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## METHODS OF PREVENTION RISKS TO THE COUNTRY'S ECONOMIC SECURITY

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**Summary.** The economic security of the country is a comparatively young science, which, until now, has attracted the insufficient number of researchers. Often an understanding of this area of scientific knowledge is post factum when threats to the country's economy have already occurred. Nowadays, one of the main prerogatives of the country should be economic security. It is the basis for the national security and development of the country. Because of the rapid development of the world, the risks of economic security are also constantly changing. For any country, it is important to identify and minimize these risks in time. The purpose of the research is to identify assessment on the impact of country's risks on the economic security of Ukraine. In this paper, the main definitions and theories of national economic security, main risks of economic security in Ukraine, and their impact on the country's economy, as well as ways to prevent risks to economic security have been considered. In the future it is planned to analyze the methods for combating problems which were considered in the research used in reality and to create more effective measures to reduce the degree of country's risks on the economic security of Ukraine.

**Keywords:** the country's economy, the economic security, globalization, risks of economic security, threats to the economic security.

### INTRODUCTION

At present, the problem of ensuring economic security is the subject of close attention and study. It has become especially relevant in connection with the ever-increasing degree of openness of economies, their close integration into world economic processes. There is no single approach to determining the essence of economic security in ensuring national security of the country. Most often, national security is defined as a social phenomenon that characterizes the protection of the vital interests of the individual, society and the state from dangers and threats. The long-term experience of developed countries shows that the national

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security of the state is ensured primarily by the state of the country's economy, its real and financial and credit sectors.

The situation in Ukraine is even more complicated due to the fact that the consequences of the global economic crisis of 2007-2010 (which have made the countries with transformational economies the most vulnerable) have largely affected not only the domestic economic state of the country, but also the level of its competitiveness in the overall world ranking. In addition, there is an unstable socio-political situation in Ukraine and military actions in the east of the country, which further complicate and delay the process of economic recession. In connection with these circumstances, in Ukraine, the level of risk for domestic business units is significantly increased when carrying out economic activities and making market and management decisions to access and cover international sales markets.

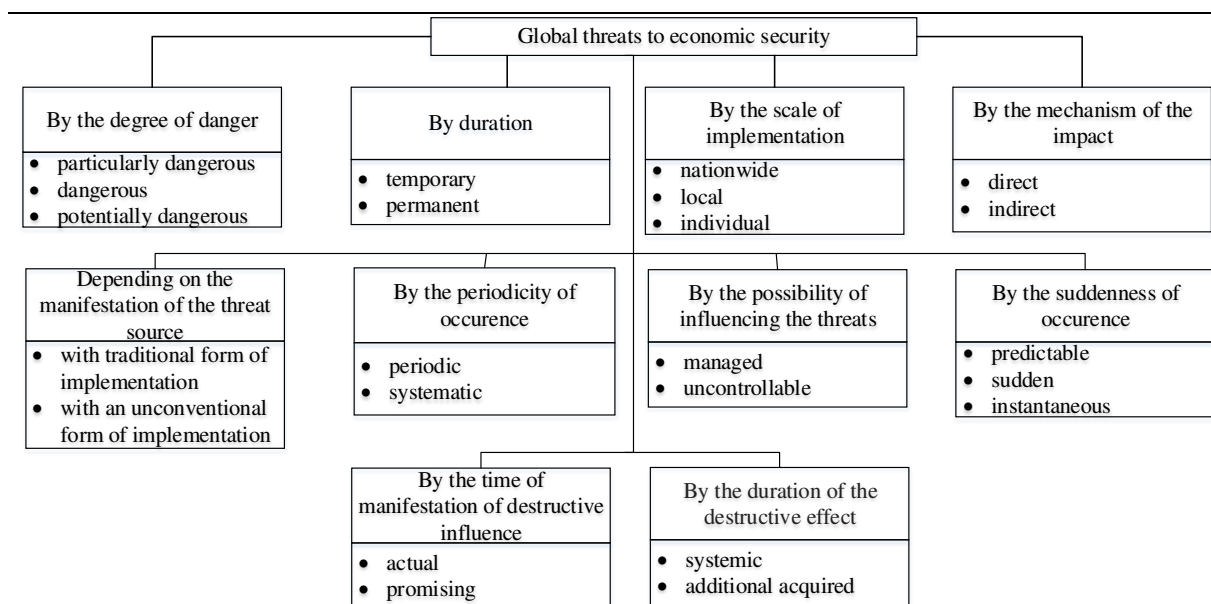
**The aim** of the article is find ways to prevent risks to the country's economic security.

**Methodology of the Research** - The theoretical and methodological foundation of the work is based on the fundamental works of representatives of economic theory, on the research of foreign and domestic economists devoted to the study of theoretical problems of economic security.

