnyi GZK" belong to private companies with limited liability Metinvest Management BV and Metinvest BV (the Netherlands) with different distribution of shares (from 45 to 97%); PJSC "Poltavskiy GZK" belongs to a legal entity - a non-resident entity of Ferrexpo AG (Switzerland), PJSC "Pivdennyi GZK" is controlled by twelve Cyprus-registered companies, which include Strettonway Traders & Consultants Limited, Acretrend Holdings Limited and Mint Data Holdings Limited. The enterprises produce the following commodities:

- commodity concentrate manufactured by all enterprises;
- pellets that are included in the product portfolios of PJSC "Poltavskiy GZK", PJSC "Central GZK" and PJSC "Pivnychnyi GZK";

- agglomerate, which is produced by PJSC “Pivdennyi GZK”;
- building materials.

Thus, these enterprises operate in the market of iron ore raw materials of the GMK in Ukraine and belong to a single strategic group of competing enterprises, which allows them to be identified as a focus group for further analysis.

The volumes of production of the main types of commodity iron ore products are summarized in Table 2.5.

**Table 2.5.** The manufacturing of the main types of IORM in Ukraine in 2013-2017, thousand tons

Type of IORM	Year					$\Delta$ 2017/2013, +- %
	2013	2014	2015	2016	2017	
Iron ore	171023,6	175417,8	169975,7	164495	135151,6	-20,97
<i>Change by year, %</i>		2,57	-3,10	-3,22	-17,84	
Concentrate	69571	67874	66813	62569	60498	-13,04
<i>Change by year, %</i>		-2,44	-1,56	-6,35	-3,31	
Pellets	23965	21915	21657	22386	20114	-16,07
<i>Change by year, %</i>		-8,55	-1,18	3,37	-10,15	
Sinter ore	43656	38295	33559	34351	30886	-29,25
<i>Change by year, %</i>		-12,28	-12,37	2,36	-10,09	

(created by the author, based on [8, 9])

Table 2.5 shows that in 2013-2017 the enterprises of the GMK in Ukraine, which carried out the production of IORM, are experiencing crisis phenomena inherent in the economy and industry of the state during this period, which confirms the reduction in production of commodity ore by 20.97%, production of iron ore concentrate by 13.04%, pellets by 16.07% and agglomerate by 29.25%, and is caused, first of all, by the shutdowns of production facilities of metallurgical enterprises (including the territories of the anti-terrorist operation zone, which are not under the control of Ukraine), and by changing the portfolio of export activities (reduction of supplies of IORM to Russia). The decrease in the production of IORM of all types in the analysed period has been stable since 2014, with the highest rates of decline occurring in 2017 after a slight recovery of the output of certain products in 2016 (increase in the production of pellets by 3.37% and agglomerate by 2.36%). These tendencies prove the subordination of the GMK in Ukraine to the entropic influence of socio-political processes in the country and their dependence on macroeconomic and institutional conditions of the activity that generate strategic changes.

The dynamics of the quarrying production of the main types of IORM by the mining and processing enterprises in 2013-2017 is given in Table 2.6.

**Table 2.6.** The dynamics of sales of the main types of IORM by open iron ore mining and processing enterprises in 2013-2017, thousand tons

Enterprise	Year					Δ 2017/2013 , +- %
	2013	2014	2015	2016	2017	
Iron ore concentrate						
PJSC “Pivnychnyi GZK”	3953,3	3844	4752,9	2085,7	3748,34	-5,18
Market share, %	13,00	12,82	15,50	8,07	14,03	1,03
PJSC “Central GZK”	4085,38	3955,88	3665,81	2701,78	2281,31	-44,16
Market share, %	13,44	13,20	11,95	10,45	8,54	-4,90
PJSC “Pivdennyi GZK”	8746,52	9088	10519,5	9496,4	10586,8	21,04
Market share, %	28,77	30,32	34,30	36,73	39,63	10,86
PJSC “Ingulets GZK”	13618,2	13088,2	11726,5	11571,58	10098,4	-25,85
Market share, %	44,79	43,66	38,24	44,75	37,80	-6,99
All enterprises	30403,4	29976,08	30664,71	25855,46	26714,85	-12,13
Market share in Ukraine, %	43,70	44,16	45,90	41,32	44,16	0,46
Pellets						
PJSC “Pivnychnyi GZK”	10764,9	8586,7	7871,4	8744,6	7577,26	-29,61
Market share, %	46,06	39,70	36,99	72,13	43,24	-2,82
PJSC “Central GZK”	2240,52	2280,29	2380,95	2257,04	2255,72	0,68
Market share, %	9,59	10,54	11,19	18,62	12,87	3,29
PJSC “Poltavskiy GZK”	10365,5	10764	11026,8	1122,1	7688,9	-25,82
Market share, %	44,35	49,76	51,82	9,26	43,88	-0,47
All enterprises	23370,9	21631,0	21279,2	12123,7	17521,9	-25,03
Market share in Ukraine, %	97,52	98,70	98,26	54,16	87,11	-10,41
Sinter						
PJSC “Pivdennyi GZK”	2428,6	2067,4	1628,3	2074,4	1862,5	-23,31
Market share, %	100	100	100	100	100	100
Market share in Ukraine, %	5,56	5,40	4,85	6,04	6,03	0,47

(created by the author, based on [1, 2,6])

Table 2.6 shows that in 2013-2017 the surveyed enterprises provided 41-46% of the state sales of iron ore concentrate, 56-99% sales of pellets and 5-6% of agglomerate sales, which further confirms the strategic nature of both the GMK and the studied focus group of enterprises for Ukraine. At the same time, the trends of the sales of the IORM by the studied enterprises are quite similar with the national ones in 2013-2017.

The segmentation of the concentrate market (determined by market share size) shows that in 2013-2017, PJSC “Ingulets GZK” was the absolute leader in sales of iron ore concentrate (a share of 44-37% and it tends to decrease, which in five years was 6,99%), which is explained by the monoproduktive nature of its production facilities. However, in 2017 the largest share of the market belongs to PJSC “Pivnychnyi GZK” (39.63%), which steadily increased its market share during the period under review.

The segmentation of the pellet market shows that the leader of the pellet market

in 2013-2016 is PJSC “Pivnychnyi GZK”, whose share is 36-73% and it tends to decrease, which was 2.82% in the studied period. At the same time, PJSC “Poltavskyi GZK”, whose share in the pellet market in the period under review is 9-52%, has a market share of 43.88% in 2017, taking leadership positions.

PJSC “Pivdennyi GZK” is the only one among the studied enterprises that produces sinter production, the market share of this plant on the state market is 4-6% and in 2013-2017 it increases by 0.47%. It should be noted that in addition to this plant, sinter production is carried out by the mining and ore division of PJSC «ArcelorMittal Kryvyi Rih”, but this enterprise is mainly oriented towards its own needs, and the side-sales of agglomerate occurs mainly by intra-corporate flows.

Therefore, the most fierce competition in the market of the IORM takes place in the market of iron ore concentrate (it is represented by five participants), the leader of which till 2017 is PJSC “Ingulets GZK”, and since 2017 PJSC “Pivnychnyi GZK”. The pellet market is less concentrated, however, the market share is also not stable - the market leader until 2017 is PJSC “Pivnychnyi GZK” and since 2017 - PJSC “Poltavskyi GZK”. The aforementioned information proves that, since 2017, there are changes in the distribution of market shares and changes in the position of the leader in the IORM market.

For more information on trends in the change of the market of IORM it is advisable to investigate its segmentation by cost indicators, which can be carried out according to Table 2.7.

**Table 2.7.** The dynamics of market shares of open iron ore mining and processing enterprises in 2013-2017 according to the indicator of the cost of IORM sales, thousand tons, %

Enetrprises	Year					Δ 2017/2013, +- %
	2013	2014	2015	2016	2017	
%						
PJSC “Pivnychnyi GZK”	28,40	24,26	24,29	23,22	25,85	-2,55
PJSC “Central GZK”	12,07	12,11	11,90	10,92	11,91	-0,16
PJSC “Pivdennyi GZK”	19,58	18,99	19,25	22,45	22,17	2,59
PJSC “Ingulets GZK”	22,03	21,89	17,29	17,38	17,44	-4,58
PJSC “Poltavskyi GZK”	17,92	22,75	27,27	26,04	22,63	4,71
Rank						
PJSC “Pivnychnyi GZK”	1	1	2	2	1	-
PJSC “Central GZK”	5	5	5	5	5	-
PJSC “Pivdennyi GZK”	3	4	3	3	3	-
PJSC “Ingulets GZK”	2	3	4	4	4	2
PJSC “Poltavskyi GZK”	4	2	1	1	2	-2

(created by the author, based on [1,4, 2,6])

Table 2.7 shows that the market leader in the cost of IORM sales by the studied

enterprises in 2013-2017 is PJSC “Pivnynhyi GZK”, whose share is 23-29% in the analysed period and decreases by 2.55%. The outsourced enterprise under the criterion of sales is PJSC “Central GZK”, the share of which has decreased by 0.16% in five years. The company that most improved its market position in 2013-2017 is PJSC “Poltavskyi GZK” (an increase of the share by 4.71% at its absolute value at the end of the period by 22,63%), and the company that the most rapidly deteriorated the market position is PJSC “Ingulets GZK” (decrease of the share by 4,58% at its absolute value at the end of the period 17,44%).

At the next stage of strategic research, we will evaluate the degree of competition of enterprises in the market. For this purpose, the concentration index and the Herfindahl-Hirschman index will be used, and the calculation is summarized in Table 2.8

**Table 2.8.** The assessment of the competition degree of the open iron ore mining and processing enterprises in the 2013-2017 years.

Year	Market concentration indicator	Deviation		Herfindahl-Hirschman Index	Deviation	
		Year	+-		Year	+-
concentrate						
2013	43,70	2014/2013	0,46	2141,98	2014/2013	-49,35
2014	44,16	2015/2014	1,73	2092,63	2015/2014	52,27
2015	45,90	2016/2015	-4,57	2144,90	2016/2015	-2,32
2016	41,32	2017/2016	2,84	2142,58	2017/2016	-24,71
2017	44,16	2017/2013	0,46	2117,86	2017/2013	-24,11
Pellets						
2013	97,52	2014/2013	1,18	4180,64	2014/2013	-17,47
2014	98,70	2015/2014	-0,45	4163,17	2015/2014	15,65
2015	98,26	2016/2015	-44,10	4178,83	2016/2015	1455,85
2016	54,16	2017/2016	32,96	5634,68	2017/2016	-1673,25
2017	87,11	2017/2013	-10,41	3961,43	2017/2013	-219,21
Sinter						
2013	5,56	2014/2013	1,18	10000	2014/2013	-17,47
2014	5,40	2015/2014	-0,45	10000	2015/2014	15,65
2015	4,85	2016/2015	-44,10	10000	2016/2015	1455,85
2016	6,04	2017/2016	32,96	10000	2017/2016	-1673,25
2017	6,03	2017/2013	-10,41	10000	2017/2013	-219,21

(author's calculation)

Therefore, as it can be seen from the results, the concentration index of the iron ore concentrate market during the analyzed period fluctuates within [41,32; 45,9], which indicates a rather moderate competition between the producers of iron ore concentrate. However, it should be noted that during the analyzed period there is a tendency to increasing the value of the indicator (by 0.46% for 2013-2016). Thus, if such a tendency persists, then in the future there may be a change in the level of

competition between manufacturers towards the dominance of several enterprises. The value of the Herfindahl – Hirschman index for the analyzed period fluctuates within [2092,63; 2144,90], which confirms the conclusions drawn previously and indicates a moderate level of competition.

In 2013-2017, the market concentration index of pellets varies between [54,16; 98,7], which indicates a high level of competition in the market of this type of IORM. Over the five analyzed years, the value of this indicator decreases (by 10.41%), which points out that there is a trend of collective monopolization of the pellets market. The Herfindahl-Hirschman index for this type of IORM varies within [3961,43; 5634,68], which indicates a high level of competition, but lowering the value of the indicator reduces the threat of market monopolization.

The sinter market concentration index fluctuates within [4,85; 6.04], which indicates the low level of concentration of enterprises in this segment of the IORM market and is a consequence of the peculiarities of technological processes of metallurgical enterprises. In 2013-2017, the IORM values are confirmed by the dynamics of the Herfindahl-Hirschman index.

So, summarizing all the results, according to different methods, we see that by all the results the degree of competition of the enterprises producing and processing iron ore raw materials in the open quarries in 2013-2017 fluctuates by types of products: the most concentrated is the market of iron ore concentrate, the least concentrated is agglomerate market.

To determine the prospective directions of mining enterprises development as one of the strategic components of the industry, there will be used the indicator of the strategic potential of change, which is determined by the formed strategic potential of the enterprise, is the set of strategic resources, competences and internal capacities that are accumulated and used (or can be used) to achieve strategic goals in the dynamic environmental conditions. In this study, the strategic potential of change will be seen as a tool to ensure the stability of the GMK and ensure the national interests of the industry and the state as a whole.

The generalized calculated values of the level of strategic potential of changes in mining enterprises in 2017 are given in Table 2.9.

The data in Table 2.9 demonstrate that the strategic potential for changes in open iron ore mining and processing enterprises in 2017 is different, which is determined by both the strategic resources available to the enterprise and the effectiveness of strategic management at the enterprises. The coefficient of realization of the strategic potential for changes at the studied mining enterprises is within [0,5; 0.9], which indicates the potential for its growth in the entire studied strategic group of enterprises.

**Table 2.9.** The estimated values of the level of strategic potential for changes in mining enterprises in 2017, thousand UAH

Indicator	PJSC “Pivnychnyi GZK”	PJSC “Central GZK”	PJSC “Pivdennyi GZK”	PJSC “Ingulets GZK”	PJSC “Poltavskyi GZK”
Labor potential for changes	33659059	9481053,57	25327800	20053345,1	20406024
Fixed assets potential for changes	2062901,55	751334,1	609672,08	1726447,13	870113,1
Reversible potential for changes	3261114,98	1567627,22	1702797,1	2677659,8	4988648,44
Intangible assets potential for changes	124850	33768,5	134948,5	74289,5	166647
Financial and investment potential for changes	1552560,6	567091,35	1435450,8	1110525,45	736288,35
<b>Internal strategic potential for changes</b>	<b>40660486,2</b>	<b>12400874,74</b>	<b>29210668</b>	<b>25642267</b>	<b>27167720,8</b>
Cost of sales at comparative prices	23282274	10727577	19965656	15711286	20378679
<b>Coefficient of realization of internal strategic potential for enterprise changes</b>	<b>0,573</b>	<b>0,865</b>	<b>0,684</b>	<b>0,613</b>	<b>0,75</b>
<b>Rating</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>

(compiled by the author)

The indicators of growth of strategic potential for changes of mining enterprises in 2013-2017 are summarized in Table 2.10.

**Table 2.10.** The growth rates of strategic potential for changes in open iron ore mining and processing enterprises in 2013-2017,% (compiled by the author)

Enterprises	2014/2013 years	2015/2014 years	2016/2015 years	2017/2016 years
PJSC “Pivnychnyi GZK”	-19,23	10,82	36,99	85,89
PJSC “Central GZK”	55,95	78,34	-11,32	-33,75
PJSC “Pivdennyi GZK”	2,62	6,37	76,47	28,92
PJSC “Ingulets GZK”	19,49	-35,88	67,35	59,08
PJSC “Poltavskyi GZK”	53,53	6,12	5,74	22,83

- the maximum growth rate of the strategic potential for changes

Table 2.10 shows that in the dynamics of the level of strategic potential for changes in mining enterprises in 2013-2017 there is no company - leader, which has a steady increase in this indicator.

It can be stated that among the enterprises producing and processing iron ore raw materials, different strategies of increasing strategic resources and forming the strategic potential for change are used. To identify them, it is necessary to perform a dynamic analysis of the growth of components of the strategic potential for changes (Table 2.11).



**Table 2.11.** The dynamic analysis of growth of local components of strategic potential for changes at mining enterprises in 2013-2017,%

Enterprises	2014/2013 year	2015/2014 year	2016/2015 year	2017/2016 year	2017/2013 year
Labor potential for changes					
PJSC "Pivnychnyi GZK"	-28,39	20,94	49,67	109,76	171,86
PJSC "Central GZK"	69,25	111,23	-87,52	296,10	76,77
PJSC "Pivdennyi GZK"	9,39	8,78	90,22	28,11	189,96
PJSC "Ingulets GZK"	25,35	-39,12	87,45	74,18	149,17
PJSC "Poltavskyi GZK"	91,88	14,47	0,05	17,68	158,60
Average value	33,49	23,26	27,97	105,17	149,27
Fixed assets potential for changes					
PJSC "Pivnychnyi GZK"	25,41	23,66	0,10	0,01	55,23
PJSC "Central GZK"	-27,17	-66,14	207,99	63,42	24,13
PJSC "Pivdennyi GZK"	5,25	4,55	-2,18	2,96	10,83
PJSC "Ingulets GZK"	18,54	24,63	12,93	5,06	75,28
PJSC "Poltavskyi GZK"	2,90	3,48	4,55	13,55	26,41
Average value	4,98	-1,96	44,68	17,00	38,38
Revisable potential for changes					
PJSC "Pivnychnyi GZK"	3,28	-12,54	-3,52	16,25	1,30
PJSC "Central GZK"	41,11	-10,08	857,61	-89,85	23,27
PJSC "Pivdennyi GZK"	-56,01	41,73	5,35	37,58	-9,62
PJSC "Ingulets GZK"	28,05	-32,69	16,68	-1,65	-1,09
PJSC "Poltavskyi GZK"	-2,94	-10,24	7,46	31,97	23,54
Average value	2,70	-4,76	176,71	-1,14	7,48
Intangible assets potential for changes					
PJSC "Pivnychnyi GZK"	-49,47	74,36	49,30	2190,41	2912,79
PJSC "Central GZK"	-10,08	-3,17	-0,96	35,18	16,57
PJSC "Pivdennyi GZK"	-33,70	33,63	2153,36	94,22	3777,27
PJSC "Ingulets GZK"	-24,76	187,71	103,04	1097,45	5163,16
PJSC "Poltavskyi GZK"	32,41	10,36	4,69	28,76	96,99
Average value	-17,12	60,58	461,89	689,20	2393,36
Financial and investment potential for changes					
PJSC "Pivnychnyi GZK"	-39,36	-50,20	248,21	62,99	71,39
PJSC "Central GZK"	55,29	-70,91	169,00	46,06	77,48
PJSC "Pivdennyi GZK"	87,51	-40,09	49,14	45,28	143,41
PJSC "Ingulets GZK"	-64,13	-201,25	-177,70	374,27	33,84
PJSC "Poltavskyi GZK"	-226,45	361,65	-112,86	624,58	443,92
Average value	-37,43	-0,16	35,16	230,63	154,01

■ - the maximum growth rate of the strategic potential for changes  
(created by the author)

Table 2.11 shows that the local component of the strategic potential for changes "Labor potential for changes" of mining and quarrying enterprises in 2013-2017 has an average rate of change of 149.27%, all analyzed enterprises tend to increase.

This component is growing at the PJSC "Pivdennyi GZK" (the increase in the study period is 189.9%). An analysis of the growth of this component of the strategic potential for changes has allowed us to establish the presence of the peak of its growth

activity in 2017 (average growth rate of 105.17%), which is connected with the national tendency of mass outflow of labor force abroad, and as a consequence, for the retention of highly skilled personnel, promotion of social standards in mining enterprises.

The local component of the strategic potential for changes, “Fixed assets potential for change”, for the five analyzed years, has been increasing by an average of 38.38% at the studied enterprises, the peak of its growth was recorded in 2016 (the average growth rate is 44.68%). The highest growth rate of this local component occurs in PJSC “Ingulets GZK” (growth in 2013-2017 is 75%, which is twice as high as the average level).

The absence of a single trend of steady growth in the size of this local component for changes and the relatively low growth rate is due to the high capital intensity of this component of the strategic potential for changes and its close connection with the technological cycle of iron ore production. However, the existing tendencies of change in the size of the component fix the presence of problems with the technical and technological support of the system of implementation of changes in the activities of mining enterprises.

The local component “Revisable potential for changes” does not have uniform trends of steady increase in its size in 2013-2017: its decrease in almost all plants is recorded in 2015 and 2017, which is associated with fluctuations in the value of material resources used in the main production and the rapid increase in the cost of additional materials and energy resources. For the five years of the analyzed interval, the average growth rate of this local component of the strategic potential for change was 7.48%, which, according to Table 3.18 is the lowest average increase in the local component of potential. PJSC “Poltavskiy GZK” (the growth of 23.54%) is the leader in growth of this component.

The local component “Intangible asset change potential” has the highest average growth rate - 2393.36% for 2013-2017, which is related to the specificity of directly intangible assets of mining enterprises. The peak of the growth of this component is observed in 2017, which is due to changes in the order of obtaining special permits for the use of subsoils. The leader in the growth rate of this component in 2013-2017 (growth over 5 years is 3777,27%) is PJSC “Pivdennyi GZK”.

The local component of the strategic potential for changes “Financial and investment change potential”, which accumulates internal financial capacity to provide strategic changes for enterprises, has been steadily increasing only since 2016 in the vast majority of the surveyed enterprises, which is a consequence of the general economic crisis in the country, as well as the shutdowns of metallurgical enterprises, and, as a consequence, a decrease in the supply of iron ore. At an average growth rate over five years, the increase is 154.01%. The highest growth rate of this local

component of the strategic potential for changes was recorded in PJSC “Poltavskyi GZK” - at the level of 442,92%.

Summarizing the analysis, we can draw the following conclusions:

1) in the studied period, mining enterprises are experiencing crisis phenomena peculiar to the economy and industry of the state in the given period; mining enterprises provide a direct contribution of 5% to the GDP of Ukraine, 14% of investments in the industry of our country, 29% in the total exports of Ukraine, which allows us to stress the strategic character of this sector for the economy of the state; the assessment of market concentration showed that the most concentrated is the market for iron ore concentrate, the least concentrated is the market for agglomerate; mining enterprises operate cost efficiently and profitably, which proves their potential for developing and counteracting the entropic effects of the environment; among the focus group of enterprises there is a change in the strategic positions of the main market participants, which means that the implementation of strategic changes requires taking into account these tendencies when choosing a system of strategic change management in a complex structured environment.

2) the following strategic directions should be implemented to ensure the stable functioning of mining enterprises as the basis of the mining and quarrying industry in Ukraine: to increase the strategic potential of enterprises and, first of all, to increase the potential of enterprises that have a diversified product portfolio, which will ensure, in addition to economic gains, the development of the industry. The basis for a set of measures to support the enterprise data strategy should be: subventions and subsidies to enterprises for updating production funds as a basis for strategic changes in the industry and a basis for ensuring the competitiveness of domestic raw materials in European markets; stabilization of the situation with the outflow of skilled personnel from the enterprises of the GMK; providing industry support for energy regulation, taxation, intellectual property support and stabilization of subsoil use. Only a set of these strategic directions will allow providing the support and creation of a basis for lobbying interests of the industry and the whole of the GMK in Ukraine on the market of metal raw materials of the European Union and China.

