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# International economics: security of economic system and transboundary crisis

**Key words:** Socio-economic system, security of socio-economic system, development strategy, coordination of parameters of development and security, transboundary crisis.

## Introduction

Addressing current problems cannot be done exercised to the prejudice of long-term development of SES. For economic development investments should be at 25% relative to gross domestic product. In a stable economy, this value may be less, but in a situation where the economy needs a massive upgrade of technology, this value should be at 30%<sup>1</sup>. Assessing the need for investment in the economy, experts from countries with a transitional economy often focus attention only on foreign investments, ignoring the possibility of raising their own investment resources. For the correct calculation of investments, it is necessary to work out a strategy of the country's development with a focus on the national interest and appropriate points of investment application. The state must guarantee the freedom of entrepreneurship, protection from raiding and the conditions of effective investment usage.

The innovative development of the economy is possible only when the residents feel the improvement of

the investment climate and will submit an appropriate signal to foreign investors. Modern technological progress is very capital-intensive and requires a significant expansion of credit. At the same time, the IMF (International Monetary Fund) recommends that the new independent countries pursue a policy of inflation targeting by reducing the usage of their own financial resources and attract loans from the IMF and other international financial institutions. In this regard, the problem of ensuring the financial security of the countries which are recipients of such loans comes to the fore.

## Methodology of research

An urgent task is the coordination of the development priorities and security in the socio-economic strategies. A strategy can be regarded as a descriptive model, where the objective function reflects the function of the system development, and there are also restrictions in the form of resources, security settings and environment parameters. The objective function in the model of sustainable development is to improve the welfare of the nation. In the context of globalization a national strategy should consider the potential for economic convergence of dif-

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<sup>1</sup> Investuvannya ukrayins'koyi ekonomiky: Monohrafiya (ed.) A.I. Sukhorukov – K.: Natsional'nyy instytut problem mizhnarodnoyi bezpeky, 2005, p. 176.

ferent countries, as well as threats of transboundary crisis carryover.

The objectives of this study is to study the role of strategic management in ensuring the economic security of the state; clarifying the terminology and objectives of the strategy; identifying the gaps in the strategic management in countries with a transitional economy; defining approaches to the formation of sustainable development strategies, assessment of the impact of transboundary crisis on the parameters of the economic security of the state.

Globalization generates positive and negative synergistic effects<sup>2</sup>. Cross-border crisis carryover can exacerbate disparities among countries<sup>3</sup>. These circumstances must be taken into account when forming a strategy for sustainable development. According to the definition of the UN International Commission on environment and development "sustainable development" means development that meets the needs of the present, but does not threaten the ability of future generations to meet their own needs"<sup>4</sup>. Stability in this case should be understood as a property of a system to adapt to changing conditions on the basis of self-regulation<sup>5</sup>. Privatization as a way of "shock therapy" does not automatically ensure economic development. The real basis of sustainable development is: enterprise activity<sup>6</sup>, innovation<sup>7</sup> and network cluster structures<sup>8</sup>.

<sup>2</sup> Ursul A.D., Romanovich A.L., Globalizatsiya, us-toychivoe razvitie i bezopasnost: sistemno-sinergeticheskiy pohod, <http://spkurdyumov.ru/globalization/globalizaciya-us-toychivoe-razvitie-i-bezopasnost>.

<sup>3</sup> Suhorukov A.I., Transfer krizisa i perspektivy razvitiya natsionalnoy ekonomiki v usloviyah globalizatsii, [in] *Ekonomicheskaya bezopasnost: novaya paradigma formirovaniya i obespecheniya*, E.M. Soroko, I.A. Belousovoy, T.I. Egorovoy-Gudkovo (ed.), Odessa, Institut kreativnykh tekhnologiy, 2011, p. 175–198.

<sup>4</sup> Evteev S.A., Nashe obscheye budushee: Doklad Mezhdunarodnoy komissii po okruzhayushey srede i razvitiyu, MKOSR, S.A. Evteev, R.A. Perelet (ed.) M.: Progress, 1989.

<sup>5</sup> Knyazeva E.P., Zakonyi evolyutsii i samoorganizatsii slozhnykh sistem/E.P. Knyazeva, S.P. Kurdyumov. – M.: Nauka 1994, p. 238.