### **Classification of global threats to economic security**

In this article we will try to develop a strategy for overcoming main risks and threats to the economic security of the state.

To ensure economic security, it is necessary to clearly understand and classify risks and threats.



**Figure 1.** The classification of global threats to economic security (Source: created by the author, based on the systematization of the previous research)

To classify threats to economic security, you can use the classification of the following parameters (Figure 1).

### Ways To prevent risks to the country's economic security

To begin with, we will analyze the prevention of risks and threats from globalization. Ensuring economic security in the context of globalization is an inalienable function of each country and the main field of activity of its institutions. They must realize the vital interests of people, society, state and regions, protect them from the impact of external and internal threats, and guarantee favourable conditions for the life and productive work of citizens.

Authors think that in the theoretical sense, the strategy of economic security of the country is the theory and practice of planning and achieving an acceptable level of economic security, using all the components (political, economic, demographic, resource, information) of the available potential at all stages and under all operating conditions<sup>1</sup>. This document should be based on the multifaceted forecasts of the country's socio-economic development in the context of globalization and adjusted based on the course of global events in different development options. Advantages of the multivariate strategy lie in the fact that it contributes to the emergence of a possibility to choose different measures to overcome global risks and threats, and not to take urgent and insufficiently justified decisions.

<sup>1</sup> Biblioteka Ekonomista (2018), <http://library.if.ua/book/130/8603.html>

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The state strategy in the sphere of ensuring economic security of Ukraine in the context of globalization should be oriented to the withdrawal of the economy from the crisis, the support of the domestic producer, the strengthening of the scientific and technological potential, ensuring the welfare of the population at levels that exceed the boundary values <sup>2</sup>. These tasks should be solved by means of effective state regulation of social production and the introduction of democratic market reforms in the direction of supporting the country's economy in the context of globalization.

From the standpoint of developing a strategy for economic security in the context of globalization, it is important to assess and predict the impact of all the expected threats and risks, as well as economic phenomena, on its state, and, most importantly, on the localization of critical points, and to identify the possibility of a sharp catastrophic decline and a critical threshold.

Next, we will explore the ways to minimize or prevent the risks associated with the hybrid war in the east of Ukraine, problems with budgetary security and a large-scale shadow economy.

At the present stage, the relevance of structural fiscal reforms to ensure a reduction in the impact of direct and hybrid risks and ensure the sustainability of public finances in the medium term is increasing, since the main problematic aspects of the budgetary system require further solutions. The formation of an effective model of public finance management, ensuring the consolidation of the state's main financial fund and the consistency of the norms of fiscal legislation is the key to stabilizing the dynamics of social and economic development and ensuring the financial security of the state.

All these threats necessitate the implementation of an appropriate system of measures aimed at reducing or completely eliminating the risks of economic security associated with the budget, the main of which should be the measures listed below.

Effective management of public finances involves the implementation of a set of measures at each stage of planning and using budgetary funds. After analyzing information of National Institute of Strategic Studies (NISS), author considers that in order to improve the state budget planning system, it is necessary to take the following measures:

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<sup>2</sup> Economic security in the conditions of globalization of the world economy: [collective E45 monograph]. - Dnipropetrovsk. 2014

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- To develop risk management systems in the planning and determination of budget expenditures with a view to timely identification of violations and prosecution of criminals;
  - To ensure compliance of delegated authorities and financial resources of local budgets to develop mechanisms for their coverage, since attraction of local budgets' own resources to exercise these authorities in the absence of financial resource adequacy leads to unsatisfactory performance of such functions;
  - to introduce codification and standardization of goods used in the planning of expenditures and public procurement;
  - to create an effective mechanism for prosecution of participants of the budget formation, to demarcate responsibility at all stages of planning and to implement appropriate measures;
  - to ensure the implementation of the verification process and the targeting of social payments, to determine the criterion characteristics of the categories of benefits and their number, which will allow us to move away from the categorization when providing social benefits to the principle of providing social assistance when necessary.

In order to strengthen control over public funds, it is necessary to improve:

- quasi-public sector procurement mechanism to improve transparency;
- mechanism for the implementation of public procurement contracts and procurement of quasi-public sector facilities;
- a methodology for assessing the effectiveness of government agencies in accordance with their ratings based on the number of complaints in public procurement<sup>3</sup>.

To optimize the system of state financial control, it is necessary to develop and implement mechanisms of information interaction between the state bodies exercising control over the information bases of other controlling and supervisory bodies.