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### SECTION 3. MONEY LAUNDERING AS A THREAT TO THE ECONOMIC SECURITY OF UKRAINE

*Natalia Ivanova*<sup>5</sup>

For Ukraine, the national economic security issue arose after the country gained independence. In 2015, the “National Security Strategy of Ukraine” was adopted. It is the first document developed exclusively for the practical purpose of comprehensive protection of national security and territorial integrity of Ukraine. The main security threats have been identified: Russia's aggressive policy; inefficiency of the national security system of Ukraine; corruption and inefficient public administration system; economic crisis, depletion of financial resources of the state, lower living standards; threats to energy, information, environmental and technogenic security [1].

The Law of Ukraine "On Fundamentals of National Security of Ukraine" has expired because of the enactment of the Law of Ukraine "On National Security of Ukraine" of June 21, 2018, which regulates the application of the following strategies: National Security Strategy of Ukraine, Military Security Strategy of Ukraine, Cybersecurity Strategy of Ukraine. Unlike the Law of 2003, the presented legislative act regulates the problem of ensuring the economic security of the national economy only when determining the fundamental national interests of Ukraine, namely: sustainable development of the national economy, civil society and the state to ensure the growth of the living standards and quality of life of the population [2].

The growth of number of economic crimes has a significant negative impact on the economic security. Streltsov Ye. has stated that the economic crime is an act specified by criminal law, aimed at violating ownership relations (property matters) and the existing procedure of economic activity [3].

Along with the category of "economic crimes", the category of "shadow economy" (underground economy) is often used meaning a set of relations in the process of manufacturing material goods and services based on the hidden from state regulatory authorities economic activities of individuals and legal entities, allowing to gain higher income than one that may be earned legally, and other personal benefits [4]. The shadow economy forms the ground for economic crime.

Harbovskiy L.A. has aptly remarked that improving the economic security system is closely related to the counteraction to legalization (laundering) of proceeds from crime [5].

In the context of the criminal law the term "legalization" is synonymous with the term "laundering". Compared to the latter, in Ukrainian the term "legalization"

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describes the act of granting legal status to the proceeds of crime more precisely and is also more general and devoid of metaphor.

The term “money laundering” was first used in the 1980s in the United States for drug trafficking and refers to the process of converting illegally obtained money into legal money. There are different interpretations of this term. Thus, the US Presidential Commission on Organized Crime defines the term “money laundering” as “a process by which one conceals the existence, illegal source, or illegal application of income, and then disguises that income to make it appear legitimate.” Legalization (laundering) of proceeds from crime refers to the process of disguising the possession, application or disposal of criminally obtained funds or other property to make it appear legitimate [6].

The Law of Ukraine [7] defines the legalization (laundering) of proceeds as “any action related to a financial transaction or dealing with assets gained during the course of the criminal activity, as well as of actions aimed at concealing or disguising the illegal source of such assets or possession of them, rights to such assets, sources of their origin, location, movement, change in their form (converting), as well as the acquisition, possession or use of assets gained during the course of the criminal activity” [7].

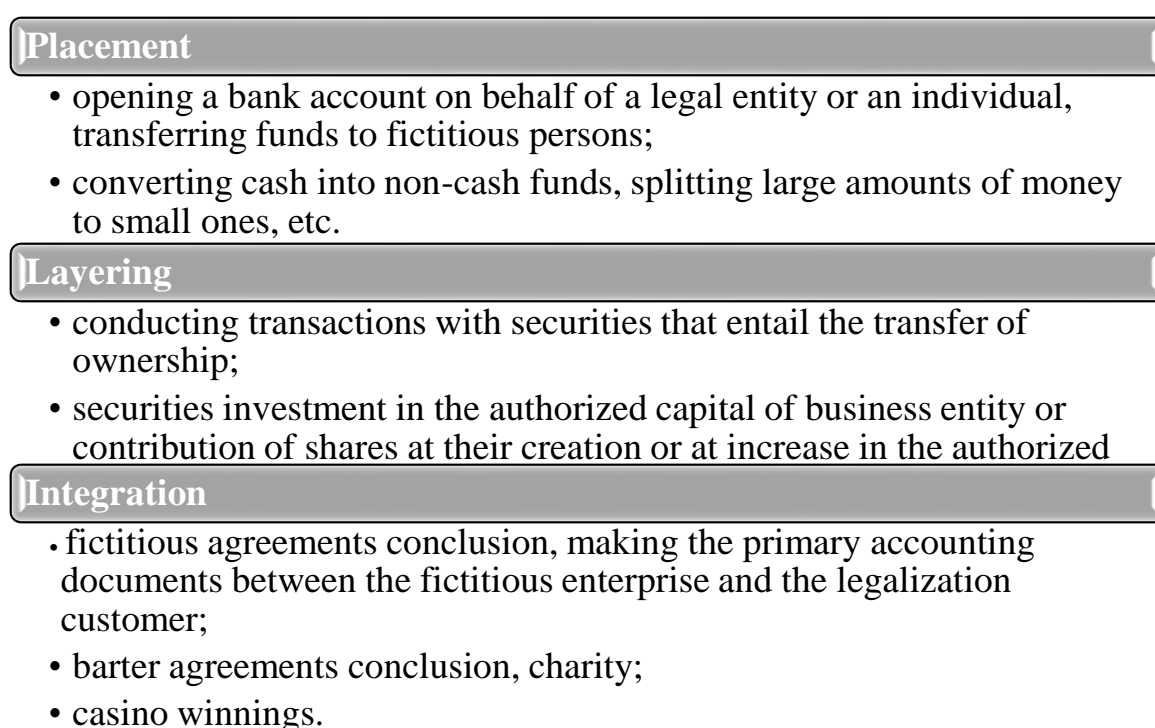
The substantive (predicate) offences, which are closely related to the legalization of proceeds from crime, refer to criminal attempts to seize someone else's property or to obtain other illegal benefits: fraud (Article 190 of the Criminal Code); embezzlement (Article 191, Section 2 of the Criminal Code); illicit trafficking (Article 201 of the Criminal Code); financial fraud (Article 222 of the Criminal Code). Secondary offences include: illegal actions connected with money transfer documents, payment cards and other means of access to bank accounts or with the equipment for their production (Article 200 of the Criminal Code of Ukraine); fictitious entrepreneurship (Article 205 of the Criminal Code of Ukraine); money and property laundering (Article 209, 209-1 of the Criminal Code of Ukraine) and some others [8].

It should be noted that in some developed countries, such as Germany, there is also a law on taxation, according to which in particularly severe cases, tax evasion may be considered a crime preceding the “money laundering” (predicate offence). But there is no clear definition of what does particularly severe case actually mean.

The main task of introducing criminal liability for money laundering is to prevent the inflow of criminal capital gained during the course of the criminal activity into the legal (official) economy, as the receipt of such financial flows destabilizes the country's economy, increases inflation, unbalances the budget, which worsens the overall socio-economic situation and may even cause a socio-economic crisis in the country that is a threat to national economic security.

Along with the preparation for legalization and the concealment and disguising its consequences, another important component of the complex money laundering structure is the actions on direct transferring of criminal proceeds into the formal sector. FATF experts have identified the most important feature of the money laundering method, namely: the actions to prepare and conceal the process of legalization of criminal capital, in most cases, merge and take place in parallel with the direct money laundering activities. Methods of legalization are being implemented through executing financial transactions with the subject of legalization involving banks, securities markets, foreign trade transactions.

Certain technological money laundering schemes include three successive stages (Figure 3.1).



**Figure 3.1.** The stages of money laundering

*Source: compiled by author based on data [9]*

The main purpose of the implementation of the stages shown in Figure 1.1 is the transfer of criminal property into non-cash money.

S.H. Hurzhii, V.M. Kliushke [10] distinguishes 12 typical money laundering criminal schemes: “mixing” legally obtained funds with criminal proceeds; conclusion of fictitious transactions; conducting transactions with securities; use of stock market mechanisms; pseudo-export operations; carrying out trading operations with the counterfeit goods; use of the “conversion” centers operation; use of pseudo-investment mechanisms; use of privatization processes; use of controlled non-resident companies; use of fake bank loans; use of charitable and non-profit organizations [10].

The State Financial Monitoring Service of Ukraine (SFMS) was established in order to implement the state policy in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, or terrorism financing, as well as to make suggestion regarding its formation.

The regulatory framework of the SFMS is the Regulation on the State Financial Monitoring Service of Ukraine, approved by the Decree of the President of Ukraine no. 466/2011 dated April 13, 2011, and the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Terrorism Financing and Financing of Proliferation of Weapons of Mass Destruction". At the same time, it applies international standards aimed at counteracting to legalization (laundering) of proceeds from crime and the terrorism financing.

Harbovskyi L. A. has identified the main tasks of the SFMS in the context of prevention and counteraction to legalization (laundering) of proceeds from crime and terrorism financing as a component of ensuring the economic security of Ukraine, namely:

- collecting, processing and analyzing information on financial transactions subject to financial monitoring, on other financial transactions or information that may be related to suspicion of legalization (laundering) of proceeds from crime, or terrorism financing, or financing of proliferation of weapons of mass destruction;

- ensuring the functioning and development of a unified information system in the field of preventing and counteracting to legalization (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction;

- conducting a national risk assessment;

- establishing cooperation, interaction and information exchange with state bodies, the National Bank of Ukraine, the competent bodies of foreign states and international organizations in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction;

- to ensure in the prescribed manner the Ukraine's representation in international organizations to prevent and counteract to legalization (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction [5].

The SFMS actively cooperates with leading international organizations and institutions involved in counteraction to money laundering and terrorism financing activities, such as the Financial Action Task Force (FATF), FATF-style regional bodies, such as the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), Council of Europe and European Commission, United Nations Office on Drugs and Crime, Egmont Group of Financial Intelligence Units,

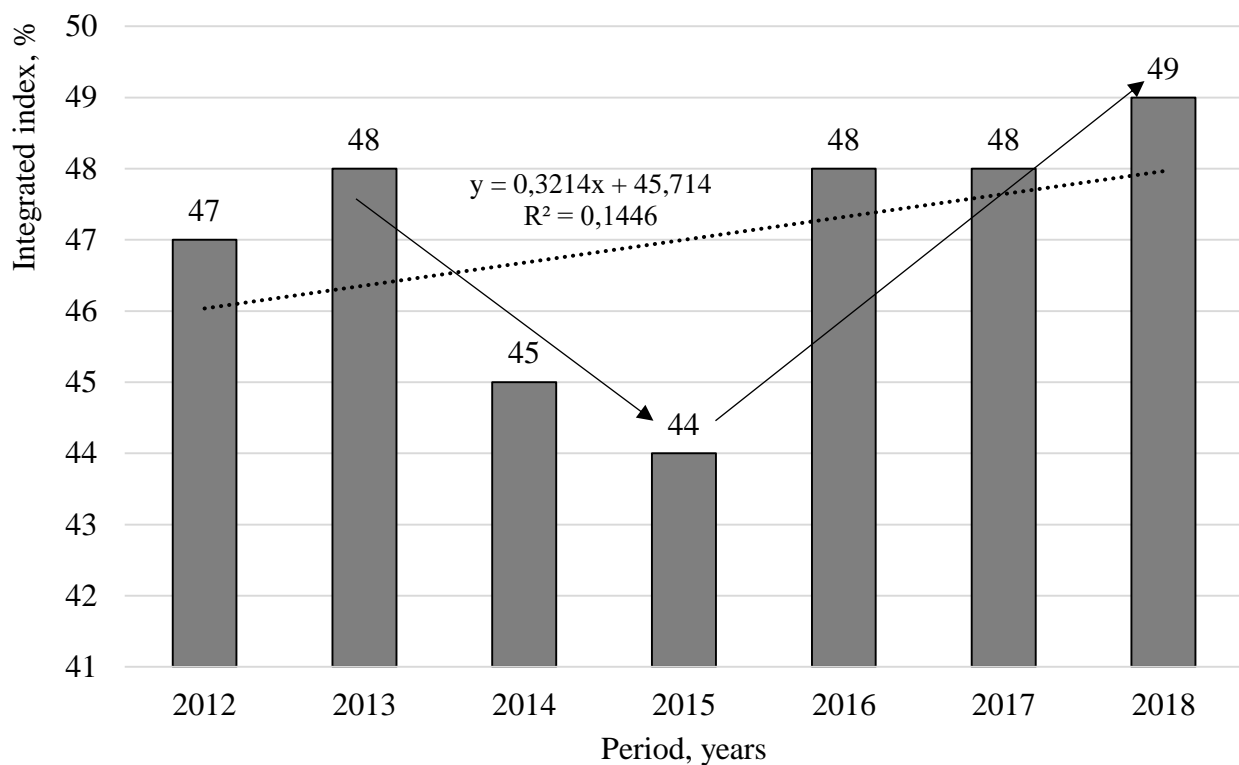


World Bank, International Monetary Fund, Organization for Security and Co-operation in Europe (OSCE).

### *Analysis of the level of economic security of Ukraine*

In 2013, a new version of the Methodology for calculating the level of economic security in Ukraine was approved. There have been identified the following economic security components: process, demographic, energy, foreign economic, investment and innovations, macroeconomic, food, social, financial security [11].

The integrated economic security index in Ukraine and its components are calculated by the Ministry for Development of Economy, Trade and Agriculture of Ukraine.



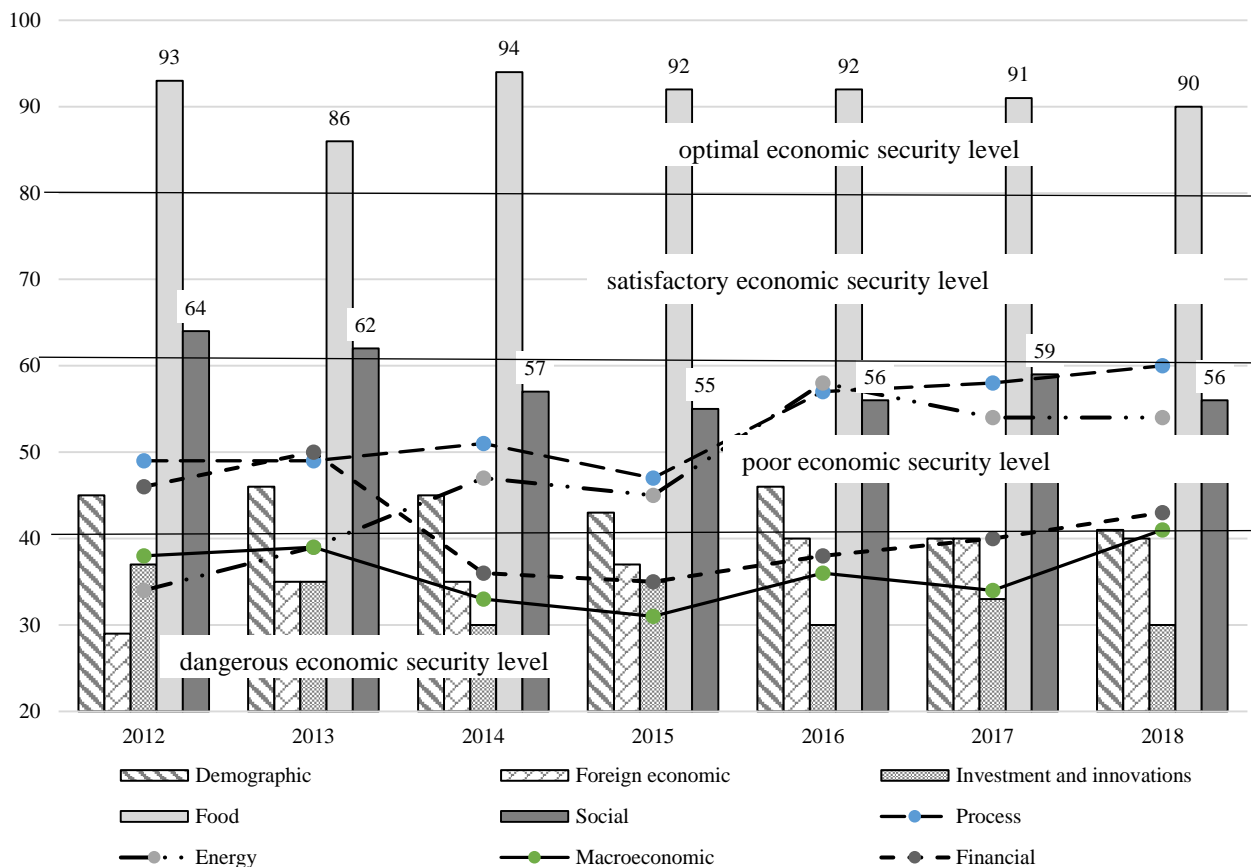
**Figure 3.2.** The dynamics of the integrated economic security index in Ukraine for 2012–2018

*Source: compiled by author based on Appendix A*

According to Figure 3.2 it can be suggested that there is a positive trend in the dynamics of the level of economic security of Ukraine. During the study period, the value of the integrated economic security index in Ukraine ranges from 44 % to 49 %, meaning that the state economic security level is poor [11; 12]. The lowest value of the index was recorded in 2015 and amounted to 44 %, that is less than the value of 2012 by 3 percentage points (pp) or by 6 %. The maximum value of the integrated index was recorded in the first half of 2018 and amounted to 49 %, that is higher than the value

of 2017 by 1 pp and higher than the minimum value (recorded in 2015) by 5 pp or by 11 %.

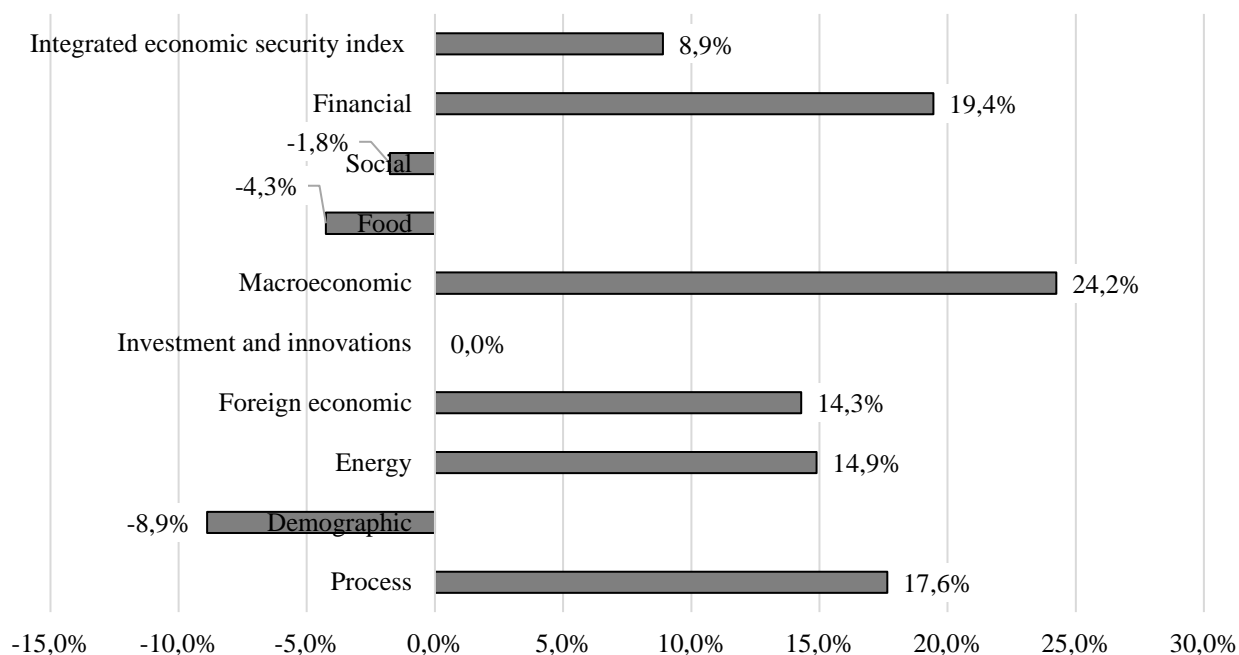
The dynamics of the components of integrated economic security index in Ukraine (by sub-indices) are presented in Figure 3.3.



**Figure 3.3.** The dynamics of the economic security components in Ukraine for 2012–2018

The data presented in Figure 3.3 show that during the study period the optimal value was recorded only on food safety data. The value of the index ranges from 86 % (in 2013) to 94 % (in 2014). As of the first half of 2018, the value amounted to 90 %. At the end of 2017, the level of social security amounted to 59 %, in the first half of 2018 the index has decreased by 3 pp and amounted to 56 %, meaning that value is unsatisfactory. It should be noted that the level of social security recorded during 2012–2013 was satisfactory. During the period between the end of 2017 and the first half of 2018, the level of investment and innovation component of economic security was poor and ranged from 33 % to 30 %. And there is a tendency to further decrease.

As a result of comparing the values of the integrated economic security index and the values of its components of the first half of 2018 with the same values of 2015, the increment rates have been determined (Figure 3.4).



**Figure 3.4.** The integrated economic security index in Ukraine and its components increment rates (first half of 2018 compared to 2015), %

In the first half of 2018 there was a decrease on the values of such components as social security index (decrease by 1.8 %), food security index (decrease by 4.3 %) and demographic security index (decrease by 8.9 %) compared to the same values of 2015. The maximum increment rate was recorded on macroeconomic security index (increase by 24.2 %), financial security index (increase by 19.4 %) and process security index (increase by 17.6 %). The increment rate of the integrated economic security index in the first half of 2018 compared to the value of 2015 increased by 8.9 %.

The results of the trend analysis of the dynamics of the integrated economic security index in Ukraine and its components for the period between 2012 and the first half of 2018 are presented in Table 3.1.