<sup>6</sup> Raytner E., Kak bogatyie stranyi stali bogatymi, i pochemu bednyie ostayutsya bednymi/Per. s angl. N. Avtonomovoy, V. Avtonomov (ed.); Gos. un-t. – Vysshaya shkola ekonomiki, 2011, p. 384.

<sup>7</sup> Shumpeter Y.A., Teoriya ekonomichnogo rozvytku. Doslidzhennya prybutkiv, kapitalu, kredytu, vidsotkiv ta ekonomichnogo tsykladu, V. Stark (ed.) – K: Vydavnychyy dim «Kyievo-Mohylans'ka akademi, 2011, p. 242.

<sup>8</sup> Porter M.E., Konkurentsiya, M.: Izdatelskiy dom «Vilyams», 2006, p. 203–434.

The concept of sustainable development involves ensuring security through development. A mismatch between development and security creates obstacles to further convergence of countries in the global economic space. Safety of socio-economic system can be provided due to the flexible system structure. Based on the principle of "hierarchy" of complex systems<sup>9</sup> the subsystem of national security should perform the function of neutralizing the threats to socio-economic development and the environment.

The formation of a strategy of development of SES in connection with a high level of complexity requires advanced modeling. Simulation allows to study the characteristics of SES and to choose adequate control methods. Optimization methods are effective in solving technical problems, but these methods cannot be as effectively applied when solving economic problems. In complex economic systems a dynamic data change is frequent, which reduces the reliability of the results of optimization.

A complex hierarchical system of organizational types (for Bertalanfi) can be represented in the form of a simulation model graphically. The subsystem of national security and a set of functional subsystems are presented in the form of graph vertices. Flows of products in monetary terms are represented as arcs. The set of arcs of the graph as a whole represents a market of goods and services, which is under the control of the management subsystem.

In modern conditions it is necessary to consider the principle of the globalization of security systems. The transition to sustainable development is possible only on a global scale, when agreed upon by all of the objects and subjects of security. Measures to ensure security should not conflict with the global imperatives of sustainable development.

## **The main material, results and discussion regarding the economic security of the state**

The crisis in the countries with transitional economies further updates the study of the problem of forming the strategy of sustainable development. The author of the classic definition of strategy<sup>10</sup> defines a strategy as a se-

<sup>9</sup> Bertalanfi L., Obschaya teoriya sistem: kriticheskiy obzor. V sbornike perevodov Issledovaniya po obschey teorii sistem. M.: – Progress, 1969, p. 520 (p. 23–82).

<sup>10</sup> Klauzevits K., O voyne/Karl Klauzevits; M.: Eksmo; SPb.: Midgard 2007, p. 155–215.

quence of steps that lead to ambitious goal. The concept of “economic strategy” is also interpreted as a method of establishing long-term goals (A. Chandler, M. Albert, F. Hedouri, M. Falmer) or a way to respond to opportunities and threats through the creation of competitive advantages (M. Porter, Charles McMillan, Mr. Hamel). Some experts believe that the strategy starts when there is a choice to optimize the transition to the future and to shorten the path to achieving the goals<sup>11</sup>. The results of the strategy are not strictly fixed; they are located in a certain area with specified limits of size and time [12].

In the process of strategic management the following should be taken into account: the relationship between development and security; the possibility of accelerating the implementation of the tasks of modernization; the synergistic potential of cross-sectoral, interregional and international cooperation. Sustainable development strategies should be balanced in resources and time. Lack of strategy leads to an imitation of changes and an inspection of the actions of the Executive branch becomes impossible.

States with a transitional economy still rely on resource advantages, while developed countries are actively using competitive advantage based on innovation factors. A significant convergence of the macroeconomic performance of countries with different levels of development is not yet observed. Disadvantages of strategic management in countries with transition economies are obvious. The development of strategies is typically done by the same performers, in spite of disappointing results from their previous strategies. The competitive principle of selection of authors is not used. This is reflected in the practice of strategic management and leads to the abuse of “shock therapy”, which J. Stiglitz called extremism<sup>12</sup>.

The safety requirements of the external debt are constantly violated. Excessive pressure on the budgets of the newly independent states occurs when the level of external debt relative to GDP is 30%<sup>13</sup>. However, this threshold is set at 60% and the actual figure is at a higher level.