On January 1, 2017 Ukraine joined the BEPS plan (Base Erosion and Profit Shifting), which provides for counteracting the erosion of the tax base and the withdrawal of profits from taxation<sup>4</sup>. After making a research of documents provided by National Bank of Ukraine author considers it necessary to solve such basic tasks as: combating tax abuses associated with the use of special taxation regimes, avoiding abuses when applying tax conventions, making

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<sup>3</sup> The National Institute for strategic studies, <http://www.niss.gov.ua/catalogue/11/>

<sup>4</sup> Zerkalo nedeli Ukraina, [https://zn.ua/macrolevel/plan-deystviy-beps-v-ukraine-289637\\_.html](https://zn.ua/macrolevel/plan-deystviy-beps-v-ukraine-289637_.html)

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changes and additions to the Tax Code of Ukraine regarding the adoption of additional forms of tax reporting by tax authorities only after applying the risk assessment system.

To ensure compliance with delegated authorities and financial resources of local budgets it is necessary to develop mechanisms to cover them because of the involvement of local budgets' own funds for exercising these authorities in the absence of sufficient financial resources leads to unsatisfactory performance of such functions. To increase the effectiveness of local taxes and fees, it is necessary to improve the mechanisms for their administration and the formation of a single database to ensure a complete and transparent accounting system, which will ensure effective fiscal control and increase in revenues to budgets. To ensure the efficient use of budgetary funds it is necessary to complete the process of verification of electronic monitoring of social expenditures and to complete the transition to the provision of targeted social benefits through the development and approval of an effective mechanism for such provisions and determining their financial evaluation by the Ministry of Finance and the Ministry of Social Policy of Ukraine.

To improve the effectiveness of public debt management, it is necessary to take measures to prevent the formation of a "hidden" state budget deficit and unpredictable growth of public debt. To ensure the effectiveness of the use of budget funds, it is necessary to develop an industry-specific methodology for calculating the cost and composition of educational services, which will ensure an increase in the efficiency of planning and using funds of budgets of all levels for financing the industry.

The increase in Ukraine's economic security depends on the possibility of urgently implementing a fundamentally new economic model of development, of which the modern crisis can be a catalyst. A comprehensive audit should be applied and plans for the conservation of technological processes and production assets, which are no subject to modernization, should be worked out.

It is fundamental to expand Ukraine's international cooperation in order to raise the level of innovation based on advanced attraction of foreign technological and innovation capital. A tangible increase in GDP is possible only on a new technological basis, through unloading key imbalances and achieving inclusive development (i.e. raising incomes for all categories of the population).

At the same time, according to the Social Communications Research Center of Vernadsky National Library of Ukraine, it is important to strengthen the economic factors of counteracting the aggression of the Russian Federation against Ukraine by:

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- regulation of control over the management of the economy, separate strategic sectors and transit routes of Ukraine by the subjects of influence of the Russian Federation;
  - Diversification of economic cooperation in general and in certain areas to the extent that can destabilize the economic system.
  - Control of Russia's economic dominance through the creation of alliances with other countries, the use of international levers etc.
  - prevention of internal disintegration of the Ukrainian economy;
  - increasing technological superiority in economic development over the Russian Federation;
  - monitoring and preventing the creation of channels for the re-transmission of risks to the economy of Ukraine by the Russian Federation;
  - detection and neutralization of economic sabotage in the territory of Ukraine through the creation of rapid response services;
  - prevention of asymmetric actions in the economic sphere;
  - avoiding the escalation of the existing hybrid conflict into a permanent war (and, accordingly, a permanent enemy) as a natural state in the national economy;
  - Strengthening the fight against the financing of terrorism, the closure of smuggling flows and other spheres of economic activity that serve as the economic basis for the functioning of terrorists<sup>5</sup>.

The strategic goal of bringing the economy out of shadows involves a significant reduction in the level of shadowing, by creating favourable conditions for attracting shadow capital to the legal economy and multiplying national wealth. The legalization of shadow capitals will contribute to the growth of the national investment potential, the level of its implementation, will provide a positive effect for the budgetary sphere, long-term stability and the focus of the national economy on strategic development, and strengthening of the state's economic security. In the situation of economic globalization, the problem of de-shadowing should be solved at the international level. Its embodiment is the creation of international organizations to counteract corruption, organized crime, legalization of illicit means, and the adoption of international standards, normative and recommendatory documents in the area of economic de-shadowing. However, effective counteraction to the formation of shadow economic relations can be realized only if there are national organizational and legal

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<sup>5</sup> Ukraine: Events, Facts, Comments, <http://nbuviap.gov.ua/images/ukraine/2016/ukr20.pdf>

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mechanisms for the de-shadowing of the economy, which are built on international standards, take into account the world experience of this kind, as well as national features of this phenomenon and the driving factors of its spread in a certain country.