**Table 3.1.** The integrated economic security index in Ukraine and its components trends (for the period 2012 – first half of 2018)

Components	Trend
Process	Increase
Demographic	Decrease
Energy	Increase
Foreign economic	Increase
Investment and innovations	Decrease
Macroeconomic	Increase
Food	Decrease
Social	Decrease
Financial	Decrease
Integrated economic security index	Increase

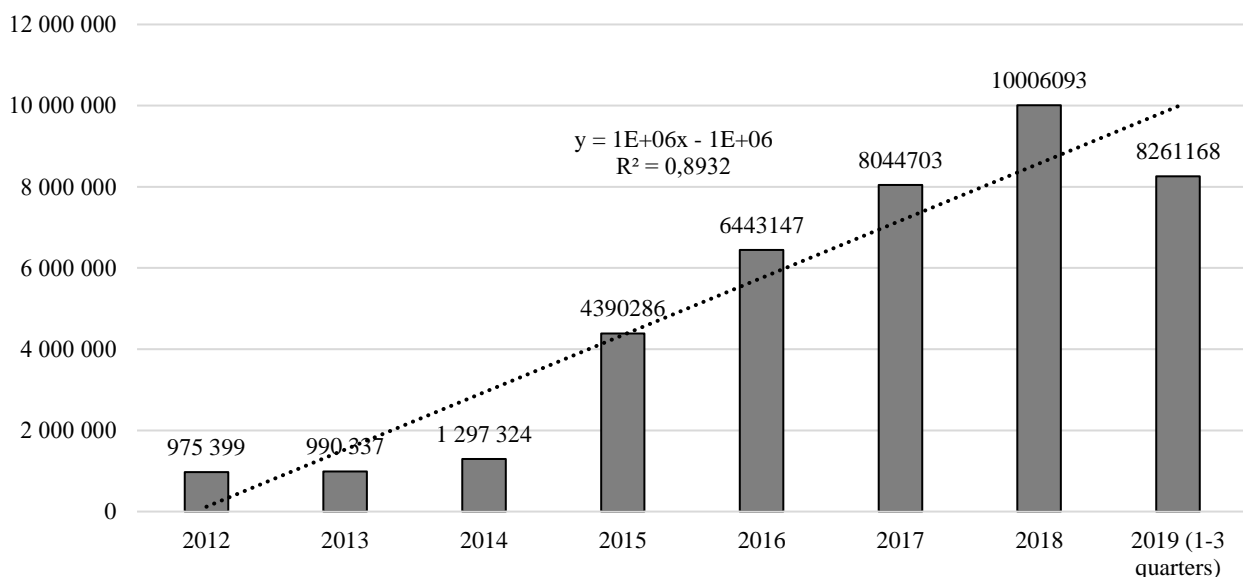
Thus, according to the results of trend analysis, the downward trend is observed on the values of such components as demographic security, investment and innovation, food, social and financial security.

In the report on the national risk assessment in the field of prevention and counteraction to legalization (laundering) of proceeds from crime and terrorism financing, among the systemic macroeconomic aspects, the SFMS identifies the shadowing of the economy as a threat to economic security. In addition, money laundering has been identified by the global community as a global threat to economic security, so it would be useful to examine the financial monitoring indices for recent periods and the results of the SFMS operation.

#### *Assessment of the dynamics of financial monitoring indices*

Financial intermediaries submit the information on financial transactions, that are subject to mandatory financial monitoring in accordance with the law or that are suspected of involvement in money laundering or terrorism financing, to the SFMS [13].

According to the data of 2012–2019, there is a positive dynamics of informing on such financial transactions. The maximum value was recorded in 2018 and amounted to 10,006,093 messages, and the lowest was recorded in 2012 and amounted to 975,399 (Figure 3.5).

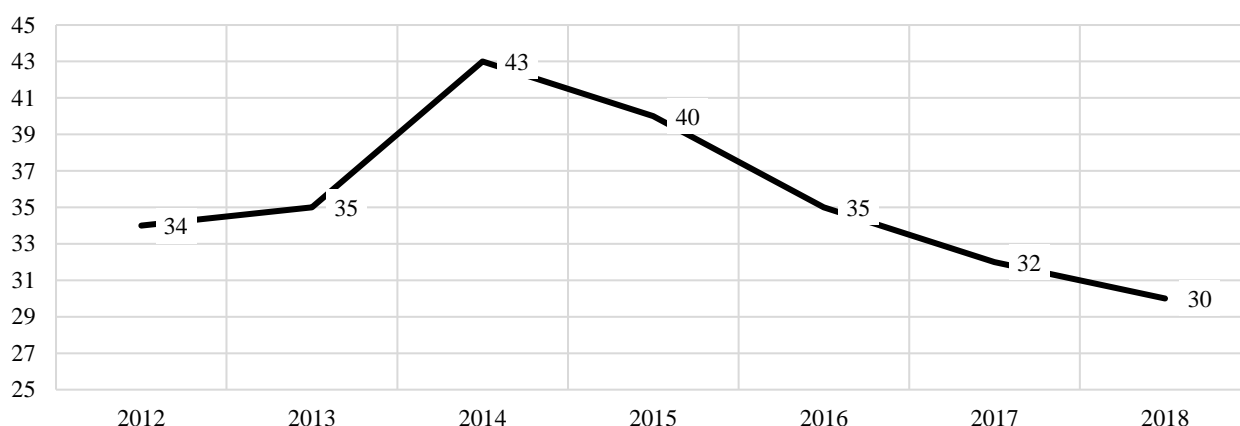


**Figure 3.5.** Dynamics of informing on financial transactions

The financial transactions, which amounted to UAH 150 thousand or more and which have one or more features defined by the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime", are subject to

mandatory financial monitoring. In addition, according to the Law of Ukraine "On Banks and Banking" Ukrainian banks are required to identify customers who carry out cash transactions without opening an account in an amount exceeding the equivalent of UAH 150 thousand.

The data presented in Figure 3.5 show an increase in the number of open and transparent operations, i. e. the level of shadowing decreases slightly. According to preliminary calculations by the Ministry for Development of Economy, Trade and Agriculture, the level of the shadow economy in 2018 amounted to 30 % of official GDP, that is less than the value of 2017 by 2 pp. It is the lowest level since 2012 (Figure 3.6).



**Figure 3.6.** The level of the shadow economy in Ukraine, 2012–2018

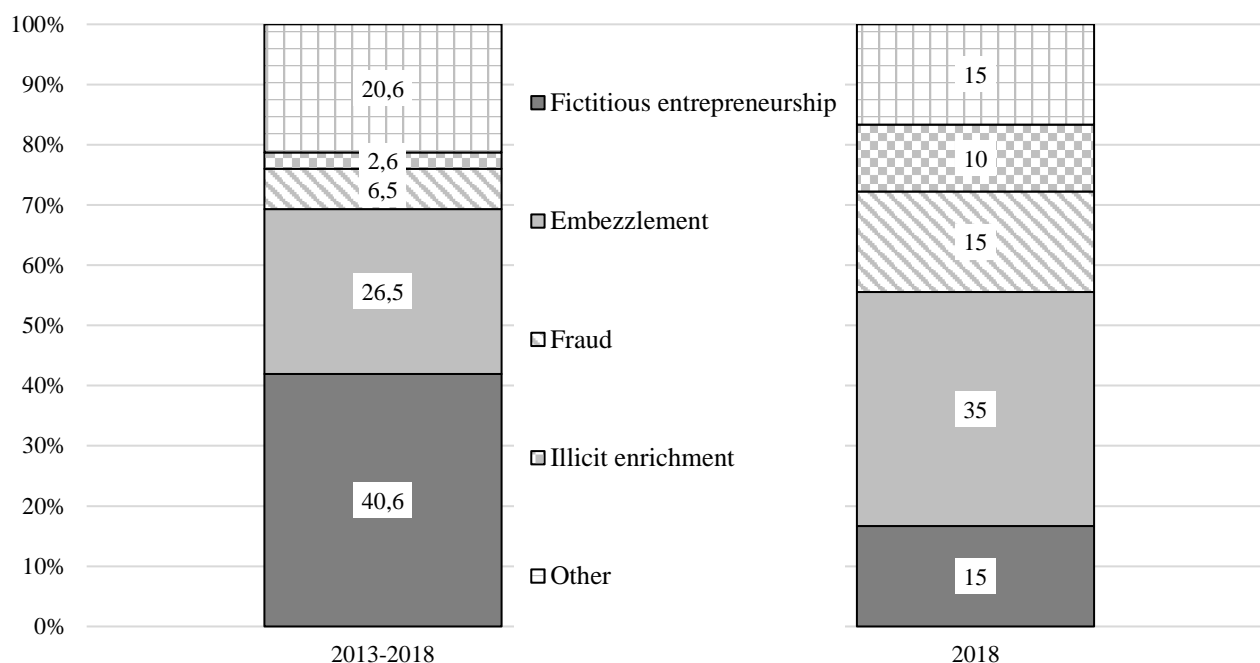
According to a study by the Financial Secrecy Index — 2018, the global volume of illicit cross-border financial flows is estimated to be USD 1–1.6 trillion per year, and the size of assets located in the offshore jurisdictions and tax havens reaches astronomical amount of USD 32 trillion [14].

Offshore is a driving force of foreign economic activity in Ukraine. The share of foreign trade contracts, under which the goods pass through the companies registered in tax havens, currently exceeds 80 %, while in 2012-2013 value of the same index did not exceed 40 %. In addition, offshore companies play an important role in the investment process. Of the USD 32.3 billion of foreign direct investment in Ukraine as of December 31, 2018, USD 8.9 billion or 27.5 % is of Cypriot origin [15]. Thus, Cyprus which is designated as the offshore jurisdiction, remains Ukraine's largest investor for many years. Equally important is the role of the Netherlands (which is de facto one of the most attractive offshore tax havens in the EU), Switzerland and the British Virgin Islands.

During 2013-2018, law enforcement agencies using SFMS materials initiated 2,659 criminal proceedings on a number of predicate offences, of which only 299 criminal proceedings (11 % of the total number of the criminal proceedings

initiated) were investigated under Article 209 of the Criminal Code of Ukraine “Legalization (laundering) of proceeds from crime”.

The structure of predicate offences in criminal proceedings initiated by SFMS law enforcement agencies during 2013–2018 is shown in Figure 3.7.



**Figure 3.7.** The structure of predicate offences in criminal proceedings related to money laundering initiated by law enforcement agencies (2013–2018, 2018)

*Source: compiled by author based on data provided by the SFMS*

According to the data presented in Figure 3.7 it can be suggested that during 2013–2018 the largest share in the structure of predicate offences in criminal proceedings related to money laundering initiated by law enforcement agencies was held by fictitious entrepreneurship, embezzlement and fraud.

Evaluation of 2018 statistics shows that the three leading types of predicate offences committed in 2018 were crimes related to embezzlement, fictitious entrepreneurship and fraud.

The outcomes of the criminal proceedings initiated from 01.01.2012 to 31.12.2018 are presented in the Table 3.2.

According to Table 3.2 it can be suggested that during 2012–2018 after introducing of anti-money laundering measures in Ukraine and the active inclusion of the judiciary branch in this system, the amount of money recognized by the courts as laundered amounted to UAH 39.47 billion or only 2 % of the amount of financial transactions.

These data are yet another confirmation of the conclusion on the direct result 7, made by the MONEYVAL committee international experts from the results of the fifth round of evaluation of Ukraine, which took place in 2017 [13; 16].

**Table 3.2.** The outcomes of the criminal proceedings initiated from 01.01.2012 to 31.12.2018

Period	Total number of convicts, persons	Number of persons convicted under Article 209	Number of persons sentenced to imprisonment	Fine, UAH million	The amount of money laundered, UAH million	The amount of money become state property, UAH million
2012	58.00	9.00	5.00	0.61	0.00	27.42
2013	175.00	15.00	25.00	1.63	39.97	132.29
2014	228.00	12.00	12.00	2.38	0.07	23.75
2015	112.00	8.00	10.00	2.69	19.60	11.93
2016	56.00	9.00		0.81	0.84	16.30
2017	53.00	2.00		3.96	39413.59	39415.85
2018	12.00	0.00		0.16	0.00	0.00
2012–2018	694.00	55.00	52.00	12.24	39474.07	39627.54

For further research, it has been determined that there are the following indices of the effectiveness of anti-money laundering measures in Ukraine: the level of the shadow economy; informing on financial transactions; total amount of net illicit financial outflow from Ukraine (USD million); dynamics of budget losses from non-payment of income tax on the total amount of net illicit financial outflow from Ukraine (million dollars); the share of criminal proceedings under Article 209 of the Criminal Code of Ukraine; the number of persons convicted under Article 209; fines (UAH million); the amount of money laundered (UAH million); the amount of money become state property (UAH million).

*Correlation analysis of the indices of the effectiveness of anti-money laundering measures in Ukraine and the level of economic security*

Correlation analysis methods allow to identify the strength of the correlation between variables. To a first approximation, the strength of the correlation between two variables can be determined by the correlation field, where all experimental data are graphically represented as points, each with the coordinates represented by a pair of values of random variables X, Y.

If the strength of the correlation between the two variables is being investigated, a simple or pairwise correlation should be used. If the object of study is the strength of the correlation between many different variables, then the method of multiple correlation should be used.

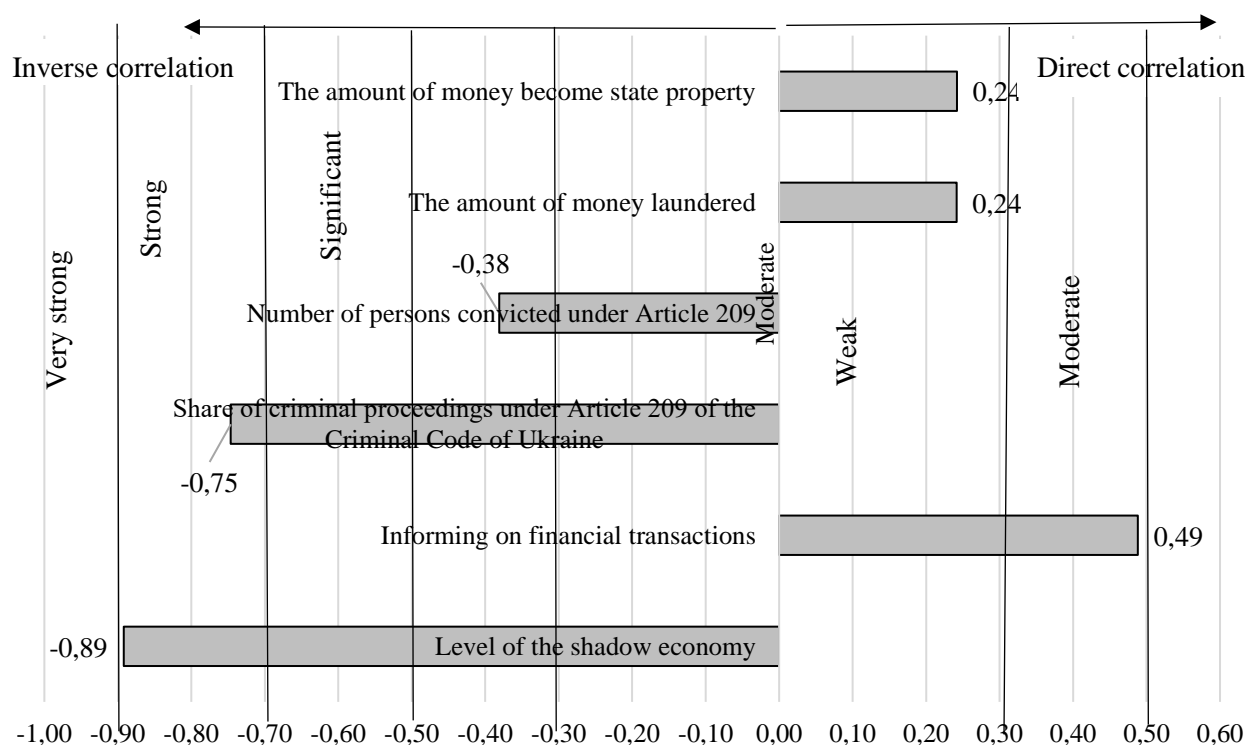
The correlation ratio ( $r_{xy}$ ) characterizes the linear relation between random variables, the core of which is the fact that with one increased variable, the other tends to change (decrease or increase) according to the linear law. Therefore, the correlation ratio shows the strength of the linear relation of random variables. This ratio may take the value within the following limits:  $-1 \leq r_{xy} \leq 1$ . The scale for the assessment of

strength of the correlation by the correlation ratio is presented in Table 3.3.

**Table 3.3.** The value of the correlation ratio and the strength of the correlation on the “Cheddock scale” [17]

Correlation ratio (r)	Strength of correlation
1.00	Functional correlation
0.90–0.99	Very strong correlation
0.70–0.89	Strong correlation
0.50–0.69	Significant correlation
0.30–0.49	Moderate correlation
0.10–0.29	Weak correlation
0.00	No correlation

As a result of the calculation of the correlation ratios between the integrated economic security index and the indices of the effectiveness of anti-money laundering measures in Ukraine, it has been determined that it is the level of the shadow economy that has the greatest impact (Figure 3.8).



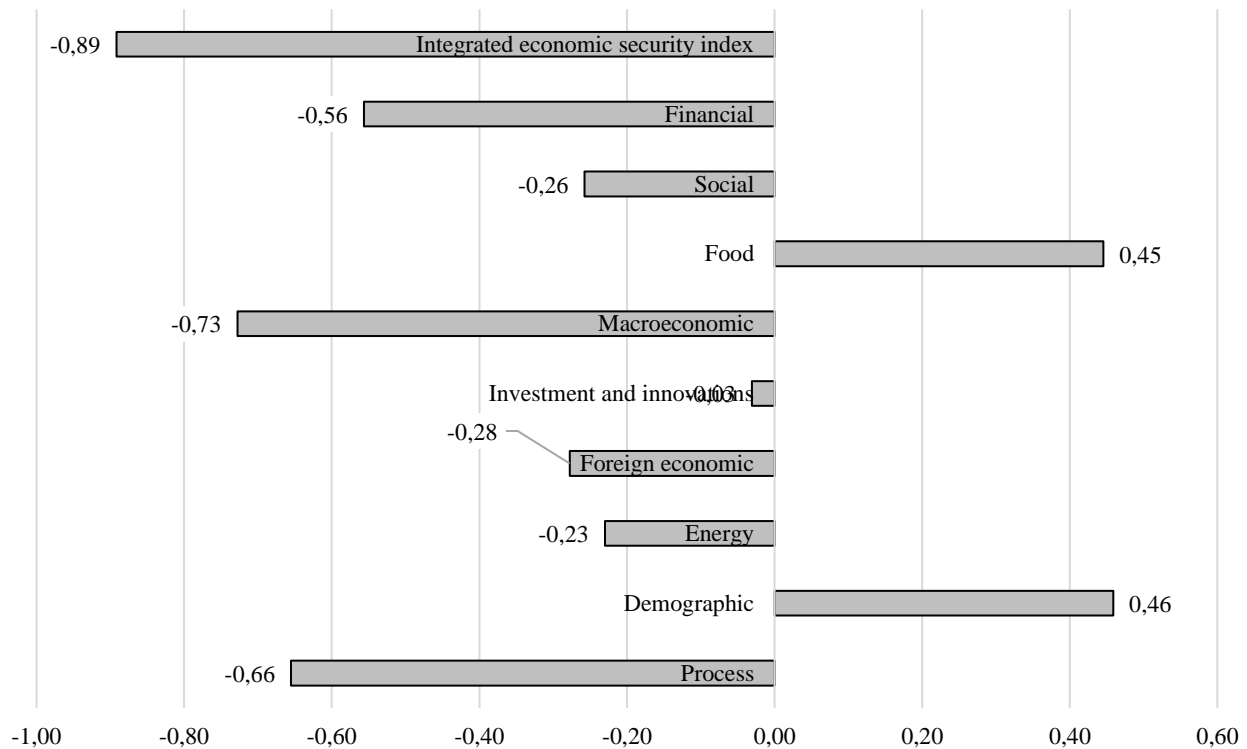
**Figure 3.8.** The correlation between the integrated economic security index and the indices of the effectiveness of anti-money laundering measures in Ukraine

The shadow economy impact level has been estimated to be strong inverse ( $r = -0.89$ ), that is, when the level of shadowing of the economy increases by 1 %, the level of economic security decreases by 0.89 %. In addition, strong inverse correlation has been observed between the level of economic security and the “Share of criminal



proceedings under Article 209 of the Criminal Code of Ukraine” indicator. It amounts to 0.75.

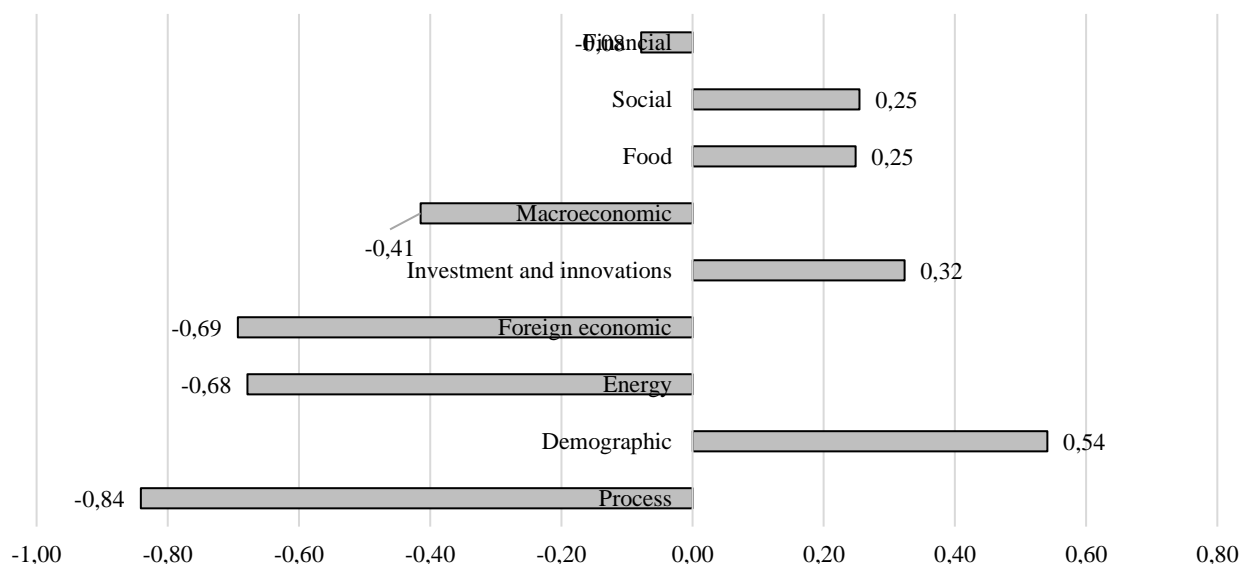
The characteristics of the strength of the correlation between the "Level of the shadow economy" indicator and different economic security sub-indices are presented in Figure 3.9.



**Figure 3.9.** The correlation between the level of the shadow economy and the economic security sub-indices

According to the results of the correlation analysis it can be suggested that there is an inverse correlation between the level of shadowing of the economy and all economic security sub-indices, meaning the correlation ratios are negative. It was recorded that the level of shadowing of the economy has the strong impact on macroeconomic security. The correlation ratio amounts to 0.73. Also it has significant impact on process security ( $r=-0.66$ ).