The cause of the rupture of cooperation ties between the regions is the destruction of cooperative ties be-

tween enterprises of the industry and the loss of transit potential. In the strategic planning process the principle of formation of several options strategies is not used. This limits the maneuvering of resources.

When the experts develop a strategy, they often rely on government directives. They ignore the objective trend of decreasing values of the extractive industries and the increasing role of innovation. Also, they do not take into account the phenomenon of cross-border crisis carryover. Political idealization of certain vectors of cooperation does not allow to correctly predicting the situation. At the same time, experience shows that political interests are always less reliable than economic interests. In countries with economies in transition, operating under the conditions of radical liberalization of foreign trade, domestic producers become less competitive than large foreign corporations. Rapid liberalization of the monetary and financial sector creates the preconditions for the transfer of capital from the real sector into the financial sector.

### **The main material, results and discussion with respect to transboundary crisis**

An important exogenous factor that affects the economic security of the state is the transborder spread of crisis<sup>14</sup>. The consequences of the crisis that have arisen in certain regions can be manifested in the substantial part of the global economic space. The impact of the global crisis on the national economy depends on the role that the country plays in world markets. In the framework of solving the general problem of the national economy security, a very important scientific problem is to assess the impact of transboundary crisis on the parameters of the economic security of the state.

<sup>14</sup> Sukhorukov A.I., Transfer krizisa i perspektivy razvitiya natsionalnoy ekonomiki v usloviyah globalizatsii, [in] *Ekonomicheskaya bezopasnost: novaya paradigma formirovaniya i obespecheniya*, E.M. Soroko, I.A. Belousovoy, T.I. Egorovoy-Gudkovo (ed.) Odessa, Institut kreativnykh tekhnologiy, 2011, p. 175–198; Sukhorukov A.I. Transfer krizisov i deformatsiya tsiklov//v kn.: *Zakonomernosti i perspektivy transformatsii obshchestva. Materialy k 5 Mezhdunarodnoy Kondratevskoy konferentsii*. Pod redaktsiey Yu.V. Yakovtso. M.: MFK, 2004. p. 330–336.

Sukhorukov A.I., Crisis transfer in the global economic environment//Trend and cycles in global dynamics and perspectives of world development: Materials of International Conference, Chengdu, China, October, 13–15, 2012, Chengdu, Southwestern university of finance and economics, p. 41–42.

<sup>11</sup> Chugreev V., Vvedenie v printsipy strategii, <http://strateg.org/vvedenie-v-principy-strategii.html>.

<sup>12</sup> Kuz'yik B.N., Yakovets Yu.V., Rossiya-2050: strategiya innovatsionnogo proryiva. – M.: Ekonomika, 2005, p. 624.

<sup>13</sup> Stiglits Dzh. Globalizatsiya: trevozhnyie tendentsii/Per. s angl. G.G. Pirogova. M.: Natsionalnyiy obshchestvenno-nauchnyiy fond, 2003, p. 304

Causes and consequences of global crisis are outlined in many publications<sup>15</sup>. The problems of mutual influence of crisis are insufficiently investigated, as well as their spatial distribution and influence of crisis on the economic security of sovereigns. In the context of globalization, the comparison of trends in the development of countries with different potential is required, together with a study of risks posed by the transboundary spread of crisis.

Modern economic crisis is associated with such trends as the growing gap in incomes, financial imbalances, rising unemployment. In addition, there are risks in environmental and socio-demographic sphere, which include climate change, water crisis, an ageing population, deficiencies in the health system and pensions, environmental problems, uncontrolled dissemination of information. All of these trends and risks are transboundary in character and can trigger a global crisis<sup>16</sup>.

The first world economic crisis occurred in 1857. A classic example of the global crisis is the Great Depression of 1929–1933. Serious problems for developing countries and countries with economies in transition were created by the consequences of the “Asian crisis” of 1997 and the “Russian crisis” in 1998<sup>17</sup>. In the beginning of this century there were two major shocks in the world economy as a result of the crises 2000–2003 and 2008–2012. All of these crises originated on a regional scale and provoked a global crisis.

The cross-border spread of the crisis factors may significantly affect the cycles of economic development. This influence must be considered when implementing anti-crisis policies at the national and international scale. A global economic crisis is an impulse for the transition to a new technological level. In countries that ignore the innovative way of development, competitive-

ness is reduced; such countries are pushed to the periphery of the world progress<sup>18</sup>.