The governments of developed countries with a relatively low level of shadow economy are taking measures to counteract the growth of the shadow economy, the loss of mechanisms for managing economic processes, the spread of corruption and the formation of a shadow political market. Significant efforts are made to ensure effective counteraction to organized crime. However, in a number of backward countries, the image of organized crime as a force, is positive, provides jobs and ensures the well-being of a significant part of the population, and this prevents the overcoming of economic crime as a threat to the economic security of the state. The coverage of the main spheres of factors' existence and prerequisites for the shadowing of the country's economy is the basis for the development of a set of systemic measures for the de-shadowing of the national economy.

The following main vectors and immediate steps towards the de-shadowing of the Ukrainian economy should be highlighted.

To reduce the number of offenses in the sphere of foreign economic relations, it is necessary to ensure proper system interaction and information exchange between the relevant state bodies.

To counteract money laundering and terrorism financing, it is necessary to implement such systemic measures:

- create an effective mechanism for interaction and exchange of information on the issues of counteraction to the laundering of illegally received money, which allows you to make inquiries and receive the necessary information as soon as possible;
- to improve the system of counteracting money laundering and terrorism financing, expanding the list of subjects of financial monitoring, as well as establishing a single information channel between the relevant state bodies.

The mandatory conditions for the effective functioning of the economy, which will provide a basis for systematic economic de-shadowing in Ukraine, are a gradual improvement of the legislative framework, an independent court and the organization of law enforcement. To prevent erroneous and wellful bankruptcy, it is expedient: - to take measures to counteract this phenomenon; - to improve the mechanisms for the exchange of information between courts and authorized state bodies on issues related to bankruptcy procedures.



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One of the main methods of reducing the level of shadow turnover in the financial sector is the development of non-cash settlements. For the development of such settlements in the country, National Academy of Internal Affairs suggests that the following systemic measures should be taken:

- to develop mechanisms for information interaction between tax authorities and supervisory bodies on suspicious financial transactions;
- to ensure banks' refund to customers in cases of unauthorized use of non-cash funds by fraudsters;
- to establish the provision by telecom operators of high-quality and affordable communication channels for equipping places of unorganized trade with non-cash settlements facilities;
- strengthen the control and responsibility of banks in case of illegal cash withdrawal;
- banks need to develop measures to increase the level of awareness of the population on the current system of non-cash payments through the media and Internet resources.

It is advisable to carry out systematic work to identify new schemes for tax evasion. It is necessary to develop effective mechanisms for the exchange of information between public and private entities.

The counteraction to the shadow economy requires providing conditions for emerging of business entities from the shadow by reducing the costs of doing business and improving the system of state regulation. To do this, it is necessary:

- to investigate the risk management system in the context of their openness / closure;
- to conceptually revise the executive system.

Reforming the sector of regulatory authorities in the direction of reducing their number and overall optimization of activities of the executive system may limit the manifestation of corruption opportunities, save funds of the state budget and significantly limit the bureaucratic burden on small and medium business.

In order to overcome corruption in state bodies and raise the level of legal culture of the population, the following measures are relevant:

- strengthening the role of markets and competition, which should ensure a reduction in the amount of potential profits from corruption;
- establishment of anti-corruption civil society institutions;

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- activation of interaction with leading foreign structures implementing anti-corruption programs;
  - elaboration of a bill providing for a polygraph inspection of heads of state bodies<sup>6</sup>.

According to analytical note of the Department of macroeconomic forecasting and research of the shadow economy of NISS the following areas are priority for economic policy in the sphere of de-shadowing of the economy of Ukraine:

- optimization of methods for calculating the level of the shadow economy in accordance with world practice;
- creation of conditions for the de-shadowing of the socio-political process;
- improving the efficiency of public financial management at all stages of planning and using budget funds;
- improvement of legislation in the sphere of counteraction to economic crimes;
- ensuring the protection of intellectual property rights;
- counteracting corruption and raising the level of legal culture of the population;
- strengthening the economic security of the state through deepening international and global economic integration.

The task of the de-shadowing of the Ukrainian economy is being actualized in the context of modern geopolitical challenges and Eurointegration processes. The indicated directions of counteraction to the shadowing of the economy form the basis for further development of the comprehensive plan for the de-shadowing of the economy and the budgetary sphere, which will be beneficial for improvement of the economic security of the country.

## CONCLUSIONS

Authors have developed recommendations for minimizing and completely preventing risks and threats to the economic security of the country; special attention was paid to the shadow economy of the country, which showed huge problems in Ukraine in terms of economic security. Now the shadow economy, organized crime and corruption are inextricably linked. The globalization of financial systems, the development of international banking networks, electronic telecommunications systems and networks for real estate transactions created the conditions for the use of financial instruments for the purpose of laundering the illegally

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<sup>6</sup> Ministry of Finance of Ukraine. Official web-site. <http://www.minfin.gov.ua/>

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received profits. Using the measures proposed by authors, it is possible to achieve significant filling of the budget of Ukraine and return of "shadow" taxpayers to the legal field.

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