The impact of the “Share of criminal proceedings under Article 209 of the Criminal Code of Ukraine” indicator has been characterized as negative as the values of the correlation indices are negative, except for the investment and innovation security index value (Figure 3.10).



**Figure 3.10.** The correlation between the “Share of criminal proceedings under Article 209 of the Criminal Code of Ukraine” indicator and the economic security sub-indices

The share of criminal proceedings under the Money Laundering Article has a strong impact on the process security. An increase in the share of criminal proceedings by 1 % leads to a decrease in the level of process security by 0.89%. Significant inverse correlation has been also observed between such sub-indices of economic security as foreign economic security and energy security. The correlation ratios amount to -0.69 and -0.68, respectively.

The results of the correlation analysis by other components of the economic security level of Ukraine are presented in Table 3.4.

Thus, such factors as informing on financial transactions and the total amount of net illicit financial outflow from Ukraine has strong impact on the energy security.

As mentioned before, the level of the shadow economy and the amount of fines for money laundering have strong impact on the level of macroeconomic security.

There is no significant correlation between the various indices of the effectiveness of anti-money laundering measures in Ukraine and the level of food security.

There is a very strong correlation between social security and the total amount of net illicit financial outflow from Ukraine, which, in turn, has a strong impact on financial security.

The results of the study have practical application in the development of measures to ensure the economic security of the national economy.

Thus, today the economic security of Ukraine is at a fairly low level due to the threats, properties and risks. External threats to the national system are the following: high level of corruption, unstable security situation in Ukraine, high level of offshoring and shadowing of the national economy. As for the level of corruption, Ukraine ranks 120th among 180 countries.

**Table 3.4.** The result of the correlation analysis of the indices of the effectiveness of anti-money laundering measures in Ukraine and the level of economic security

	Process	Demographic	Energy	Foreign economic	Investment and innovations	Macroeconomic	Food	Social	Financial	Integrated economic security
The level of the shadow economy										
Informing on financial transactions										
The total amount of net illicit financial outflows from Ukraine										
Share of criminal proceedings under Article 209 of the Criminal Code of Ukraine										
Number of persons convicted under Article 209										
Fines										
The amount of money laundered										
The amount of money become state property										

where

	Very strong correlation
	Strong correlation
	Significant correlation

The main consequences of corruption in Ukraine are the following: inhibition and travesty of socio-economic reforms; deepening social inequality among citizens; increasing social tension in society; undermining the economic foundations of the state; reduction of foreign investments; "shadowing" of the economy; growing influence of organized criminal groups; undermining the political system; reducing the level of legitimacy of political power both within the state and in the international arena; violation of the principles of formation and functioning of democratic foundations of society and the state.

In order to overcome the increase in organized crime and to strengthen Ukraine's economic security, it is necessary to ensure cooperation between the Security Service of Ukraine, the National Police of Ukraine, the State Migration Service of Ukraine, the State Border Guard Service of Ukraine, the State Fiscal Service and other public authorities in the field of development and implementing measures to combat this threat.

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## SECTION 4. SOCIO-MARKETING FACTORS OF TOURISM SERVICES MARKET DEVELOPMENT: EUROPEAN INTEGRATION WAY OF ENSURING NATIONAL ECONOMIC

*Galina Bohatryyova<sup>6</sup>, Valentina Barabanova<sup>7</sup>,*

*Introduction.* The modern market of tourist services in Ukraine needs to improve social-marketing instruments as an effective mechanism for shaping the demand of tourist services consumers. The problem of finding competitive advantages in the market of tourist services should be solved by the creation of a modern marketing environment, the main feature of which should be the implementation of the social-marketing paradigm, above all, in the social sphere of the tourist services market. This is the way to ensure the modernisation of Ukraine's economy, increase the competitiveness of the domestic tourism market. Focusing on the model of socio-economic development of European countries will allow to tourism sector to create reliable mechanisms to ensure national economic interests on a priority basis of European integration.

These are social changes that will activate the market of tourist services and promote the organic unity of the socio-ethical program of transforming the values of society and the commercial component of the process of providing tourist services.

In this context, the problem of travel product movement from manufacturer to consumer is updated due to high communication activity and interaction with consumers. Innovative, socially-driven initiatives will strengthen the economic incentives for developing a tourism product of high consumer value, will stimulate the increase in demand for tourist products and services. Changing the initial conceptual model of the problem statement for the development of the tourist services market we are changing, first of all, a set of beliefs, values that should be oriented towards the consumer, a system of communications with specific people; search of effective methods of transformation of the perception of the subject of tourist activity expectations of customers in the criteria of the desired quality tourist product. Changing the marketing communication policy requires social changes in the market of tourist services, activates the demand for a tour product by means of communications. Effective social-oriented marketing strategy in the market of tourist services is possible subject to the study of the impact of social marketing instruments s on the work of the tourist enterprise, taking into account communicative and social methods of increasing the effectiveness of marketing activities in the market of tourist services.

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*Social changes in the tourism market.* The subject of research of social and socio-ethical marketing was made by F. Kotler, D. Akimov, M.G. Boyko, A.M. Kolot, M.M. Kudinova, O.O. Okhrimenko, O.F. Pavlenko, T.V. Ivanova, O.O. Tischenko and others. Domestic scientists G. Lozhkin, A. Mazaraki, S. Melnichenko, G. Mykhailychenko and others made a significant contribution to the development of the theory and practice of management of interactions with consumers of tourist services. Analysis of the marketing as a management concept in the tourist services market is carried out in the works of O.M. Azaryan, V.G. Voronkova, N.L. Zhukova, V.A. Quarterly and others. The study of marketing communications is devoted to many works of foreign and domestic authors. Among them G.L. Bagiev, J. Bernet, A. Voichak, G. Pocheptsov, V.M. Tarasevich and others.

Tourism today is one of the dynamic directions of socio-economic development of most countries of the world. Ukraine in the light of European integration processes is also actively developing in this direction. The need expressed by the society in the meaningful conduct of leisure today is clearly expressed in terms of expanding the range of tourist services. According to O. Lyubovtseva, it is important «to study the proposal as a reflection of the real conditions of the country for the development of the tourism industry» [14]. Tourist operators should take into account the demands of the society regarding the quality of the tourist product, the reliability and completeness of information about travel services, methods of providing this information, etc. Specific features of the tourist service provide for its other content content, which requires the planning and development of new marketing innovative approaches. Intangible nature of the service complicates the decision-making process of the consumer to purchase tourist products, increasing requirements to the level of professional competence of travel agents and tour operators; the separation of the place of sale of tourist services and place of consumption, which significantly increases the risk of inconsistency of the service received in its expectations; the impossibility of accumulation.

One of the components of solving European integration problems is marketing education of both managers of tourism enterprises and staff. If we take into account the fact that 95.7% of tourist enterprises in Ukraine do not have a marketing department, or it functions inefficiently, it is clear that the above problems cannot be solved. Unfortunately, the management of tourism enterprises in Ukraine is now dominated by authorian methods and unwillingness to change outdated management guidelines. In other words, most directors of tourism enterprises (100% large, 96% medium and 95% small) are not ready to open access to all information in the enterprise and involve employees in decision-making and marketing policy of the enterprise [23].

On marketing in tourism as an activity to stimulate the demand for tourist products accentuated the scholar O.A. Lozova [13]. Marketing as a «managed social process» was defined by F. Kotler [10]. It is interesting to define the marketing of tourist services

made by N.E. Kudla [11]. The scientist noted that this is: «a complex of measures related to the definition and development of tourist products, as well as its promotion in accordance with the psychological and social factors that need to be taken into account in order to meet the needs of individuals and groups of people in rest, entertainments by providing them with housing, vehicles, food, leisure facilities, etc.» [11]. There are environmental factors that are not amenable to direct control by the travel company. However, in practice, they have a very significant impact on the behavior of customers and consumers of tourism services. Therefore, they should always consider not only taking marketing decisions, but also in daily activities. We believe that environmental factors must constantly examine and consider in their professional activities in the tourism business permanently presented in Figure 4.1.



**Figure 4.1.** External environmental factors influencing the marketing of tourist enterprises of Ukraine.

*Source: compiled by the authors*

Social changes in the tourism market affect the effectiveness of tourist flows. Over the past ten years, Ukraine was visited in average by 20 million of citizens in a year 2007, 17.2 million people came to our country (9.7% less than in 2006), and by 2009 the tourist flow decreased (the impact of the global economic crisis), and from 2010 to 2014 the tourist flow began to increase. This trend remained in 2018. So in 2012, taking into account the holding of Euro 2012, our country was visited by 22.4 million people, which is 9.7% more than in the previous year. After Euro 2012 it became easier for incoming tourism operators to prove potential customers that Ukraine is a very interesting, new and promising area for tourism, with the corresponding infrastructure, national color. These facts positively influenced to increasing of tourist flows. About

3.4 million people (the highest number of tourists served by the subjects of tourist activity of Ukraine) fell on 2013 year, the growth rate of tourists increased by 9.0% compared with the previous year. In 2014, due to military actions in Donetsk, Luhansk Oblasts, the difficult political situation and temporary occupation of the territory of the Autonomous Republic of Crimea, the tourist flow decreased significantly - by 8%, but starting from 2015, positive trends in its development were determined in the tourism business, the number of tourist arrivals increased on 3% compared to the crisis 2014 year.

While in the dynamics the number of citizens traveling abroad was not changed significantly during the analyzed period, a negative tendency is observed among foreign citizens who visited Ukraine: the largest drop in visits was for 2014-2015 years. In 2016-2018, the number of foreign tourists increased respectively 7% growth rate in 2016, 10% in 2017, in 2018, respectively 10%.

Thus, there is a steady upward trend in tourist flows in Ukraine. This positive trend provides an opportunity to talk about the gradual growth of foreigners' trust in our country. Ukraine is gradually becoming an increasingly attractive market for travel services for foreign travel companies with great potential for its progressive development.

Ukraine has all the prerequisites for the proper development of the economy through tourism, but loses significantly in competition, lagging behind the world's leading countries in the level of development of tourist infrastructure and quality of tourist services.

According to the components of the Tourism Competitiveness Index for the last two years (2018 - 2019), Ukraine rose by 10 positions in the Competitiveness Index in the field of travel and tourism and took 78th place out of 140 possible places. «Ukraine has the fastest growth rate in the sub-region, rising 10 places and finishing 78th in the world. In particular, the stabilization and reconstruction of the country Ukraine dramatically improved the business environment (from 124 to 103 seats), security (from 127 to 107 seats), international openness (from 78 to 55 seats) and general infrastructure (from 79 to 73 seats)» [21].

Ukraine has risen in the ranking of attractiveness for tourists. Ukraine has shown the greatest progress in this ranking in term of «security» - it improved by 20 points. And most importantly Ukraine left the top 10 most dangerous places to travel in the world which came earlier because of fighting in the east.





**Figure 4.2.** Diagram of tourist flows in Ukraine for 2010 - 2019

*Source: compiled by the authors according to [21]*

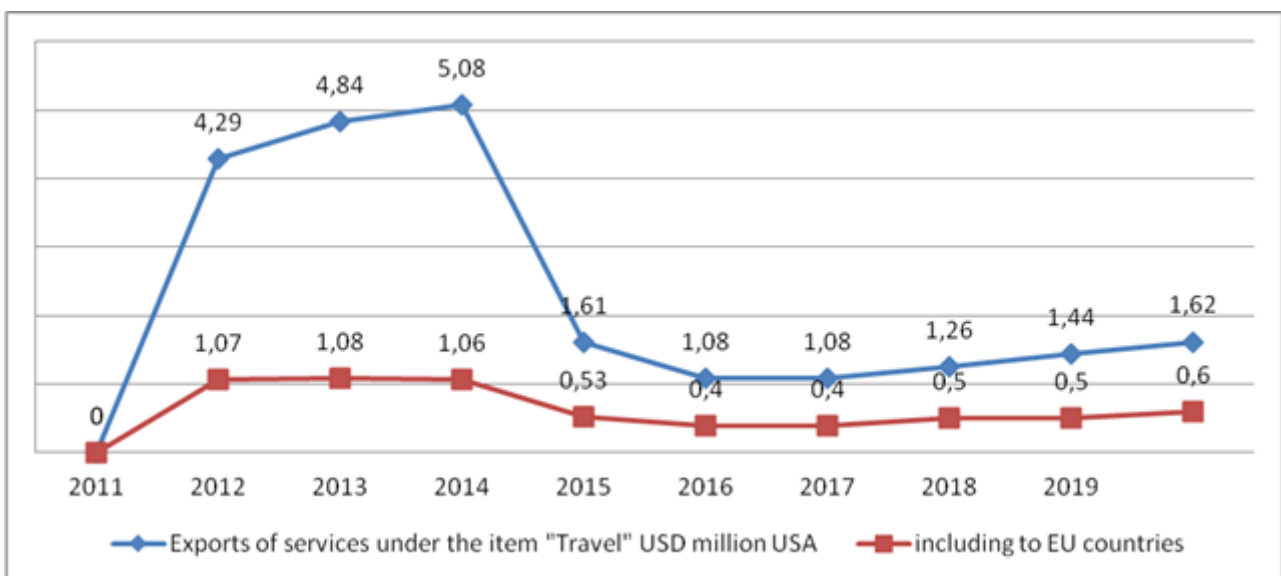
An analysis of the comparative dynamics of persons who traveled abroad and those who visited Ukraine during 2010-2019 years, a figure. 2 indicates that in the tourist flows in 2012-2013, the ratio was about 49% to 51%, while in the period 2014-2019 years, the share of persons traveling abroad was 65% compared to 35% of those who visited the country.

One of the important factors in increasing the flow of tourists from Ukraine to Europe is the introduction of a visa-free regime for Ukrainian citizens, first of all those who used the services of travel companies. After all, far from all Ukrainian citizens have a good command of foreign languages and have the appropriate skills to organize independent travel abroad. At the same time, travel companies are working in more competitive environment now and therefore have to not only improve their services (travel) they offer to the Ukrainian population, but also look for new tourist routes and interesting channels for the promotion of tourist services.

At this moment's development of society, the sphere of services plays an important role and becoming more promising direction engaging labour resources. For estimates of the All-Ukrainian Tourism Organization (UNWTO), tourism is the segment of the world economy, which is dynamically developing [23]. The sphere of tourism stimulates the development of many branches of economy (transport, communication, production of goods of the national economy and others) and it is the catalyst of economic development of tourist areas. Influence of tourist branch on economy is estimated by a multiplier effect. Asking if there are such interests in Ukraine which are satisfied with the help of tourist development, you can surely answer that such interests exist. In general national interests are an integral expression of the

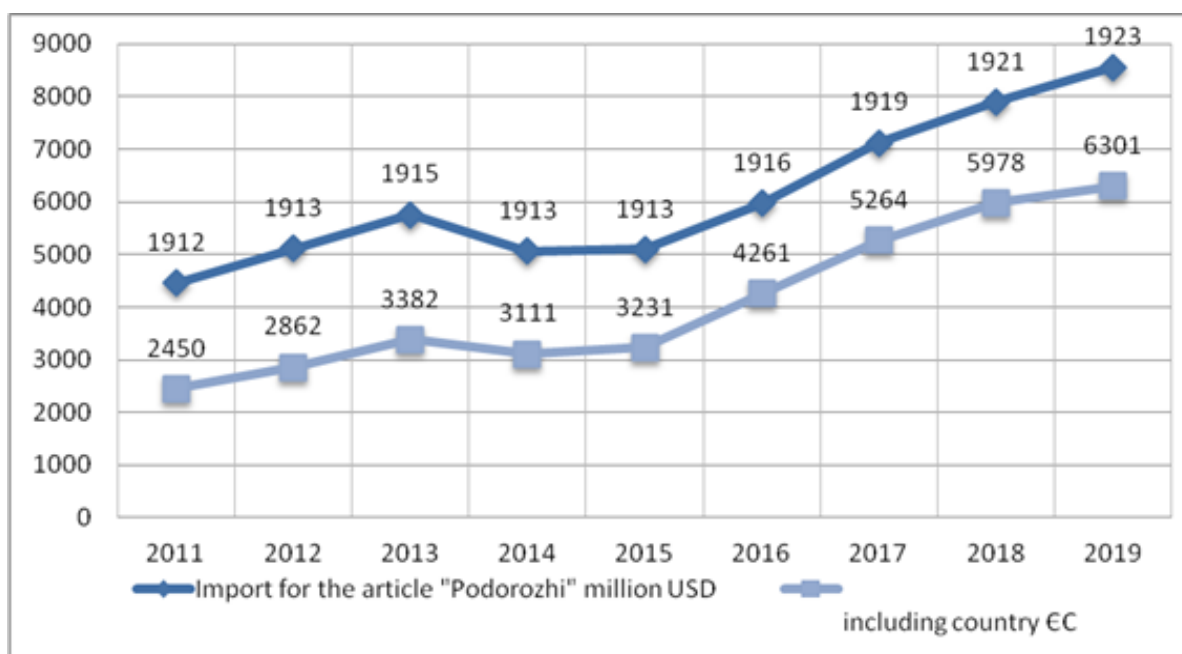
interests of all members of society, which are realized through the political system of the state as a compromise in combining the demands of each person and society as a whole [15]. National interests in tourism development is a combination of the individual, society and state. The interests of the individual in the development of tourism is to realize constitutional human and civil rights to freedom of movement, to use their abilities and property for entrepreneurial and not prohibited by the law of economic activity, to participate in cultural life, access to cultural values and commitment to each care for the preservation of cultural and historical heritage of Ukraine. The interests of society in the development of tourism are to ensure the interests of the individual, to achieve economic stability, to ensure economic growth. The interests of the state are to create conditions for the development of tourism in Ukraine, which contributes to the implementation of constitutional human and civil rights and the use of tourism infrastructure to ensure political, economic and social stability [18].

Accordingly, the threat to economic and national interests is obvious, as tourist trips become more import-oriented, as a result of which Ukraine is losing not only income but also a place in the world tourism industry. Therefore, to meet national economic interests of Ukraine in tourism requires orientation of Ukraine's economy primarily on the export of services.



**Figure 4.3.** Export of services under the article «Travel» in Ukraine, including with EU countries

*Source: compiled by the authors according to [17; 23]*



**Figure 4.4.** Import of services under the article «Travel» in Ukraine, including with EU countries

Source: compiled by the authors according to [17; 23]

*Formation of consumer demand for tourist services by means of marketing communications*

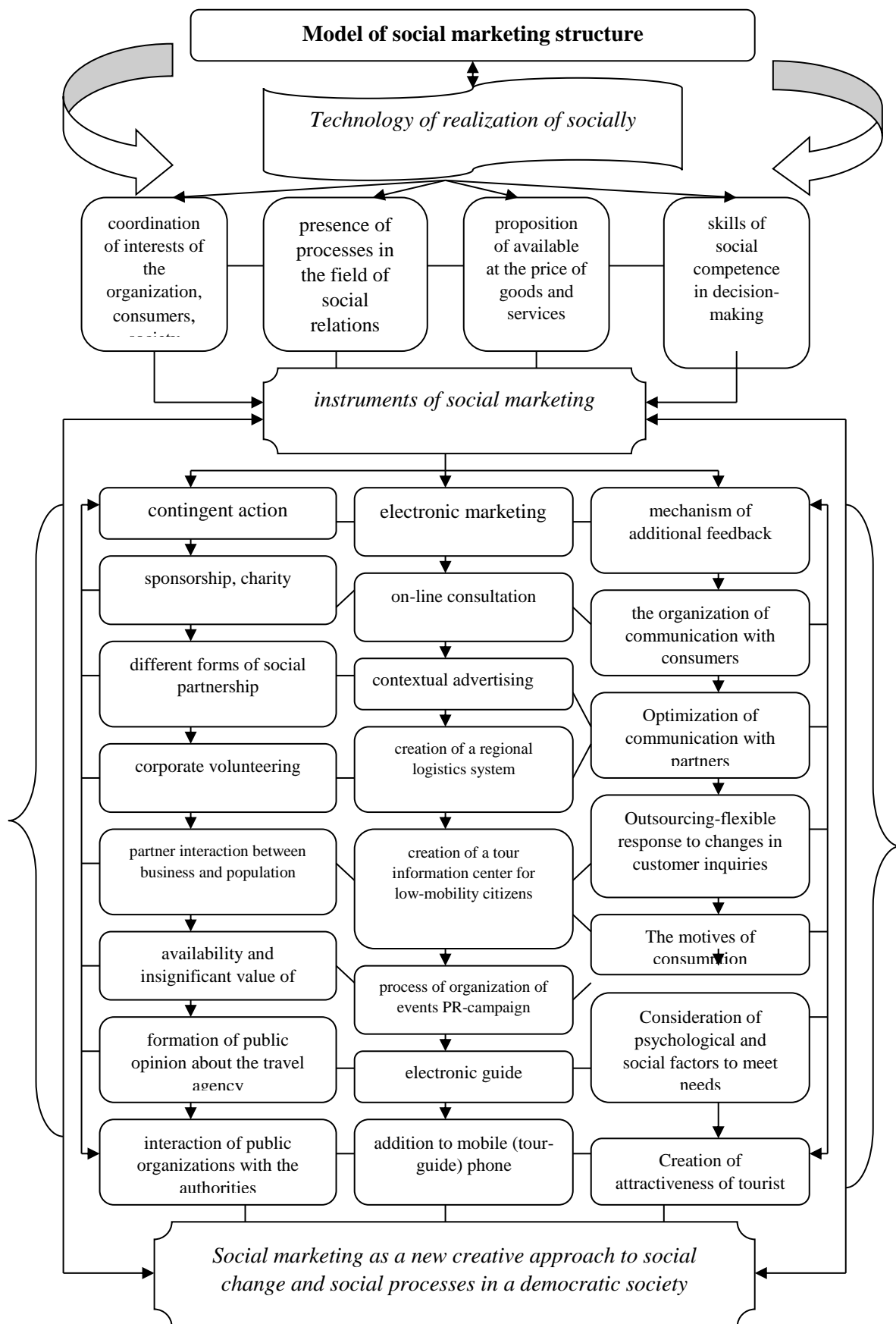
Establishing effective communication channels for providing information and creating a positive image of travel services requires a reassessment of the importance and role of marketing and its instruments. Study of the problem allows to state that the social marketing aspects of the sphere of tourism activity require the development of more «effective instruments, a single administrative space capable of ensuring the integrity of the management system of the market, the effectiveness of the relationship of its components, coordination and interconnection of any subject of tourism activity» [9].