In less developed countries that are members of regional alliances, in case of a violation of collective security criteria a situation may arise, which is dangerous to the whole association, especially in times of global crisis. Countries belonging to the European Union (EU), sensing the danger of transboundary crisis proliferation, agreed on a joint document, which provides a consensus on economic security. The EU countries, that have signed the Maastricht Treaty<sup>19</sup>, identified five criteria, which must be met by candidate countries for EU accession:

- state budget deficit should not exceed 3% of GDP;
- public debt must be less than 60% of GDP;
- the country should participate in the exchange rate mechanism and to support the exchange rate of national currency within a predetermined range for 2 years;
- the rate of inflation should not exceed 1.5% of the average of three EU member states with the most stable prices;
- long-term interest rates on government bonds must not exceed the average value of the corresponding rates in the countries with the lowest inflation by more than 2%.

The objectives and criteria stated in the Maastricht Treaty are designed to promote economic and social progress of the EU, for the implementation of a common security policy, the harmonization of legal and political institutions. Additional criteria for EU membership were defined by the European Council in Copenhagen (1993), and Madrid (1995). In accordance to these criteria, the country must have a competitive market economy and accept the general rules and standards of the EU. Copenhagen criteria also include the assertion that the new member cannot join the Union, if the EU does not have sufficient “absorptive capacity”.

Despite the approval of the common economic criteria of security within the EU, macro-economic parameters of EU countries are quite different – the integration of the countries does not automatically guarantee the convergence of these parameters.

It is obvious, that countries, apart from the general criteria for the regional union, should have their own

<sup>15</sup> Stiglitz J.E., *Freefall: America, Free Markets, and the Sinking of the World Economy*. – New York, W.W. Norton & Company, Inc., 2010, p. 443; Jesus Huerta de Soto. *Dinero, credito bancario y ciclos economicos.pdf*, [http://uploadedtrend.com/file/1932908\\_4110283/dinero\\_credito\\_bancario\\_y\\_ciclos\\_economicos\\_de\\_jesus\\_huerta\\_de\\_soto.pdf.html](http://uploadedtrend.com/file/1932908_4110283/dinero_credito_bancario_y_ciclos_economicos_de_jesus_huerta_de_soto.pdf.html); Top of the largest global financial crisis, <http://benefit.by/page/show/articles/2187>.

<sup>16</sup> The Global Risks Report 2017, <https://www.weforum.org/reports/the-global-risks-report-2017>.

<sup>17</sup> Pirozhkov S.I., Suhorukov A.I., Grigorenko O.Ya., *Finansova politika v Ukraini ta Rosiyskiy Federatsyi: porivnyannya, dosvid, problemy*, K.: NIURV, 2000, p. 11–30.

<sup>18</sup> Suhorukov A.I., *Antikrizisnaya politika razvityh stran// Ekonomika Ukrainy*. – 2004. – №8(505), p. 16–27.

<sup>19</sup> The Treaty of Maastricht (1992) <http://www.historia-siglo20.org/europe/maastricht.htm>



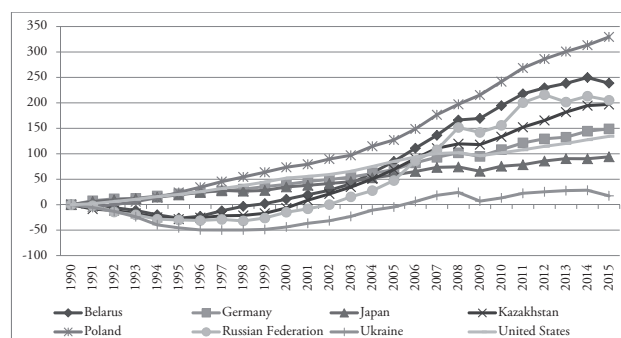
criteria which take into account specifics of the national economy. For example, the level of public debt in many developing and transitional countries should be in the range of 30–50% of GDP<sup>20</sup>.

Some studies show an increase in the gap between the levels of development of the countries that belong to different groups<sup>21</sup>. Developed countries have an opportunity to reduce the damage from the crisis through the use of anti-crisis mechanisms, including the transmission of the crisis phase of the economic cycle to other countries. As a result of the anti-crisis policy of developed countries, the depth and duration of crisis is decreased in their economies. On the contrary, in underdeveloped countries the crisis becomes deeper and more prolonged. The synchronicity of these events indicates the transboundary spread of the crisis (“transfer of crisis”) and the emergence of “imperfect cycles”<sup>22</sup>.