The marketing concept of management involves a radical change in the system of marketing influence methods of the formation of market demand for a tourism product, among which strategic decisions, marketing instruments and communications, content marketing, etc. acquire significance. In this case, it is important to take into account the adaptive possibilities of the market of tourist services to social changes, and therefore the adaptive approach is characterized by situational development and is characterized by great flexibility, fast time management of the object, the presence of feedback. It is in this direction there are changes of properties of the system of marketing communications, instruments of social marketing; an effective communication model of marketing of tourist services is formed on the basis of the subject-subject interaction of the tourist services provider and the subject - consumer of travel services.

One of the mandatory conditions for the implementation of the concept of social marketing is the availability of constant contact with consumers who support the company, caring for the satisfaction of their individual and social needs; the refusal of enterprises to manufacture and sell goods that can harm the consumer and society as a whole. That is why social marketing can be considered a new philosophy of communication between the subjects of the tourist market, when all of them (and not only consumers) seek to improve the quality of their own lives [23].

Social marketing activities are aimed at a more in-depth study of a motivation and psychology of consumers and other market participants in order to identify opportunities for influencing them, envisaging the creation of new types of tourist product, technologies, improvement of forms of product promotion, distribution channels and methods of entering new markets. In the tourist market people buy not only goods or services, but their functional capacity to satisfy a particular human need. That is why one of the tasks of the social-marketing approach is to provide and disseminate information not about the properties of the tourism product, but about the real benefits for the client. It is important to study and form the needs of buyers and to meet them with the help of more effective methods than competitors, provided the welfare of all members of society. This problem is able to be solved by social marketing, because this kind of marketing «involves the development of social programs aimed at raising the level of perception of certain sections of population of social ideas or practical actions» [1].

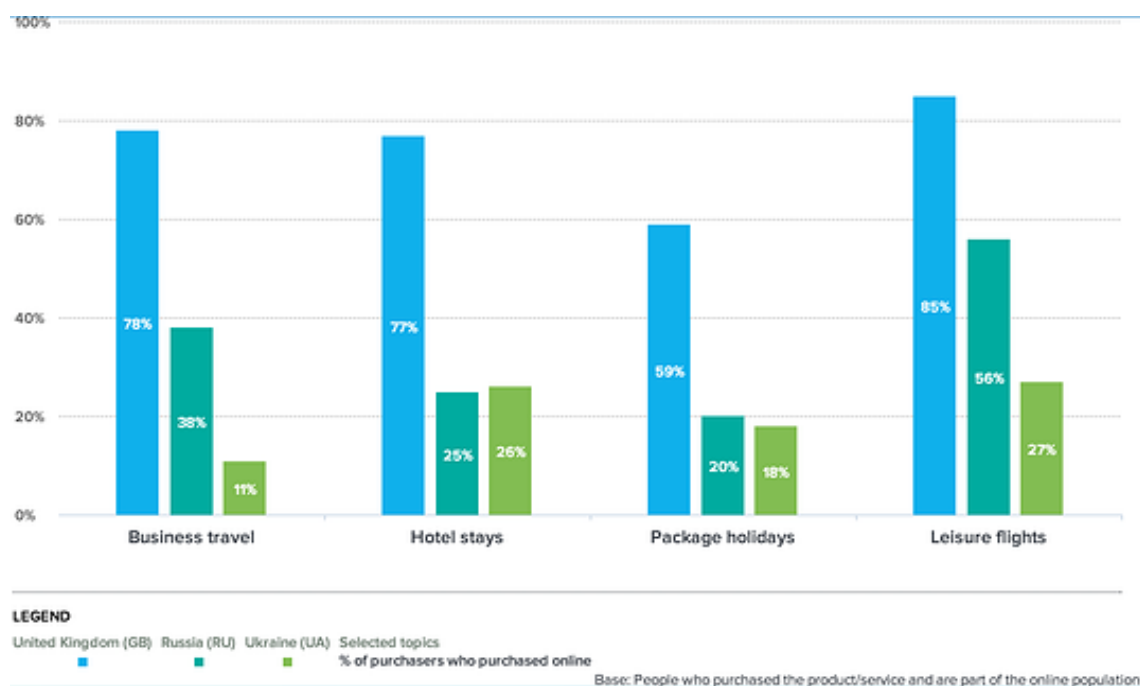
As can be seen from Figure 4.5 in the social marketing model, the social marketing instruments we have identified represent the social communication system that affects consumer demand. In particular, measures to support tourist brands in the Internet space are of great significance today: in the context of the announcement on the pages of search engine results; contextual advertising on the sites of travel companies; video and animated rich media ads. So advertising messages should attract the attention of the consumer, arouse interest in the product, cause a desire to get it and stimulate the consumer to act (in accordance with the concept of step-by-step advertising by E. Lewis, 1898). As our research has shown, today social media as a new space of existence of consumers of tourist services, which give an opportunity to create client databases, seek their segmentation and differentiation by subjects of the market of tourist services (social bookmarking, social cataloging) are becoming important.



**Figure 4.5.** Model of the structure of social marketing in the market of tourist services  
 Source: compiled by authors on [2-4, 7-10].

In this context, we are interested in the opinion of J. Andrik, director of the company «Aerobilet» (business development company B2C in the CIS and Eastern Europe), which is a participant of many innovative projects, has high-level experts in the field of IT technologies and management of tourism business. He points to a significant increase in the share of the travelers who are turning to network resources before the trip. These are: information sites, online travel agency websites, search engines, airline and hotel sites, traveler reviews and social networking sites. As practice shows, the results of such search are not always positive. The main reason the author calls is low-quality Internet resources of tourist business. Figure 4.5 shows the comparative results of online sales in England, Russia and Ukraine in such a segment as: business trips, hotel reservations, weekend and holiday trips, airline tickets booking).

The most effective development of these segments is developed in England, where: business trips make up 78% (in Russia - 38%, in Ukraine - 11%); hotel reservation - 77% in England; 25% in Russia; 26% in Ukraine; sale of airline tickets - England 85%, Russia - 56%, Ukraine - 27%, Figure 4.6



**Figure 4.6.** Comparative results of online sales in England, Russia and Ukraine  
 Source: compiled according to [20].

As you can see, the indicators for this type of tourism services in Ukraine are low, and therefore most companies do not use new information technologies. With the advent and development of the Internet, the psychology of consumer is changing, the functions and policies of tourism enterprises are changing too. According to some specialists, tourist enterprises over time will be retrained into guides on computer

networks, that is, the main task of tourist enterprises will help in finding the necessary information on the Internet.

Anthony Jordenson's method is aimed at studying the quantitative assessment of the level of use of Internet resources by travel companies. The author proposes to assign from -5 to +5 to each of the means of using the Internet, thus determining the coefficient of efficiency of the use of Internet resources by travel companies in Ukraine.

**Table 4.1.** Estimation of the level of use of Internet resources by tour operators according to the method of Jordenson

Name of means of using Internet resources	Ukrainian travel companies	Join UP!	Anex Tour*	TPG	TEZ Tour	Coral Travel	Pegas Touristik	TUI Ukraine	Accord Tour	GTO Travel Compan
Website of the travel company		+2	+3	+4	+5	+4	+3	+4	+5	+3
E-mail subscription		+3	+3	+3	+4,5	+3	+3	+4,5	+4	+3
Banner and Contextual Advertising		+1	+4,5	+5	+4	+3	+1	+5	+4	+2
Participation in joint projects and advertising on well-known tourist portals		+2	+3	+4	+4	+4	+2	+5	+4	+2
Exchange links with other businesses and resources		+4	+4	+4,6	+4	+4,9	+2	+4	+4,6	+2,5
Integration into the system of Internet reservation, module on-line booking		+2	+3	+4	+5	+4,6	+2	+4,5	+4,9	+4,5
Virtual tours: 3D tours in the offices of the company		0	0	0	0	0	0	+5	0	0
Contextual mentions		2	+3	+3	+3	+3	+2	+3	+3	+1
Online counseling online survey		0	+4	+4	+4	+3	+1	+5	+5	+2
Advertising in social media		+2	+3	+3	+2	+2	+3	+4	+4	+3
Mobile site		+1	+1	+1	+2	+5	+1	+3	+3	+2
Total coefficient		20	31,5	36,6	43,5	36,5	20	51	40,5	25

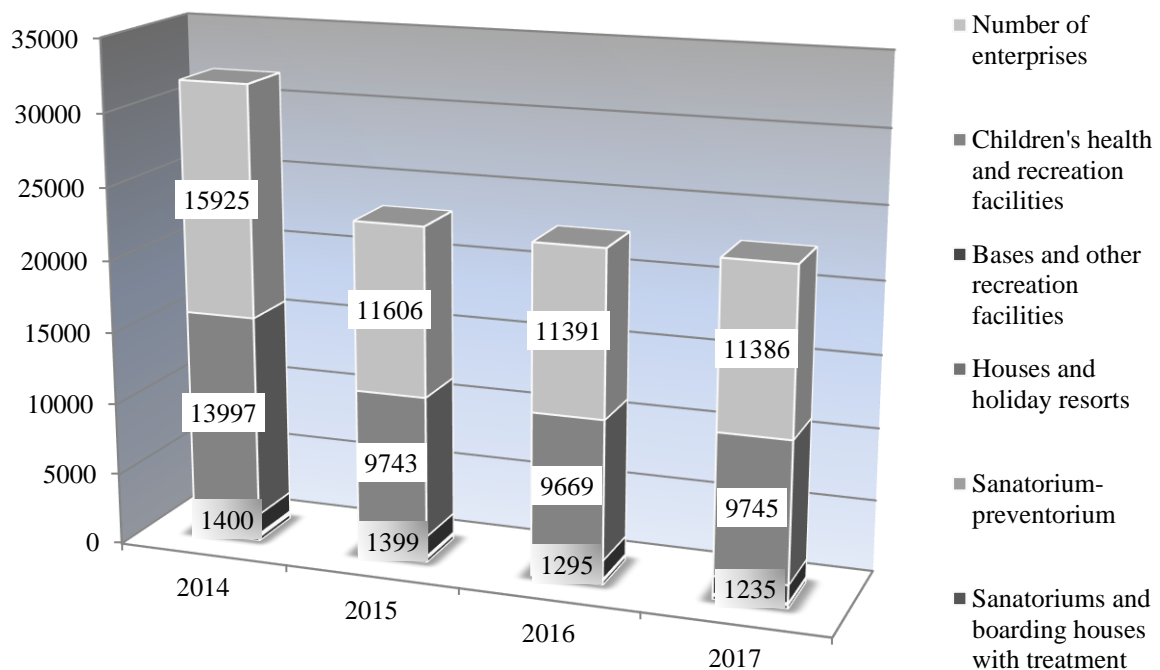
Source: compiled by authors according to [17]

As you can see, companies offer customers new services in the market of travel services, namely: roaming services, virtual 3D-tour, virtual reality in offices; online booking of tickets for regular flights; Coral + instant booking system; social programs for students and schoolchildren, etc. Thus, companies form a stable competitive advantage of enterprises and strengthen their own competitiveness.

Social marketing involves the development of programs in the interests of the entire society, which have advertising, promotion, reputation to meet the interests of

large groups of people, the totality of which is a society. The main objective of social marketing is to reconcile the interests of the organization, consumers and society as a whole, and therefore the formation of mechanisms of regulation of social processes should become a priority in implementation. Only by taking into account the specifics of the emergence and flow of exchange processes in the field of social relations, social marketing as a technology for solving socially significant problems will be implemented effectively [8].

As the analysis showed, the number of enterprises of the sphere of tourism of social orientation in Ukraine in 2017 significantly decreased compared with 2014, which confirms the relevance of adoption of programs for social development of regions, and in particular social tourism, Fig. 4.7.



**Figure 4.7.** Number of enterprises of tourism sphere of social orientation in Ukraine

*Source: compiled by authors on the basis of [18]*

Figure 4.7 illustrates the steady decline in the number of tourism enterprises in the social trend (by 29% in 2017 relative to 2014). Thus, social tourism needs support at the state and regional levels.

Modern marketing views the tourism market as an object that is constantly evolving and changing under the influence of human activity. In this case, organizations are no longer passive actors of the market, and active participants in its development [6]. Systematic information from the consumer of tourist services provides material for the adoption of effective management and marketing decisions by the management of the tourist enterprise. We have developed a structural and

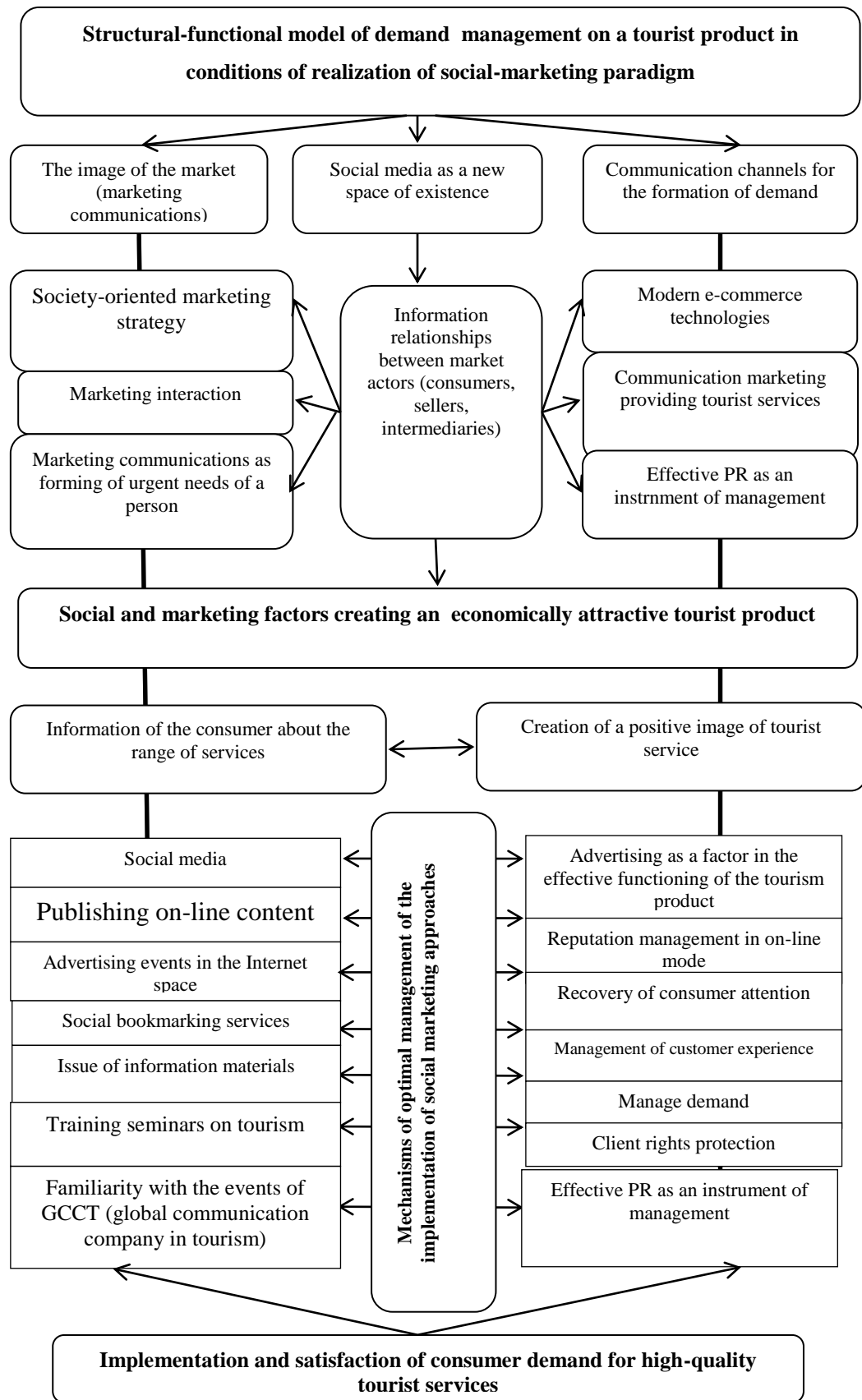


functional model of demand management for a tourist product in the context of implementing a social marketing paradigm. The structural and functional model consists of a system of social and marketing factors for the creation of an economically attractive tourist product, to which we attributed the instruments of marketing communications, because they help to establish information links between the subjects of the tourist services market.

In the structure of these links, we considered more effective communication channels for the formation of the demand for tourist services through social media (online content publications, advertising on the Internet, social bookmarking services, etc.). Our research and the results confirm the effectiveness of most of these instruments, which have a clear social orientation. At the same time, it is desirable to intensify the creation of regional logic systems, tourist information centers for the little mobile citizens, effective in conquering consumer attention and managing customer experience, and demand for services should become an electronic guide and tour guide in the form of an appendix to a mobile phone.

The developed structural and functional model of demand management on a tourist product provides the purposeful influence of the control system on the object of management, and in the result the object passes to another state and accelerates the mechanism of optimal management of the process of realization of social marketing approaches to the market of tourist services. It is the management of the process of implementing the above-mentioned approaches in the whole set of factors determined by us will enable to realize and fully meet the demand of consumers of various categories for quality travel services. The socially-oriented marketing paradigm for managing this process will determine the interaction and interrelationships between social marketing factors and the impact on the creation and implementation of a tourism product that will be competitive in the modern market. Due to the simulation of the process, we can identify the patterns of influence of social marketing instruments on the motives of consumption of tourism product, the degree of satisfaction of the needs of consumers of tourist services. It is also important in the simulation process the ability to trace the causal relationships between the behavior of consumers and the nature of the impact of modern social marketing communications on their demand.

In the process of our research, we demonstrated the benefits of social marketing, whose system of instruments places the interests and needs of people first. The study showed that systematic work on the implementation of social marketing instruments will have a positive impact on the work of travel agencies, and will direct them to keep social responsibility and ethical social norms. Electronic communication instruments, successful pricing policy, dialogue and flexible response to changes in consumers' requests will enhance the attractiveness of tourist services and enhance the social effectiveness of the tourism market in Ukraine.



**Figure 4.8.** Structural-functional model of demand management for tourist services in the conditions of realization of social-marketing paradigm

*Source: compiled by authors*

**Conclusions.** Modern marketing environment of the tourist enterprise is impossible without taking into account the requirements of the social sphere of the market of tour services. This sphere requires innovative, socially-oriented initiatives on interaction with consumers in the direction of increasing the demand for tourist products and services. In this context, the company's marketing communications policy needs to be changed, which should take into account the potential impact of social marketing instruments. They will allow you to change the content of the tour service qualitatively, which will affect the effectiveness of tourist flows in general.

We considered the social and marketing approach to the processes of development of tourist trips as a new way of constructing relations with consumers of tourist services. Changing the properties of the system of marketing communications involves the creation of a new communication model based on the subject-subject interaction of the manufacturer of tour services and the subject of the consumer. The basis of this interaction is the dissemination of information not about the properties of tourism products, but about the real benefits and benefits for the client. The author's model of social marketing presents the instruments by which it becomes possible to create a quality tourism product. First of all, this task is performed by high-quality Internet resources that affect the competitiveness of the tour company. Our analysis of using Internet resources by Ukrainian travel agencies has shown that it is the expanding range of new Internet resources and technologies that allows companies to take advantage of the tourism market.

Today there is a steady tendency to reduce the number of enterprises in the sphere of tourism of social orientation. So, the social marketing approach requires support and effective managerial decisions. The structural and functional model of demand management for a tourism product, developed by us, includes a set of marketing communications, social media and other communication channels for demand formation, which is based on a socially-oriented marketing paradigm. The main factors of this paradigm are an innovative model of interconnections between market subjects and defined mechanisms for optimizing the management of the implementation process of social marketing approaches. It is precisely on the condition of simulation of these mechanisms possible solution of the problem of satisfying the demand of consumers for quality and affordable travel services.

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## SECTION 5. SECURITY OF TOURISM SERVICES AS A COMPONENT OF ENSURING NATIONAL ECONOMIC INTERESTS IN THE CONTEXT OF EUROPEAN INTEGRATION PROCESSES

*Valentina Barabanova*<sup>8</sup>

*Introduction.* In today's world security threats for the tourists are increasing every year, which can be observed in the most prosperous countries, resorts, metropolitan areas of the world. The number of internal and external threats increases, they become more destructive, less predictable.

The dangers of natural and man-made disasters, including extreme environmental situations, constantly accompany tourists during their trips. Today the following types of dangers actively manifest themselves: as accidents, road accidents (accidents), aviation accidents, cases of damage of life, health and property of tourists as a result of poor quality of tourism services.

The danger of military action in Syria, Iraq, Egypt, eastern Ukraine, the increase in terrorist attacks in the EU, US and deepening tension in neighboring regions causing deep concern in a system service tourism industry.

The spread of dangerous diseases and epidemics has so far affected only those countries that are developing and have a high population density, unsanitary conditions, low levels of health care and low household culture. Tour operators warned tourists about the presence of dangerous diseases in certain countries of the world when organizing a trip through all available communication channels.

But no one could have imagined that in the spring of 2020, mankind will face a global pandemic outbreak COVID 19. The spread of the disease has led to hundreds of thousands of casualties in almost 80 countries. As a result of the global crisis, quarantine has caused economic damage to the world (national) tourism industry. The UNWTO estimates that the travel services system suffered nearly \$ 600 million. The UNWTO in losses in two months, and losses are projected to rise to \$ 1 trillion by the end of 2020 [13].

The global crisis in the tourism industry has not escaped the tourism industry in Ukraine. Unfortunately, in the field of tourism in our country it is not possible to calculate the damage caused by coronavirus and quarantine, today there are no effective anti-crisis measures. The crisis has revealed that the security of tourism in Ukraine is declared in nature, which in terms of pandemic proved unworkable.

We think that especially at present the issues of ensuring the security of the tourism services system are relevant, should be considered comprehensively and

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become a priority area of research.

In domestic science has not formed a clear approach to the interpretation of the security of tourism and its classification yet. Security should be based on a systems approach, since the category "Safety of tourism" is extremely complex and multifaceted.

New challenges in the field of tourism, especially in the global crisis, pandemics require detailed study and search for alternative anti-crisis measures.

Upon learning research scientists work above it should be noted that this issue requires a comprehensive study.

Articles by foreign and Ukrainian scientists are devoted to the study of theoretical issues of security of the tourism services system. Among the scientists engaged in the development and improvement of the theoretical part of this study in their works, it should be noted: L.L. Ivashin [4], V.M. Kozynets [6], N.V. Korzh [5].

A number of scientists such as O.A. Borisyuk [1], A.V. Frolov [11] conducts research on this issue in the direction of the impact of the global security component on the development of international tourism.

Theoretical and methodological base of research on social factors in the development of tourism, the problems of information security of the state and human security including tourism is actively formed in foreign science by the authors K. Zimani [9] and M. Whitman [10].

An analysis of scientific papers on this topic (A.P. Golod [2], A.V. Frolov [11]) shows that there are different approaches and areas of research services security system tourism industry based on their qualifying characteristics.

However, lack of research devoted to problems of classifying security threats services tourism industry. Upon learning research scientists work above it should be noted that this issue requires a comprehensive study. New challenges hazards in the tourism sector especially during the global crisis, pandemics require detailed study and search for alternative anti-crisis measures.

Until recently, tourism and travel were the driving force of international, national prosperity and respect for fundamental human and civil rights and freedoms. Tourist travel in the modern world has become an important part of human life, the status of a successful person, the realization of his right to rest and leisure, freedom of movement, the right to access cultural values and other universally recognized human and civil rights and freedoms. Tourist travel today is more than recreation, entertainment for the average tourist, it is an acquaintance with the cultural heritage, history, traditions of different peoples, because modern tourism performs such important functions as socio-economic, cultural, environmental and international. According to many experts, tourism is synonymous with peace, tranquility, stability and security. But alas, today this position must be fought at the international, state, local levels, as well as the tourists

themselves.

Tourist activity in the modern world economy is steadily growing and seriously affects economic and social development of many countries. Today, 38% of the world tourism is the main source of income, and for 83% - one of the five main sources of income.

According to the forecasts of the World Tourism Organization, further (UNWTO) estimates of further development of tourism and demand for tourist services in the period from 2010 to 2030 were expected to increase by an average of 3.3% per year. Until recently, the international tourist flow was projected to increase in absolute terms by 43 million per year. The projected growth rate of international tourism in 2020 had achieved the level of 1.4 billion, and by 2030 this figure expected to rise to 1.8 billion. Following the UNWTO number of international tourist arrivals worldwide grew by 4% in 2019 and reached 1.5 billion. A year growth was strong in 2019, although slower compared to the exceptional performance respectively in 2017 (+ 6%) and 2018 (+ 6%) [18].

Demand has been slower mainly in developed economies and especially in Europe. But this slowdown was due to the fact that in the EU there were events such as: uncertainty around Brexit, geopolitical and trade tensions, as well as slowing global economic growth, bankruptcy of airlines in Europe: Thomas Cook and several budget. In all other regions, on the contrary, there was a tendency to increase the number of tourists arriving in major tourist areas. The Middle East (+ 8%) is the leader in growth, followed by Asia and the Pacific (+ 5%). International arrivals in Europe and Africa (both + 4%) increased in line with the world average, while in North and South America the growth was only 2% [18].

Along with the growth of quality tourism and a steady increase in tourist flows are increasingly becoming the subject of tourism system attacks the part of national and international organized crime. Theft of property of violence on tourists terrorist and extremist activity, especially in the most popular vacation spots in European countries is a list of the main dangers.

In the final resolution of the Eurasian Tourism Organization (YETO) noted that «... the security and protection of tourists should be a priority in every country, not only in the big Eurasia, but also worldwide. Any acts of terrorism or kidnapping and threats against tourists or workers of the tourism industry, as well as the deliberate destruction of tourism facilities and sites of cultural and historical heritage should be severely prosecuted under national laws of each country» [16].

The risks associated with the rapid spread of pandemics, epidemics of dangerous diseases in the world today have become a serious challenge for many countries, also for Ukraine. According to Gorina G.O. «...factors in a competitive environment resulting from the intensification of world globalization, will reduce not only the

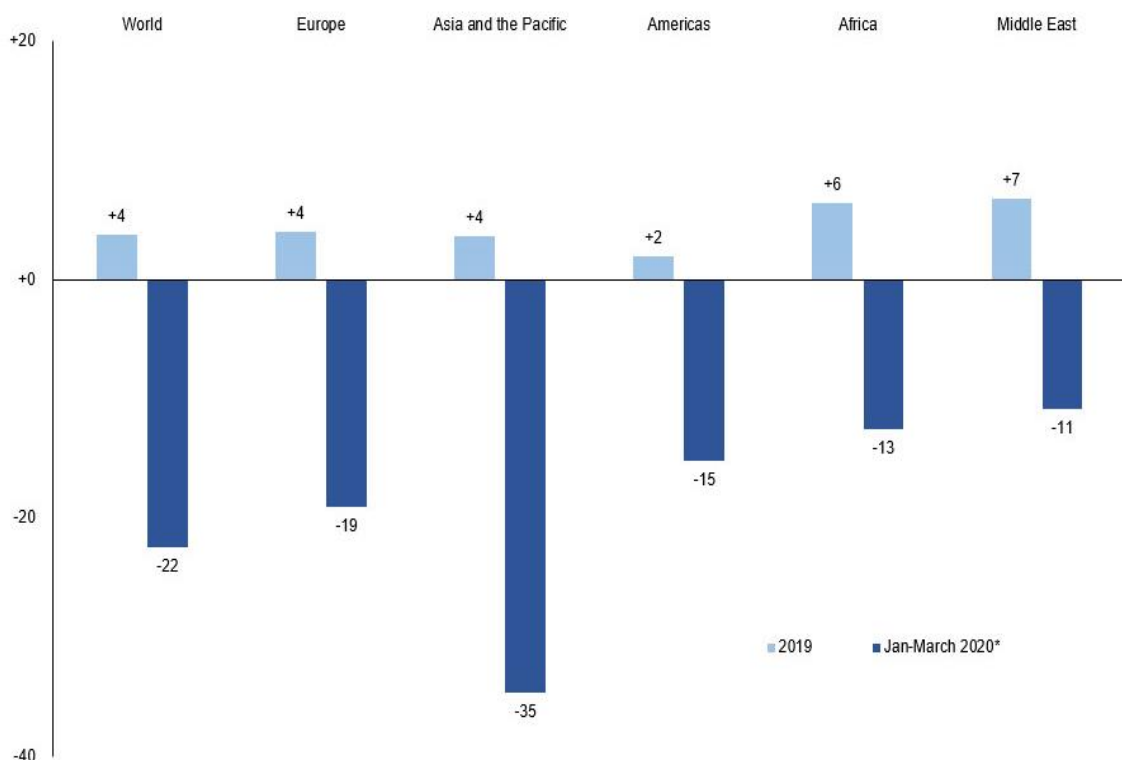
inbound tourist flow, but the number of domestic tourists, which would entail a real threat to the economic security of the state» [3, p.78].

In early 2020 there was a test of humanity's ability to counter threats to global civilization, organized to resolve urgent problems and make the right conclusions. The world has become interdependent. This provides unlimited opportunities and at the same time increases the risks. If a danger arises in one place, it could potentially threaten everyone.

The situation when people come to places of potential infection for a long time - to China itself, the historic centers of Italy or to Austrian mountain ski resorts - and then thousands return home, transporting COVID-19 to their countries of residence, shows a major problem in the collective response to the pandemic.

According to the latest UNWTO data, the COVID-19 pandemic led to a drop in the number of international tourists by 22% in the first quarter of 2020.

The arrival of tourists in March 2020 declined sharply by 57% after the block in many countries, maintaining travel restrictions, the closure of airports and national borders. All this led to the risk of loss of 67 million international arrivals and 80 billion (total exports of tourism). Even though the Asia-Pacific major indexes negative impact in both relative and absolute terms (-33 million), indicators of tourist arrivals to Europe, though lower in percentage terms, but quite large in terms almost (-22,000,000) Figure 5.1 [19].



**Figure 5.1.** International tourist arrivals, 2019 and Q1 2020 (% change) [18]



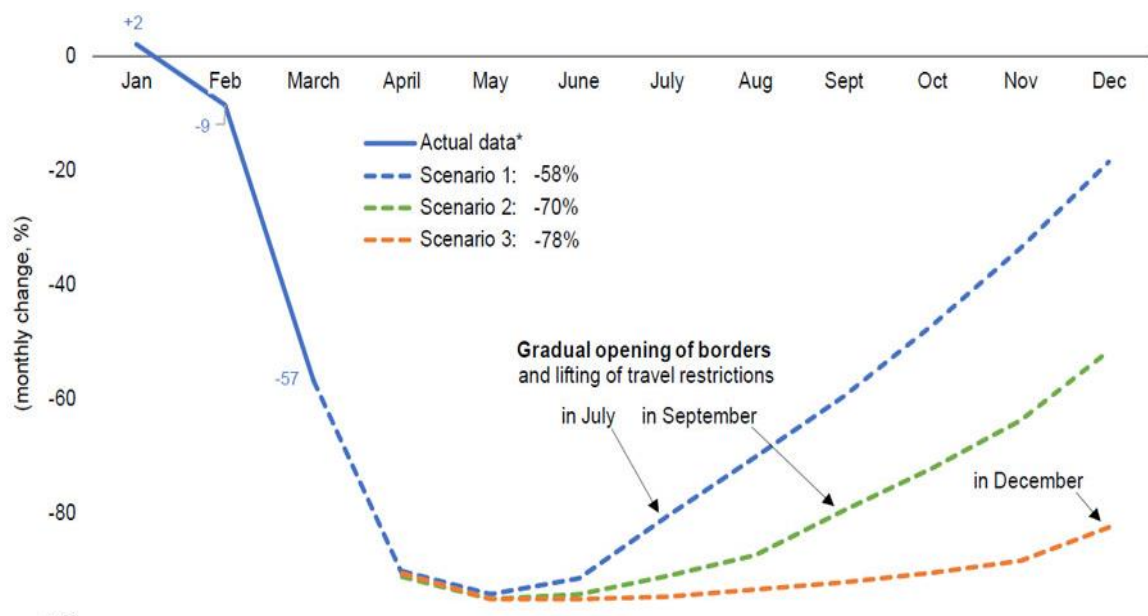
Thus, it can be argued that the tourism industry is in a deep global crisis, Figure 5.1. The consequences of the crisis caused by the pandemic still need to be carefully studied and predicted in different scenarios, and the main focus of supranational security structures should be preventive measures to make such danger impossible.

The UNWTO has projected three different scenarios for the development of the global tourism industry out of the crisis in 2020. The relevant scenarios are based on three possible dates for the gradual opening of international borders, namely:

Scenario 1 (-58%) is based on the gradual opening of international borders and easing of travel restrictions in early July.

Scenario 2 (-70%) is based on the gradual opening of international borders and easing of travel restrictions in early September.

Scenario 3 (-78%) is based on the gradual opening of international borders and easing of travel restrictions only in early December. Graphically, these scenarios are presented in Figure 5.2.



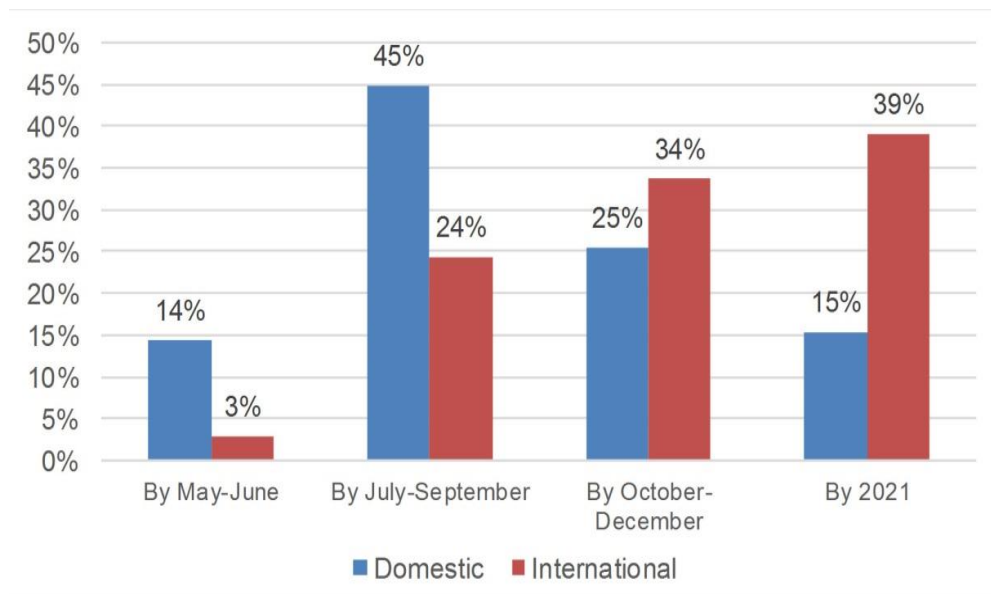
**Figure 5.2.** International tourist arrivals in 2020: three scenarios (YoY monthly change, %) [18]\*

\*Actual data through March includes estimates for countries which have not reported data yet.  
Source: UNWTO

Under these scenarios, the impact of declining demand for international tourism services could lead to a loss of 850 million per 1.1 billion international tourists; reduction of export revenue from tourism from 910 to 1.2 trillion. And most importantly 100-120 million direct jobs in tourism are under threat.

Most experts believe that the resumption of the tourism business is possible in 2021. According to the survey team of experts UNWTO, domestic demand is expected to recover faster than international demand. Most specialists expect to see signs of

recovery in the last quarter of 2020, but mostly in 2021. Based on previous crises, recreation and tourism should recover faster, especially trips to visit friends and families than business travel [18]

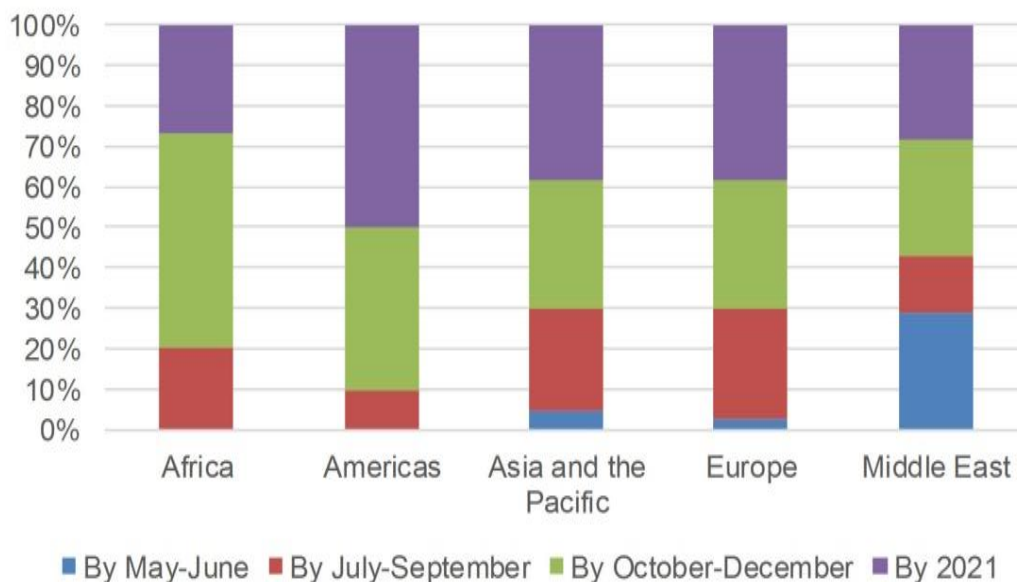


**Figure 5.3.** Forecast of recovery in demand for tourist travel [18]

The UNWTO Panel of Experts expects domestic demand to recover faster than international demand, according to the responses of around 280 participants to the survey on the impact of COVID19 outbreak on tourism destinations. Almost half of the respondents (45%) point to July-September 2020 for the rebound in domestic tourism demand and 25% expect it will be in October-December. Over 70% of respondents expect international demand to start its recovery in Q4 2020 (34%) and mostly in 2021 (39%) [18].

Experts estimate that to restore international travel is more positive towards Africa and the Middle East, Figure 5.4. And the most experts predict recovery of tourist travel in this direction in 2020. Experts' forecasts towards North and South America are the least optimistic and it is believable that the recovery will only happen in 2021. Regarding the trip to Europe and Asia forecast ambiguous, half of the experts expect a recovery in 2020 [18].

The analysis of previous crises shows that recovery times vary widely from one to another and across regions. The analysis of monthly year-on-year changes in international tourist arrivals reveals that worldwide arrivals returned to growth five months after the September 11th attacks in 2001 and five months after the SARS outbreak in 2003. Yet it took 10 months for arrivals to start growing again after the global economic crisis in 2009 [18].



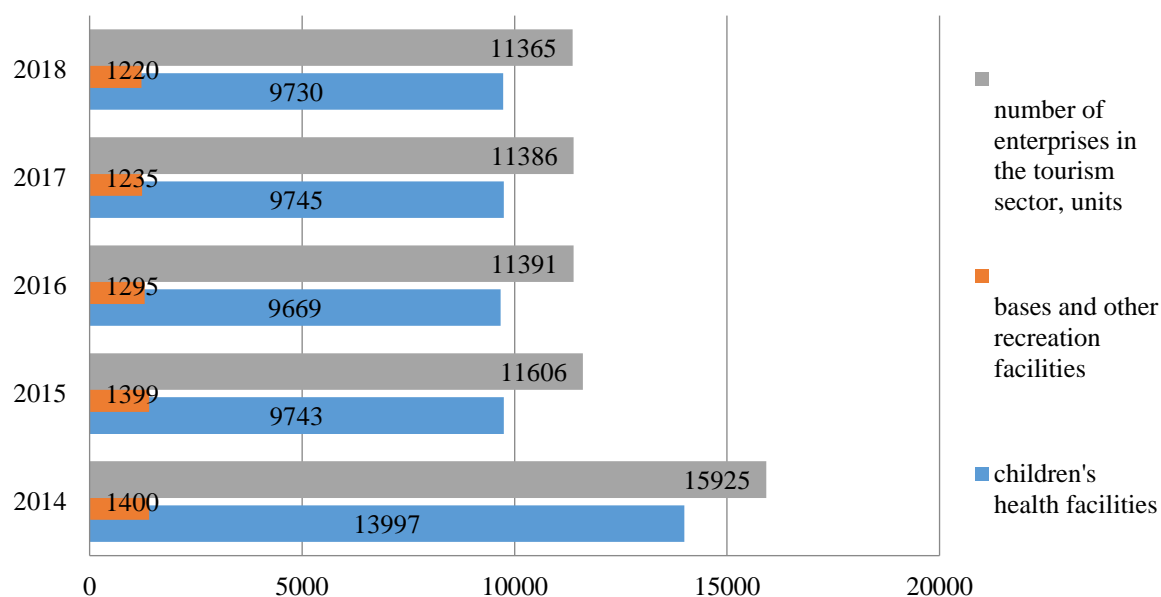
**Figure 5.4.** Forecast of recovery of demand for international tourist destinations [18]

Close their own borders no longer works, we need joint efforts to build collective security system of the tourism industry.

For a complex system like tourism the issue of economic security is seen primarily because of its sustainability. Moreover, the security of tourism development and sustainable tourism development are identified with each other, which in our opinion is a positive trend. Sustainable tourism will be able to cope with the negative consequences of tourism development and enhance its positive effects by forecasting, planning and management.

Social marketing involves the development of programs in the interests of the entire society, which have advertising, promotion, reputation to meet the interests of large groups of people, the totality of which is a society. The main objective of social marketing is to reconcile the interests of the organization, consumers and society as a whole, and therefore the formation of mechanisms of regulation of social processes should become a priority in implementation. Only by taking into account the specifics of the emergence and flow of exchange processes in the field of social relations, social marketing as a technology for solving socially significant problems will be implemented effectively.

As the analysis showed, the number of enterprises of the sphere of tourism of social orientation in Ukraine in 2017 significantly decreased compared with 2014, which confirms the relevance of adoption of programs for social development of regions, and in particular social tourism, Figure 5.5.



**Figure 5.5.** Number of enterprises of tourism sphere of social orientation in Ukraine

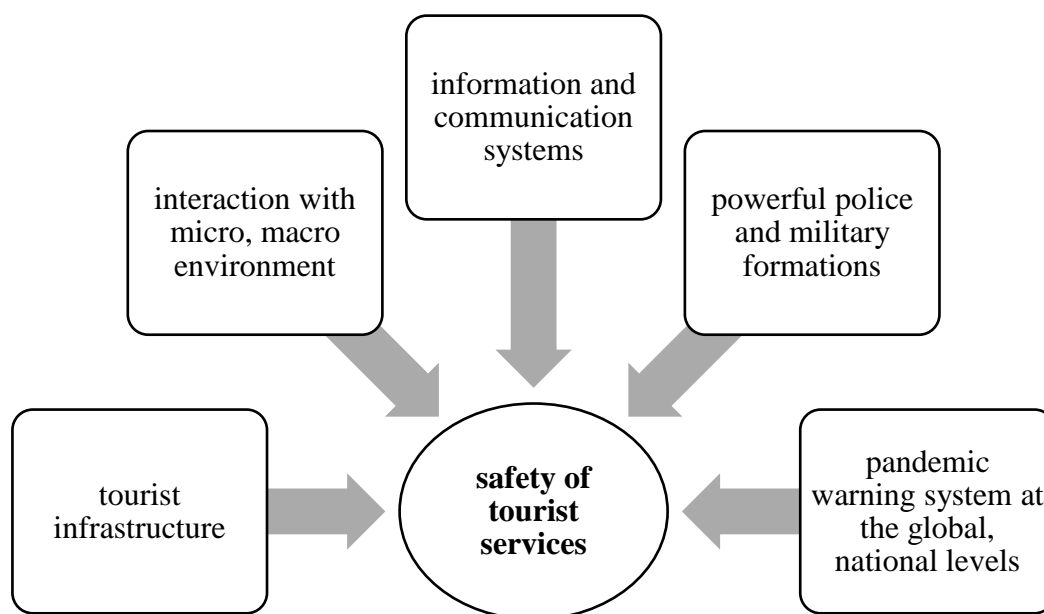
Figure 5.5 illustrates the steady decline in the number of tourism enterprises in the social trend (by 29% in 2017 relative to 2014). Thus, social tourism needs support at the state and regional levels.

Modern marketing views the tourism market as an object that is constantly evolving and changing under the influence of human activity. In this case, organizations are no longer passive actors of the market, and active participants in its development

It is advisable to differentiate safe tourism in the economic, social, environmental and safety structure in tourism provide political security, social security, health and life safety of tourists, the security of personal data, the legal security of tourists, consumer safety, security of communications, environmental security, security services and other.

The scientific and academic literature definition of «tourism security» in the last ten years has changed from passive to active factor of tourism and the imperative implementation of tourism [9, p.59].

Tourism security is a complex, open and dynamic system where the opinions of scientists on the structure and its key functions differ significantly. This process is complicated by the fact that tourism security is considered on a scale of five levels: global, macro-regional, national, regional and local. At each level, various factors of threats to the security of tourism services are formed, which are constantly changing and growing in scale and consequences of Figure 5.6.