“Transfer of crisis” is the result of the influence of subjective and objective factors. This phenomenon provokes the deterioration of the business climate and the degradation of the social situation in neighboring countries. Less-developed countries are particularly affected by this, because they are in unequal economic conditions in comparison with developed countries. There are two reasons why the deformation of the sinusoidal trajectory of economic cycles occurs: the timely relief of the crisis at the expense of successful anti-crisis policies of developed countries; the inability of the underdeveloped countries to withstand the crisis. The result is a so-called “imperfect cycles”.

Figure 1 shows a picture of the cycles in countries with different levels of development. Charts are based on calculations of the dynamics of the growth rate of GDP per capita at purchasing power parity, based on World Bank data<sup>23</sup>.

Fig. 1. Dynamics of GDP per capita at purchasing power parity in some countries



The graph demonstrates long-term reduction of GDP per capita in countries with economies in transition, along with the continued growth of GDP of developed countries. It also shows the deformation of the sinusoidal trajectory of economic cycles in both groups of countries, which allows us to consider these cycles as imperfect.

For comparing GDP we chose the following countries: Ukraine, Belarus, Kazakhstan and Russia, as countries of the former USSR; US, Germany and Poland, as EU members; Japan – most developed country of Asian continent. The comparison shows that over the past 25 years the most successful country was Poland, which during this period provided the highest rates of GDP growth.

It should be noted, that a significant increase in GDP per capita is observed in Belarus, Russia, and Kazakhstan. In Germany, the US and Japan, due to the high level of the indicator at the beginning of the period under review, the dynamics of GDP growth is lower than in the countries of the Customs Union. In 2015 compared to 1990, GDP per capita for Ukraine rose by 17 points, which is significantly lower than in other countries. In the period from 1994 to 2001, the rate in Ukraine was almost 2 times lower than in 1990.

The trend of reduction of the GDP per capita was typical in the mid-nineties of the last century also in Belarus, Kazakhstan and Russia. However, these countries were able to recover to the level of 1990 much earlier, than Ukraine: Belarus – at 1999, Kazakhstan – at 2001, Russia – at 2003. Ukraine reached the level of GDP produced in 1990, only in 2006. In addition the growth rates of GDP for countries of the Customs Union were significantly higher than that for Ukraine.

For a long period of time there is a steady tendency to reduce the amplitude of cyclical fluctuations in the

<sup>20</sup> Pirozhkov S.I., Sukhorukov A.I., Grigorenko O.Ya., Finansova politika v Ukrayini ta Rosiyskiy Federatsiyi: porivnyannya, dosvid, problemy, K.: NIURV, 2000, p. 11–39.

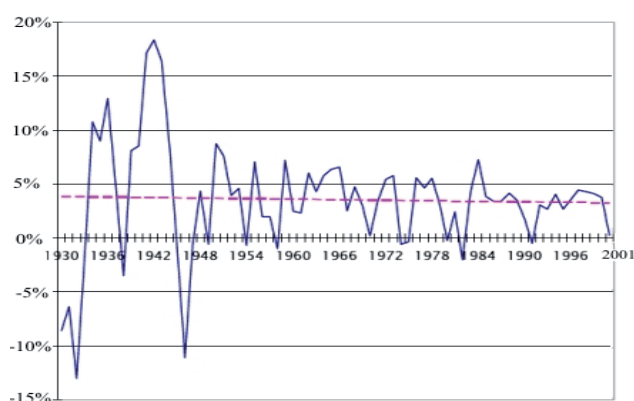
<sup>21</sup> Reinert E.S., How Rich Countries Got Rich... and why Poor Countries Stay Poor. – London: Constable, 2008, p. 365.

<sup>22</sup> Sukhorukov A.I., Transfer krizisa i perspektivy razvitiya natsionalnoy ekonomiki v usloviyah globalizatsii, [in] Ekonomicheskaya bezopasnost: novaya paradigma formirovaniya i obespecheniya, E.M. Soroko, I.A. Belousovoy, T.I. Egorovoy-Gudkovo (ed.) Odessa, Institut kreativnykh tekhnologiy, 2011, p. 175–198; Sukhorukov A.I., Teoretichni peredumovi deformatsiyi ekonomichnih tsikliiv Kiyiv//StrategIchna panorama. – 2010. – №1 – p. 91–106; Sukhorukov A.I., Transfer ekonomichnih kriz yak prichina nedoskonalih tsikliiv//StrategIchna panorama. – №2. – 2004. – p. 68–84.