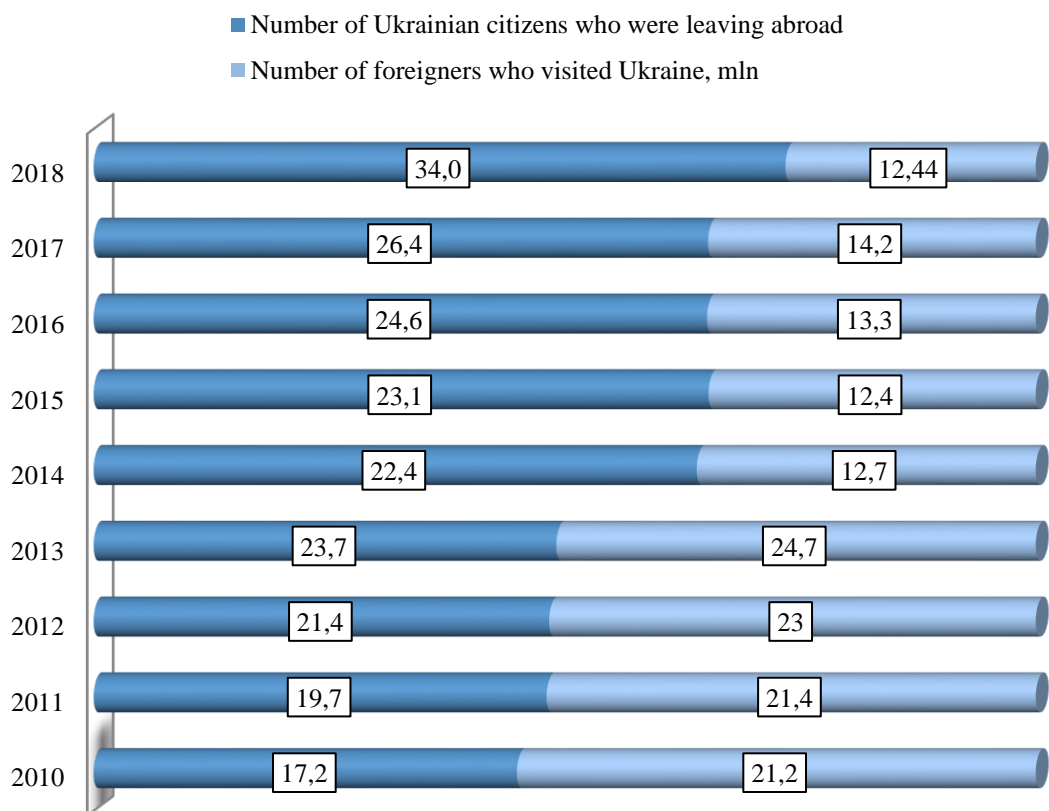
**Figure 5.6.** Factors security services tourism sector (compiled by the author)

Until recently, it has been believed that the main factors in the security of tourism services were: developed tourist infrastructure, interaction with the macro, microenvironment, modern information and communication systems, as well as powerful police and military law enforcement agencies in the country.

The study and analysis of the United States' experience in the sustainable preservation of cultural heritage, modified to reflect the Ukrainian context, can serve as a model for an effective program to initiate and support the involvement of the private sector in preserving the cultural heritage of Ukraine and implementing creative approaches to the socio-economic development of the city (Eurostat, 2019).

It should be noted that the modern creative industry of the socio-economic environment of the city involves the marketing of territories, which is a fundamentally new creative approach to social change and social processes in a democratic society. It implies a change in marketing strategy in order to build a new image of different types of tourism, because tourism is a powerful social force that is potentially able to achieve the greatest social goals. For this reason, territorial marketing is interpreted as the realization of a marketing creative paradigm in the socio-cultural sphere. According to our research the last ten years in Ukraine show an increase in outbound tourism in 2018 compared to the previous period and is 30%.

Given the statistics that 77% of Ukrainians have never left the country, the potential of the tourist services market in Ukraine, including industrial destinations, is far from being exhausted and has great potential.



**Figure 5.7.** Chart of dynamics of tourist flows in Ukraine for 2010-2018

Since spring 2020 we can talk about a new factor of safety of the tourism industry - the protection against the pandemic at the global, national, local levels in tourism. In Ukraine the State Agency for Tourism Development in connection with the pandemic and the global crisis has conducted work on the communication strategy of the formation of the Ukrainian special culture trips Ukraine, which will generate steady demand for travel within the country.

In the legislation of each country, tourism safety is a legal institution where the life of a person, a tourist take the first place. Ukrainian law (the Law on Tourism) provides for a system of guaranteeing the safety of tourists, which reduces the risks and consequences that could cause damage to their health and property. Thus, according to Article 13 of the Law of Ukraine «On Tourism», the interpretation of the concept «... «tourism security» is disclosed through the list of relevant security facilities: life, health, property of tourists (member of any excursion); environment, material and spiritual values of society, security of the state» [12].

The study showed that tourism safety is a complex, open and dynamic system where scientific opinion on the structure and its key features significantly different. In our opinion, tourism safety can be considered as the main consumer property, which objectively and realistically should have a system of tourism services, while other consumer properties can be fully realized only if such tourism security is guaranteed.

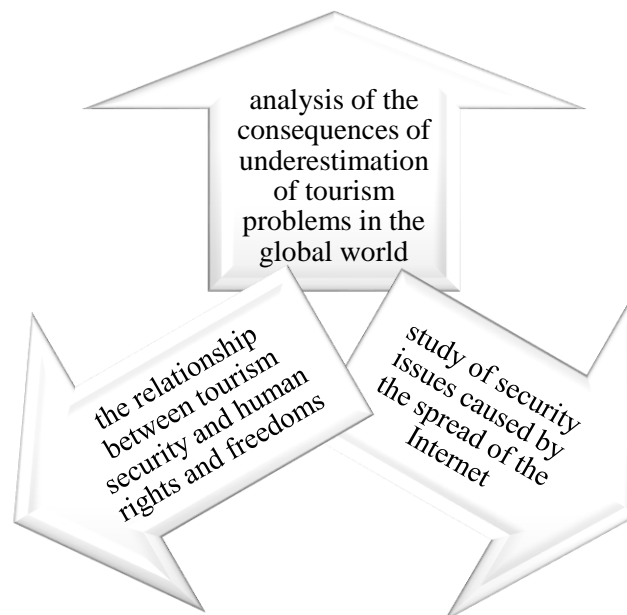
We should not forget about the measures of observance of the usual rules of conduct when considering the issues of tourism safety, which exclude the tourist in emergencies. That is, the tourist must exercise basic caution when traveling. One of the main psychological aspects of security in tourism, without which the work of the security system is impossible, is respect for the customs, habits and antipathies of local residents, as well as knowledge of English or local language. The analysis showed that the tourist violates safety requirements for the following reasons:

- reluctant to comply with known safety requirements;
- in connection with the inability to comply with the requirements;
- due to ignorance of these requirements;
- due to the inability to meet the requirements (for reasons beyond the control of the tourist).

Thus, tourism security is a complex category - a set of factors that characterize the social, legal, economic and environmental condition of ensuring the rights and legitimate interests of citizens, legal entities and the state in the system of tourism services, tourism safety concept. There are three main concepts of tourism security:

- concept of the genesis of tourism security threats;
- concept of the impact of tourism security threats on the tourism business, tourists, population destinations;
- concept of reaction of travel companies to potential threats to tourism security [11].

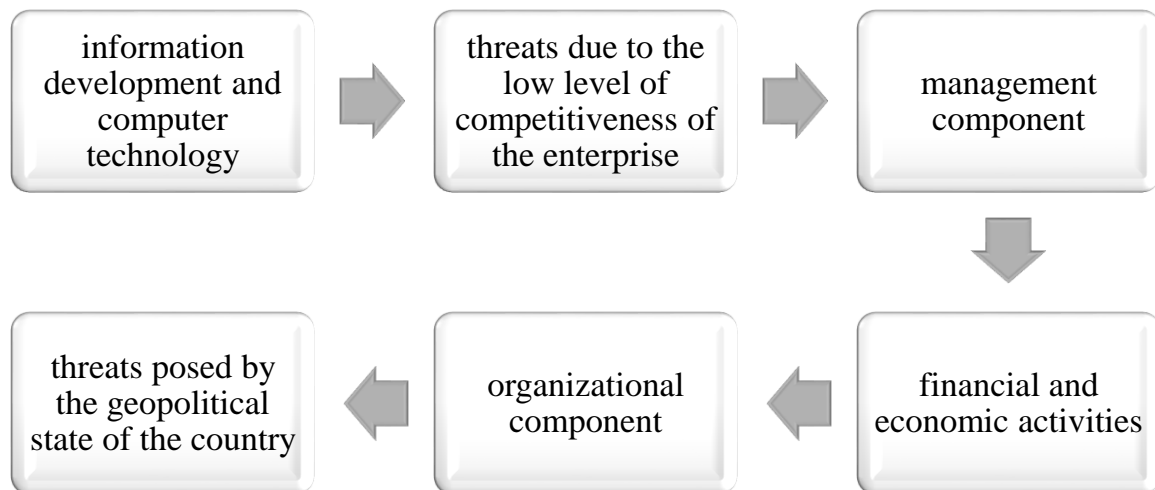
Based on the concepts of tourism security researchers suggested new areas of research Security Tourism, Figure 5.8.



**Figure 5.8.** New research areas of tourism safety [10]

Practice shows that there are different approaches to the classification of security threats to tourism services, in particular: by origin, orientation, scale, degree of formation, scope of activity, degree of subjective perception, etc.

Today, there are many examples of tourists dying in different parts of the world due to poor security. Economic unrest leads to the closure of hotels, restaurants, tourism enterprises. In this context, it is necessary to highlight a number of threats that today have become an integral part of economic and business activities, Figure 5.9.



**Figure 5.9.** Types of major threats that have become an integral part of economic and business activities in tourism

In our opinion, the study of dangers and classification of security threats services tourism sector, given the situation in Ukraine and geopolitical changes, pandemics is very important and necessary component of the development strategy of tourism warning system anti-crisis measures, table 5.1.

**Table 5.1.** Classification of security threats to tourism services and ways to reduce them in Ukraine

Types of security threats to tourism services	Characteristics of threats to the security of tourism services	Ways to reduce threats to the security of tourism services
1. Threats to personal safety of tourists	<ul style="list-style-type: none"> <li>- violation of constitution rights and freedoms of tourists;</li> <li>- injury to life and health of tourists as a result of crimes and other illegal actions (inactions) and also pandemics;</li> <li>- unauthorized disclosure of personal data of the tourist, information about his private life;</li> </ul>	<ul style="list-style-type: none"> <li>- create a single information resource to ensure the safety of tourists;</li> <li>- collection of statistics and information about dangerous events with Ukrainian tourists, and prevention of our tourists;</li> <li>- introduce compulsory medical insurance and insurance in a package with much expanded list of</li> </ul>



Types of security threats to tourism services	Characteristics of threats to the security of tourism services	Ways to reduce threats to the security of tourism services
	<ul style="list-style-type: none"> <li>- loss, damage to the tourist's property as a result of illegal actions of third parties;</li> <li>- occurrence of dangerous events of natural or man-made nature (emergencies);</li> <li>- losses of tourists as a result of non-fulfillment or improper fulfillment by the tour operator of his / her obligations to them under the specified agreement.</li> </ul>	<p>services (in case of loss of passport), the cost of legal support for tourists;</p> <ul style="list-style-type: none"> <li>- introduce the practice of instructing tourists before leaving the country: how to behave in extreme situations, quarantine, hostage-taking.</li> </ul>
2. Threats to the security of business activities in tourism	<ul style="list-style-type: none"> <li>- violation of constitutional rights and freedoms of entrepreneurs, including actions (inactions) of officials related to the establishment within the territory of Ukraine of illegal obstacles to the free movement of services and funds in the field of tourism;</li> <li>- injury to life and health, property entrepreneurs and their staff, goodwill and other intangible benefits as a result of crime and illegal actions (inactions);</li> <li>- various manifestations of corruption, official crimes and offences, unfair competitions, abuse by contractors of entrepreneurs, including tourists;</li> <li>- business risk, including the occurrence of insolvency, bankruptcy of entrepreneurs in the tourism sector due to changes in operating conditions, non-fulfillment of obligations by contractors of entrepreneurs, as well as circumstances beyond the control of entrepreneurs (pandemic COVID-2019);</li> <li>- unintentional actions and mistakes employees and heads of subjects of tourist areas, in which causes harm to the rights and legitimate interests of entrepreneurs, tourists;</li> <li>- lack of conditions for development of small and medium enterprises in the field of tourism, in the field of inbound and domestic tourism.</li> </ul>	<ul style="list-style-type: none"> <li>- create a business environment; development of brand management in Ukraine;</li> <li>- ensure the level of safety of tourists and locals; formation of professional staff in the field of tourism;</li> <li>- introduction of additional amendments to the Law of Ukraine On Tourism regarding the export of tourists in case of emergencies (pandemics) by the state, and not at the expense of the carrier and tour operator;</li> <li>- insure not the liability of the tour operator, and each ticket sold;</li> <li>- travel companies conduct briefings tourists before traveling to another country how to behave in extreme situations, travelers access to such information on a regular basis;</li> <li>- development of new tours into account the security component for tourists;</li> <li>- application of administrative and financial efforts to solve problems in case of danger to the life of tourists.</li> </ul>
3. Security threats to the population of tourist areas (centers, districts)	- violation by tourists of the legislation of territories of temporary stay, display of disrespect to local traditions, to the population of tourist territories	- regulation of the tourism industry at the regional level through the development of effective regional programs for tourism development

Types of security threats to tourism services	Characteristics of threats to the security of tourism services	Ways to reduce threats to the security of tourism services
	<p>(centers, areas of beliefs, culture, causing harm to the environment);</p> <ul style="list-style-type: none"> <li>- implementation of entrepreneurs in tourism plans and projects to develop the local tourism industry without approval of these actions with the local population;</li> <li>- economic, labour exploitation and other local entities tourism industry human resources underage citizens,</li> <li>- spread of drug addiction, human immunodeficiency virus (HIV), coronavirus COVID-2019, which pose a danger to others;</li> <li>- reduction of the level of public safety and morality in tourist centers in connection with the growth of crime.</li> </ul>	<p>and protection of tourists in the regions;</p> <ul style="list-style-type: none"> <li>- tourists compliance rules and recommendations given to them when travelling in any country, in areas with a high level of criminal risk;</li> <li>- tourists compliance standards adopted in the country to respect their national traditions, cultural values;</li> <li>- development by the State Agency for Tourism Development of preventive measures to overcome the crisis in the tourism industry in Ukraine caused by the coronavirus COVID-2019 and quarantine.</li> </ul>
4. Security threats to public interests in the field of tourism (threats to harm to the environment, security of people and the state	<ul style="list-style-type: none"> <li>- law efficiency of mechanism of nature use and environmental protection in the field of tourism, use of tourist resources ;</li> <li>- economic activity by subjects of the tourist industry with anthropogenic load on the environment, pollution of products of life for tourists, causing damage to the natural environment of population of tourist territories (centers, districts);</li> <li>- slow introduction of new technologies of drinking water treatment, street cleaning, utilization of industrial and household waste, energy saving technologies, including the construction of the tourism sector;</li> <li>- willful and careless destruction of tourism facilities serving tourists, the tourism industry facilities and infrastructure;</li> <li>- intentional damage to the cultural potential and cultural heritage of the country, identity, diversity of the cultural life;</li> <li>- legal security in the field of the tourism: instability, inconsistency and imperfection of legislation in the field of tourism, the shadow tourism market;</li> <li>- terrorist acts at the objects of the tourist industry, illegals migration,</li> </ul>	<ul style="list-style-type: none"> <li>- political will of the Government of Ukraine to subordinate national interests of international tasks in the system of international security people-problem solving awareness of tourists on threats, challenges;</li> <li>- implementing foreign propaganda tourism opportunities in Ukraine, creation of a positive image through tourism development;</li> <li>- create a positive image of tourist facilities and areas within the information security of tourism;</li> <li>- assessment of cultural and natural resources, environmental conditions (air quality, water), the ability to change in the future;</li> <li>- formation of environmental quality tourism infrastructure and development of security standards for all services tourism sector.</li> </ul>

Types of security threats to tourism services	Characteristics of threats to the security of tourism services	Ways to reduce threats to the security of tourism services
	<p>internal and cross-border crime, extremism, smuggling of drugs, cultural values, money laundering of proceeds from crime in tourism;</p> <p>- intentional formation of a negative image of Ukraine in social networks abroad as a country unfavorable for the development of tourism, distortion of historical experience and national traditions;</p> <p>- gradual replacement of Ukrainian tour operators, travel agents from the domestic tourism market and strengthen its dependence on Western multinational corporations;</p> <p>- threats of natural and man-made emergencies, environmental emergencies, including epidemics, pandemics, consequences of COVID-2019.</p>	

*Source: compiled by the author on the basis of [1, p. 28; 2, p.170; 4, p.18; 11, pp. 86-93]*

Security threats can be directed both to the tourism sector as a whole and to its individual elements. Tourism, its elements can generate threats to other objects of national security of Ukraine. As our research types of security threats services Ukraine tourism industry can be roughly classified into four groups, table 1 as follows:

1. Threats to the personal safety of tourists.
2. Threats to business security in the field of tourism.
3. Threats to the security of the population of tourist areas (centers, districts).
4. Security threats to public interests in the field of tourism.

Each group was given an expanded description of the threats to the security of tourism services. Ways to reduce threats, minimize them in the tourism industry of Ukraine, taking into account the consequences of COVID-2019, the threats of the global crisis.

A defining feature of strategic planning within the concept of sustainable development is public participation in planning (partnership principle). The basis of the planning process should be public interest, which means that maximum participation of local communities in decision-making on planning and development. The importance of tourism within the system complexity is directly proportional to its harmonization with the policies, plans and models of the country or region.

So, today we can say that the main guarantor of safety of tourists in finding them abroad are government agencies and travel companies. And the more secure situation in the country as a whole, the less risk to tourists during their trip.

According to UNWTO Secretary-General Pololikashvili, «tourism today faces the biggest problem of its generation. But, as this event shows, tourism can provide a solution for everyone». [14] Pololikashvili points to the possibility of rethinking the role of tourism. A virtual reality, artificial intelligence, and large databases will play an important role in the joint response to COVID-19 and increase stability in accelerating the recovery of tourism in each country of the world.

*Conclusions.* As a result of the study, we supplemented the safety factors of tourism services – a system of protection against pandemics at the global, national and local levels in the field of tourism.

The study showed that the separation of classification features of threats to tourism security, the disclosure of external influences allows to systematize the safety standards of tourism service. In this context, we have shown the importance of the security service component tourism industry that puts in the first place the safety of life and health of tourists, and the interests and needs of travel agencies. Today there is a steady tendency to reduce the number of enterprises in the sphere of tourism of social orientation. So, the social marketing approach requires support and effective managerial decisions.

We have developed ways to reduce threats to the security services of tourism industry in each of the species. Using the proposed direction will draw the attention of professionals and managers to this issue, create sustainable demand for travel within the country in future periods, and accelerate the recovery of domestic tourism in Ukraine.

Modern marketing environment of the tourist enterprise is impossible without taking into account the requirements of the social sphere of the market of tour services. This sphere requires innovative, socially-oriented initiatives on interaction with consumers in the direction of increasing the demand for tourist products and services. In this context, the company's marketing communications policy needs to be changed, which should take into account the potential impact of social marketing instruments. They will allow you to change the content of the tour service qualitatively, which will affect the effectiveness of tourist flows in general.

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## SECTION 6. STRATEGIC MEASURES FOR DEVELOPMENT OF THE UKRAINIAN TOURISM INDUSTRY IN THE CONTEXT OF STRENGTHENING COUNTRY'S ECONOMIC SECURITY

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Economic security of the country is the condition of providing the opportunity to create and develop environment for the productive life of its population, the future economic development and the welfare of its inhabitants (Pasternak-Taranushenko, 2003:29).

Among the main external factors the economic security depends on there are the following: the level of development of the national structure of country's foreign economic relations, the state's economy attractiveness for foreign investment, the state of the off-the-books economy in the country, the transnational crime activity in the state, the international image of the state, etc. (Melnyk, 2015:88-89). Herewith the image of the country as a multi-faceted concept is a combination of emotional and rational views arising from the comparison of all the country's features, own experience and rumors that influence the creation of a certain image (Bychkova, 2012:256-257), and is intended to exert emotional and psychological effects on certain individuals for the purpose of promotion and advertising (Pasternak-Taranushenko 2003:70-72).

Thus, the tourism industry makes a special contribution to the country's economic security. For example, in the USA tourism industry contribution to GDP in 2017 amounted to USD 210.7 million, in Spain it amounted to USD 68 million, in France to USD 60.7 million, in the UK to USD 51.2 million, in Poland to USD 12.8 million. Despite Ukrainian natural, recreational and cultural potential, its GDP increased by only USD 1.3 million at the expense of tourism industry enterprises activity in 2017. The tourism industry barely contributes to increasing the competitiveness of Ukraine in the world market. Hence, in order to ensure economic security it is important to create the positive image of the country by means of tourism activity development, since traditionally the countries that successfully develop tourism, have the highest rates of investment inflows.

Problems of the Ukrainian tourism industry's impact on its economic security have been studied by many Ukrainian scientists, in particular: Khomyn O.I. and Teodorovych L.M. have analyzed the problems hampering the development of tourism, that often prompted travelers not to include Ukraine in their tourist routes and to choose other places of rest outside our country, while the authors have concluded that both international (inbound and outbound) and domestic tourism in Ukraine are to be

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developed by means of both creating tourism development programs in Ukraine and also supporting their implementation with decent state aid backed up by the necessary regulatory framework (Khomyn & Teodorovych).

Ievtushenko V.A., Rakhman M.S., Manhushev D.V. have studied the dynamics of economic indicators of international tourism, have identified the main problems, trends and prospects of the industry both in the world market and particularly in Ukraine, have determined the role of the country's image and its impact on the creation of a competitive national tourism product (Ievtushenko, Rakhman & Manhushev, 2017:26-34).

Bila S.O. has reviewed the strategic priorities of the tourist services development in Ukraine and the prospects for increasing their competitiveness in the world market, while identifying the essence of the European principles of tourism and recreation sustainable development, identifying the priorities of their implementation in Ukraine in the context of increasing the competitiveness of the national tourist product in the world market (Bila, 2016:22).

Matichyn Yu.M. has studied the formation and promotion of positive image of Ukraine as a country attractive to tourism, the ensuring the tourists' safety and protecting their rights and legitimate interests, and improving the system of professional training of specialists in the field of tourism. The scholar has also defined the prospects for tourism development in Ukraine at the level of state programs and non-governmental organizations (Matichyn, 2017:16).

Ivanova N. has developed the clustering of the regions by the level of socio-economic development and has identified three statuses of economic security in the region: "good", "sufficient" and "satisfactory". By means of discriminatory analysis she has developed the classification functions of the authentication of the region as of the object of crisis management in order to ensure economic security of the region for the specified classes (Ivanova, 2018:115-116).

Despite the considerable achievements of scientists, the problem of the tourism industry development in Ukraine in the context of ensuring economic security of the country remains uncovered at an adequate level and requires in-depth study in order to develop strategic measures for the development of the tourism industry in Ukraine to shape its positive image and ensure economic security.

Whilst analyzing the indicators characterizing the development of the tourism industry of Ukraine during 2014-2017 (Table 6.1), it should be noted that the income from tourist services increased by 240.6 %, but the number of tour operators and travel agents in 2017 decreased respectively by 25.3 % and 20.4 %.

**Table 6.1.** The main indicators of the tourism industry development in Ukraine

Index	2014	2015	Growth rate, % 2015 relative to 2014	2016	Growth rate, % 2016 relative to 2015	2017	Growth rate, % 2017 relative to 2016	Growth rate, % 2017 relative to 2014
The number of participants of tourism activity, measured in unites including	2198	1785	-18,8	1838	3	1743	-5,2	-20,7
Tour operators	667	500	-25	552	10,4	498	-9,8	-25,3
Travel agent	1473	1228	-16,6	1222	-0,5	1172	-4,1	-20,4
Average number of staff members, people	9834	8086	-17,8	8545	5,7	8190	-4,2	-16,7
Tourism services income, UAH mln.	5432,7	4797,7	-11,7	11522,5	140,2	18503,0	60,6	240,6
The number of tourists who have been provided with services by legal entities, people								
Citizens of Ukraine	2200339	1800277	-18,2	2216323	23,1	2365424	6,7	7,5
Foreigners	16618	14550	-12,4	33784	132,2	38563	14,1	132,1

*Note. Compiled by authors based on "The main indicators of the tourism industry development in Ukraine".*

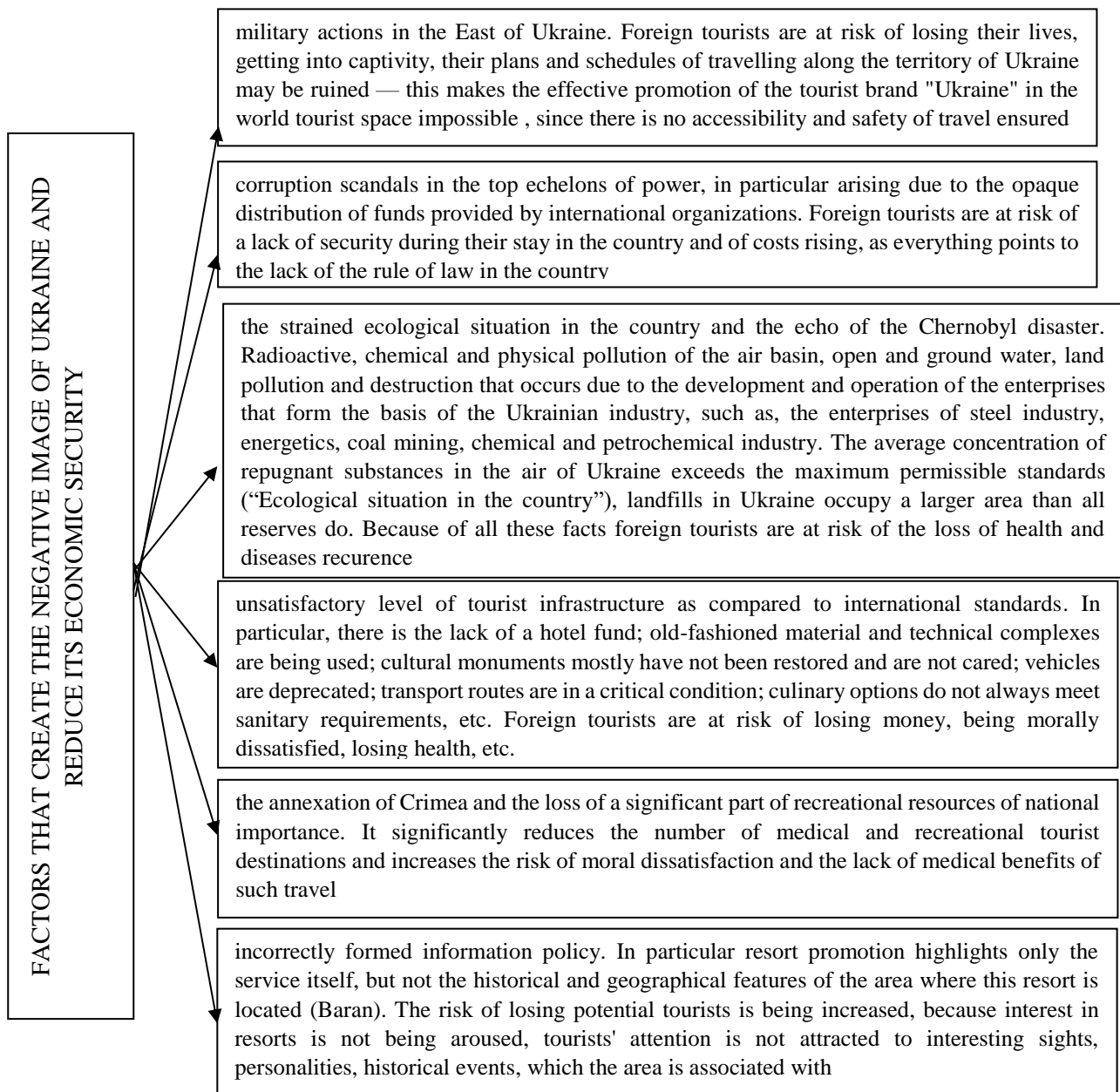
The reducing of the number of participants of tourism activity is a negative phenomenon for the Ukrainian economy caused by the growing uncertainty while doing tourism business connected with currency, political and economic risks, and other factors over the years 2014-2017 (Fig. 6.1).

It leads to loss of jobs and aggravating of unemployment problem (according to Table 1 the number of staff members in the tourism industry declined by 16.7 % during the years 2014-2017) not only at the enterprises of tourist business but in related areas also. For instance, the same happens in the areas of hospitality and transportation. Also it leads to reducing government and local budgets revenue in the form of taxes and fees and to slowing the development of tourism in Ukraine, although this industry could form a significant part of GDP.

The income from tourism activity in Ukraine in 2017 is 3.4 times higher than in 2014 primarily because of the growth of the exchange rate. Thus, as of January 1, 2014, the euro/hryvnia NBU rate was UAH 11.04 per euro ("NBU exchange rate for January 1"), and at the beginning of 2017 the euro/hryvnia rate was UAH 28.42 per euro.



Therefore, the growth of income from tourism activity through this extensive factor shouldn't be considered as a positive phenomenon.



**Figure 6.1.** Factors that create the negative image of Ukraine and reduce its economic security

*Note. Compiled by authors*

While analyzing the change in the number of participants of tourism activity and tourists dynamics by regions of the country (Table 2), it should be concluded that during the last five years the number of tour operators and travel agencies mainly declined in the area of hostilities — Donetsk region — by 89.7 % — and in the front-line regions — Dnipropetrovsk (by 18 %) and Kharkiv regions (by 11.1 %).

**Table 6.2.** The number of tourists who have been provided with services by tour operators and travel agents by regions of Ukraine

Regions	2011	2014	2015	2016	2017	Growth rate (%) 2017 relative to 2011
Dnipropetrovs'k Region	397	118	294	322	325	-18
Donets'k Region	408	45	23	33	42	-89,7
Lviv Region	230	143	221	272	282	22,6
Odesa Region	261	172	245	268	264	1,1
Kharkiv Region	296	104	264	255	263	-11,1
Kyiv	885	1045	888	948	923	4,3

*Note. Compiled by authors based on "The main indicators of the tourism industry development in Ukraine".*

The reduction of the number of tour operators and travel agencies in Ukraine, and, consequently, reduction of the number of staff members in the tourism and related industries, reduction of revenues to the budgets in the form of taxes and fees and of the revenue part of the country's GDP and the decline in the country's economic security are driven by the following factors: military actions in the East of Ukraine and constant provocations in the regions bordered by Russia in the Eastern Ukraine; corruption scandals in the top echelons of power; the strained ecological situation in the country and the echo of the Chornobyl disaster; unsatisfactory level of tourism infrastructure; the annexation of Crimea and the loss of a significant part of recreational resources of national importance; incorrectly formed information policy (Fig. 6.1).

In addition, the factor of increased risk of tourists' life and health injury causes the slowdown in the tourism industry development in such promising area as Odesa region with its centuries-old historical, cultural and recreational traditions. The number of participants of tourism activity in this region increased only by 1.1 % during the last five years, and the number of tourists who visited the region during 2011-2017 decreased by 4.9 % (Table 6.3). During 2011-2017 the redeployment of tourist traffic in Ukraine to Lviv and Dnipropetrovs'k regions and the city of Kyiv has been discernible; tourist traffic in these areas respectively increased by 36.1 %, 17.2 % and 112 %.

**Table 6.3.** The number of tourists who have been provided with services by tour operators and travel agents, by regions of Ukraine

Region	2011	2015	2016	2017	Growth rate, %
Dnipropetrovs'k Region	64462	46121	57770	75526	17,2
Donets'k Region	88461	3297	10874	9231	-89,6
Lviv Region	128709	112472	181827	175150	36,1
Odesa Region	76066	45809	59077	72302	-4,9
Kharkiv Region	74038	31233	40429	51929	-29,8
Kyiv	944917	1501985	1841021	2006088	112

Note. Compiled by authors based on "The main indicators of the tourism industry development in Ukraine".

Thus, it is necessary to highlight the following trends in the tourism activities development in Ukraine during 2011-2017:

- aggravation of the risks of reducing competitiveness and economic security of the country as related to the tourist sphere of economic activity;
- growth of income from the provision of tourist services caused by the exchange rate fluctuations and the inflation growth in the country along with the reduction of the tour operators and travel agents number;
- slowing down the activity of the tourism industry development and reducing the number of tour operators and travel agencies in the areas that were among the leaders of the tourism industry — Dnipropetrovs'k and Kharkiv regions, along with almost complete closing up of tourism business in Donets'k region;
- redeployment of tourist traffic in the country from Donets'k and Odesa regions to Lviv, Dnipropetrovsk regions and the city of Kyiv.

It should be noted that in such conditions, the brand "Ukraine" in the world market has a negative impact on the perception of the country not only by tourists, but also by foreign investors, hosts of international forums, games, etc. In a situation where foreign investment is one of the keys to the transition to effective innovation-driven development and ensuring long-term economic security of Ukraine, the formation of Ukraine's tourism appeal is an issue of great importance. After all, the best advertisement of Ukraine for a foreign investor is the fact that it is a country of safe and high-quality tourism services.

Strategic measures for the development of the tourism industry in Ukraine in order to form the image of the country and ensure the country's economic security need to be divided into direct and indirect (Figure 6.2). Measures of direct impact intimately increase the number of travel agencies and tour operators, and also affect the level of

services, provided by entities of the hospitality industry and transportation. Measures of indirect impact ensure the formation of general environment for the tourism industry development in Ukraine.



**Figure 6.2.** Strategic measures for development of the Ukrainian tourism industry for ensuring the country's economic security

The first essential measure of direct impact is the state and local budgets aid to small business by means of providing preferential loans at the expense of special funds, through targeted budget financing on the basis of non-repayable subsidization, celebration of contracts for the development of tourism projects, including green tourism, taking into account reconstruction of cultural and architectural monuments. This will bring the level of tourist infrastructure in line with international standards.

The second important measure in the tourism industry development designed to ensure the country's economic security over the long term is to attract and to create the environment for large-scale investment in infrastructure development. In virtually every region of the country all components of the infrastructure are in poor condition — low quality of pavement on the roads of different subordination; a high level of functional and moral depreciation of the material and technical base that does not meet current requirements; imperfect fee policy, in particular, lack of compensation for transportation of welfare beneficiaries; the impossibility to renew and improve the rolling stock (deterioration, lack of high-capacity and extra high-capacity buses);

inability to care for people with disabilities (“Infrastructure of the regions of Ukraine. Priorities for modernization. Analytical treatment”, 2017).

It is also necessary to create the consumer’s need to travel and get to know the country at the state level. The development of domestic tourism is impossible without a thorough strategy intended to create the need to travel through our own country. A large number of people in Ukraine have no desire to go even beyond their own city to learn the world around them, to found out more about other customs and lifestyles. On the one hand, it inhibits the individual’s process of knowledge acquisition, accepting the system of norms and values, that allows him to function as a full and equal member of the community, and, in its turn, spiritually destroys the Ukrainian society. On the other hand, it does not contribute to the development of the Ukrainian tourism industry, impedes the job creation in this sphere. To create the consumer’s need to travel and get to know the country it is necessary to develop public service advertising and support program for cineastes and bloggers, through whose activity the average Ukrainians and foreign tourists will learn about the country. It is especially important at a time when the whole world is aware of recent events taking place in Ukraine. So today it is extremely important to satisfy the foreign tourists' interest in Ukrainian news with positive impressions of the country's natural, cultural and historical treasures.

One of the most important aspects of stimulating the Ukrainian tourism industry development is facilitating entry procedures, because today citizens of some particular countries need a visa to entry Ukraine. In some cases, it is warranted by security purposes, but in others it leads to a significant reduce of tourist traffic, reduces the income of the tourism industry and limits the dissemination of information about the country around the world. It would be appropriate to facilitate entry procedures to Ukraine, that is, to abolish a tourist visa, for citizens of the following countries: Australia, New Zealand, Singapore (tourists from these highly developed countries might be potential future investors), China, India (according to world statistics tourists from these developing countries form the most numerous tourist group). And it is expedient to reduce the visa fee for other countries, since today it amounts to USD 85. At the same time, it is expedient to establish security cooperation based on bilateral and multilateral treaties with developing countries.

The measures of indirect impact on the tourism industry development for ensuring the country’s economic security include the creation of an on-line database containing information on tourist and recreational resources of Ukraine, suitable for use in tourism and resorts area, including cultural heritage resources and nature reserve fund, recommended for visiting by tourists and forming a national network of tourist and sightseeing routes (The Cabinet of Ministers of Ukraine, 2017).

Such on-line database should be created in all EU languages and in languages of other foreign target customer segments of Ukrainian tourist services.

Also it is essential to promote and sell the brand "Ukraine" abroad. Tourist branding is an important aspect of the tourism brand "Ukraine" promotion. As V. Listkov notes, carrying out of effective advertising compaigns in Turkey and Egypt doubled the tourist traffic in these areas, while the low recognition of the national tourist logo of Ukraine is caused by its constant rebranding (Lystkov, 2016:69-72).

A good solution is to advertise facilities for holding conferences, meetings, symposiums, training and coaching sessions for foreign customers on the basis of the Ukrainian hotel fund, as well as providing the foreign organizers of international conferences and outreach events with relevant information. At the same time the process of information policy making should be focused on the historical and geographical features of the area where tourist attractions are situated. The promotion of the brand "Ukraine" should also include systematic and active presentations of tourist attractions that shape the tourism potential of Ukraine at national and international exhibitions and fairs, conferences, forums, etc. (International Travel Exhibition, World Travel Market, International Travel Fair, etc.)

Among the measures of indirect impact strict state and local control over the priority strategic areas of the state environmental policy of Ukraine can be distinguished (for instance, energy security, development of the mineral resources base of Ukraine, increasing of the level of environmental safety in the exclusion zone, preservation of the natural heritage, efficient and safe waste management, the new climate policy, the reform of the environmental governance system, the reform of the state environmental control system) (Omarov, 2017:1-6). Thus, we will have the negative image of Ukraine as an area of environmental disaster changed. In this regard, it is important to encourage the development of green or rural tourism (familiarization with rural living, its traditions and culture, folk crafts and rural crafts of authentic regions of Ukraine). The development of hotel business in the field of green tourism needs to be encouraged in the following areas: accomodation on farms and farmsteads in the same house or in the same territory owners do live in; accommodation in rooms of rural hotels specially equipped for visitors, accommodation in historical buildings (castles, palaces, monasteries), located in rural areas.

One of the ways of increasing the country's economic security with regard to fostering the development of the Ukrainian tourism industry is the development of a state program on stimulation of green and rural tourism. Thus, tourists will see the unique face of Ukraine, created in the imagination of many customers by works of well-known writers.

It is the creation of a national quality mark for travel agencies and transportation utilities dedicated to adopt higher service standards and coverage of such companies' activity on television that can encourage companies to provide tourism services of high quality and increase interest in the tourism business.

It should be noted that the strategic measures for the tourism industry development in Ukraine designed to ensure the country's economic security are to be implemented without waiting for the cessation of hostilities in the East of Ukraine.

The study has found the following trends in the tourism activities development in Ukraine during 2011-2017:

- extensive growth of income from the provision of tourist services caused by the exchange rate fluctuations and the inflation growth in the country along with the reduction of the tour operators and travel agents number;
- slowing down the activity of the tourism industry development and reducing the number of tour operators and travel agencies in the areas that were among the leaders of the tourism industry — Dnipropetrovs'k and Kharkiv regions, along with almost complete closing up of tourism business in Donets'k region;
- redeployment of tourist traffic in the country from Donets'k and Odesa regions to Lviv, Dnipropetrovsk regions and the city of Kyiv.

The identification of trends has made it possible to determine the factors that shape the negative image of Ukraine and reduce its economic security. Thus, the reduction of the number of tour operators and travel agencies in Ukraine, and, consequently, reduction of the number of staff members in the tourism and related industries, of revenues to the budgets in the form of taxes and fees and of the revenue part of the country's GDP and the decline in the country's economic security are driven by the military actions in the East of Ukraine and constant provocations in the regions bordered by Russia in the Eastern Ukraine; corruption scandals in the top echelons of power; the strained ecological situation in the country and the echo of the Chornobyl disaster; unsatisfactory level of tourism infrastructure; the annexation of Crimea and the loss of a significant part of recreational resources of national importance; incorrectly formed information policy.

Strategic measures for Ukraine based on world experience in stimulating tourism development are the following: direct and indirect strategic measures for the development of the Ukrainian tourism industry designed to shape the image of the country and ensure the country's economic security.

It is essential to provide the state and local budgets aid to small business in the field of tourism by means of providing preferential loans at the expense of special funds, through targeted budget financing on the basis of non-repayable subsidization, celebration of contracts for the development of tourism projects, including green tourism, taking into account reconstruction of cultural and architectural monuments. In order to ensure the country's economic security over the long term, it is necessary to create environment for large-scale investment in infrastructure development, as well as to create the consumer's need to travel and learn more about Ukraine. It has been suggested to facilitate entry procedures for tourists from Australia, New Zealand,



Singapore, China and India and to reduce the visa fee for tourists from other countries, along with establishing security cooperation based on bilateral and multilateral treaties.

Among the measures of indirect impact on the tourism industry development the creation of an on-line database, actions to promote and sell the brand “Ukraine” through the advertising of facilities for holding conferences, meetings, symposiums, training and coaching sessions for foreign customers on the basis of the Ukrainian hotel fund, providing the foreign organizers of international conferences and outreach events with relevant information, presentations of tourist facilities that form the tourism potential of Ukraine at national and international exhibitions and fairs, conferences, forums have been suggested. Among the measures of indirect impact strict state and local control over the following priority strategic areas of the state environmental policy of Ukraine has been distinguished: energy security, development of the mineral resources base of Ukraine, increasing of the level of environmental safety in the exclusion zone, preserving the natural heritage by means of encouraging the development of green or rural tourism, encouraging the development of a hotel business in the field of green tourism, etc. The creation of a national quality mark for travel agencies and transportation utilities dedicated to adopt higher service standards and coverage of such companies' activity on television have been suggested.

Thus, strategic measures for the development of the Ukrainian tourism industry will contribute to the dissemination of the positive image of the country, GDP growth, the formation of an attractive investment climate and to the ensuring economic security of the country.

In further research, it is planned to analyze other aspects of forming the international image of the state, which determine the country's economic security.

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## APPENDIX

### Appendix A



#### МІНІСТЕРСТВО ЕКОНОМІЧНОГО РОЗВИТКУ І ТОРГІВЛІ УКРАЇНИ (Мінекономрозвитку)

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#### Шановна пані Канонішена-Коваленко!

На Ваш запит від 19.04.2019 Мінекономрозвитку у межах повноважень повідомляє, що наказ Мінекономіки від 02.03.2007 № 60 “Про затвердження Методики розрахунку рівня економічної безпеки України” втратив чинність на підставі наказу Мінекономрозвитку від 29.10.2013 № 1277 “Про затвердження Методичних рекомендацій щодо розрахунку рівня економічної безпеки України”. У ході роботи над Методичними рекомендаціями щодо розрахунку рівня економічної безпеки України 2013 року Мінекономрозвитку здійснило оцінку рівня економічної безпеки в цілому та за окремими складовими з її використанням, починаючи з 2007 року (на піврічній основі).

Враховуючи зазначене, Мінекономрозвитку надає інформацію щодо інтегрального індексу економічної безпеки України в цілому та за 9 середньозваженими субіндексами економічної безпеки (дані оцінки наведено у таблиці 1).

Інформація щодо рівня економічної безпеки на офіційному сайті Міністерства не оприлюднюється.

Додаток: на 1 арк. в 1 прим.

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Заступник Міністра

М. І. Тітарчук

Кротенко, 200-44-34



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## Appendix A continued

Таблиця 1

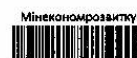
**Рівень економічної безпеки інтегральний та  
за окремими складовими, %**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	I пів. 2018
Виробнича	61	56	52	50	55	49	49	51	47	57	58	60
Демографічна	41	44	46	47	56	45	46	45	43	46	40	41
Енергетична	32	34	31	35	32	34	39	47	45	58	54	54
Зовнішньоекономічна	40	36	38	41	36	29	35	35	37	40	40	40
Інвестиційно-інноваційна	43	43	34	35	36	37	35	30	35	30	33	30
Макроекономічна	48	38	44	38	48	38	39	33	31	36	34	41
Продовольча	85	83	84	90	92	93	86	94	92	92	91	90
Соціальна	58	56	58	57	59	64	62	57	55	56	59	56
Фінансова	64	51	42	44	47	46	50	36	35	38	40	43
<b>Інтегральний показник рівня економічної безпеки</b>	<b>52</b>	<b>48</b>	<b>46</b>	<b>47</b>	<b>50</b>	<b>47</b>	<b>48</b>	<b>45</b>	<b>44</b>	<b>48</b>	<b>48</b>	<b>49</b>

Довідково: оцінку рівня економічної безпеки за 2018 рік буде здійснено у серпні 2019 року після оприлюднення Держстатом усієї інформації, необхідної для розрахунку.



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