<sup>23</sup> GDP per capita, PPP (current international, \$) <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>.

economies of developed countries. This is evidenced, for example, by the dynamics of the rate of US GDP growth for 1930–2001 years (Fig. 2). It can be assumed that the United States managed to reduce the amplitude of cyclical fluctuations, primarily due to institutions and mechanisms that they have created with other countries after the Second World War. First of all we are talking about such institutions as the International Monetary Fund, World Bank and the World Trade Organization.

Fig. 2. USA GDP growth rates, 1930–2001 [27]



The developed countries simultaneously applied three groups of anti-crisis measures: methods of direct and indirect state intervention in the economy; bridging the technological gap through realization of an innovative strategy; the transfer of risks towards the external economic space. An example of strengthening the state's influence on the economy is the anti-crisis measures of the US administration aimed at the framework tax, investment and innovation policy. The most reliable, but also the most expensive way to overcome the crisis – is the development and implementation of innovative offensive strategies. The third direction of the anti-crisis policy – is the geographic distribution of risks. The anti-crisis policy of developed countries allows to provide the economic security of the state, to utilize competitive advantages on the world market in a most efficient manner, to concentrate resources for the transition to a new technological level.

Developed countries have the capacity to reduce the crisis phase of their economic cycles through the following mechanisms:

- distribution of financial risks in the global economic space;
- transboundary movement of environmentally hazardous production facilities;
- the extension of the product life cycle in the markets of other countries;

- export of obsolete technologies to the markets of the less developed countries;
- distribution of foreign direct investment within the bloc of developed countries;
- the establishment of control over the natural resources of other countries;
- attracting the most productive labor from other countries;
- absorption of unprotected intellectual property;
- obtaining the benefits in the trade of high-tech goods.

Modern information technologies provide opportunities for speculation on the stock exchanges to instantly move the flow of financial capital within the framework of the world economic system. Thus, large companies in developed countries may optimally allocate their financial risks in the global economic space and maneuver financial resources in their own interest.

Placement of environmentally hazardous industries abroad allows developed countries to solve the problem of greening their own economy. Transnational companies move ecologically dangerous production to countries, where legal protection in the environmental field is low.

Continuation of the life cycle of obsolete products in the markets of less developed countries becomes possible due to a shortage of certain goods in the markets of these countries and low purchasing power of the population. It allows developed countries to avoid a crisis of overproduction, solve the problem of reducing the rate of profit, overstocking and disposal.

Exports of outdated technology enables developed countries to maintain leadership in innovation, to receive significant financial income from the sale of licenses. Import of outdated technology negatively affects the innovation potential of the licensing countries. Developed countries combine licensing agreements with the scheme of tolling – processing of raw materials on the enterprises, located in transition countries, with the aim of reducing production costs.

The crisis in transition countries often arise due to the limited access to foreign direct investment. Investment strategies of transnational corporations are mainly focused on the placement of investments in developed countries, where there are clusters with a high concentration of companies and the possibility of gaining cumulative effects of industrial, scientific and technical cooperation.

Establishing control of developed countries over natural resources of other countries becomes possible,

due to the fact that developed countries have significant investment opportunities, more productive mining technologies and experience in implementation of large concession agreements.

Companies from developed countries are able to attract the most productive workers and unique scientific and technical personnel from other countries, because they can offer more attractive conditions of labor, favorable social conditions, wider opportunities for professional realization.

Due to the fact that the results of scientific research in transition countries have a low level of protection, it becomes possible to misappropriate such unprotected intellectual property. In addition, in transition countries with a high level of shadow economy, which operates outside the legal field, intellectual property is the most vulnerable object of ownership.

Developed countries dominate the market of high-tech products; the level of monopolization of the technology market is very high. The exchanges of high technologies occur, mostly, between developed countries. Transitional countries, as a rule, use technologies aged 10–15 years. For example, the high-tech products export of USA is dominated by the combined share of Japan and the EU. About 90% of the advanced technologies that multinationals send to other countries are transferred through internal channels, that is, through the network peripheral firms of multinationals. Thus, TNCs provide themselves with maximum profit and maintain technological leadership in world markets.

Sharing mechanisms, that are discussed in this article, help companies in developed countries to provide a synergistic effect, and thereby to confront new global challenges. The experience of developed countries should make full use of the transitive and developing countries.

The main international organizations that use previously considered mechanisms are transnational corporations (TNCs). High competitiveness of TNCs is determined by a number of following advantages: mastery of a wide economic area; the use of the differences in the economic situation in the various countries; the ability to increase production capacity to a level, where there is maximum economic benefit or limit the amount of production when it is not profitable; extraction of additional profit through the use of the asynchronous nature of economic cycles. During a crisis, TNCs rely on subsidiaries and other units in countries, where the crisis has the least impact. There is a correlation between the level of security of transnational corporations and the number of countries where they have branches. Due to

these advantages, TNCs have a unique opportunity to maintain financial stability in order to survive in the crisis period. Due to the internationalization of their activities, TNCs are in a privileged position compared with the home country economies.

The positions of the developed countries are strengthened mainly due to such factors: reduction of the cost of resources; concentration of resources in the production of the most profitable high-tech goods; reduction of crisis length; transfer of crisis factors to the external environment. At the same time, the crisis in any country affects the interests of the developed countries. If a country, which is a supplier of raw materials, is immersed in a crisis – it is reflected on the cost of raw materials. Weak creditworthiness of consumers on foreign markets is also not in the interests of developed countries. Transferring crisis factors to the external environment can cause a boomerang effect. It should be taken into account that developed countries are not immune from the crises, particularly financial.

## **Conclusions and recommendations for the practical application of research results**

Based on the results of the analysis of the shortcomings of strategic research we can formulate the following recommendations.

An objective approach to strategy development can only be guaranteed by a group of independent experts. The group should be small and flexible. Team “brain trust” of F.D. Roosevelt consisted of five members, other experts worked on a temporary basis. If the choice of experts is carried out on a competitive basis, it gives the opportunity to make a preliminary assessment of the novelty of ideas to ensure the optimum team to develop the most effective strategy.

An important principle is the use of a systematic approach to the choice of methods and means for the formation of development strategies. This confirms the remark N. D. Kondratieff made, that “historical laws of social science are changing with the changes in society” [28]. Now scientists, who are studying the problems of civilization, feel the need of returning to the ideas of Sorokin, who proposed a theory of integralism, based on pluralism of interests and the cooperation of all sectors of society<sup>24</sup>. The solution to the problem of decentral-

<sup>24</sup> Yakovets Yu.V., Epohalnyiye innovatsii HHI veka/Yu.V. Yakovets; Mezhdunar. In-t P. Sorokina – N.Kondrateva. –

ization of management and environmental protection requires the revival and development of the scientific school of V.I. Vernadsky.

Strategic management should be based on the principle of gradualism, that is, to provide a sequence of steps, in contrast to the “shock therapy”. The concept of gradualism<sup>25</sup> provides a consistent implementation of reforms. At the same time, the state should mitigate economic and social impacts of these reforms. Gradualism, for example, can be realized through the implementation of a consistent plan of capitalization of the national economy<sup>26</sup>.

Implementation of the strategy should be monitored to check the effectiveness of the solutions being used. The results of the strategy’s implementation monitoring (charts, assessment of economic convergence, etc.) should immediately be sent to the control center<sup>27</sup>. This allows you to establish a process of updating the strategy to adjust the parameters of the socio-economic development of the country. To control the strategy process, you need to plan intermediate and final goals.

The main conceptual idea of modern strategy at the national and regional levels is the idea of sustainable development. The objective function of this strategy is formulated as the improvement of living standards of the population. The actions of public authorities must be consistent with that goal. An initial level of social standards should be set, which must not be allowed to degrade.

One of the principles of successful strategic management is the decision-making by consensus. Guided by this principle, the European Union is planning measures to overcome new threats to the EU. Strategy at the national and regional level should include mechanisms of social partnership and consolidation of interests of various strata of society.

The use of synergistic mechanisms for achieving the ambitious objectives of the strategy becomes one of the basic principles of strategic management. A synergistic effect arises from the implementation of the intersec-

tional, interregional and international cooperation. The synergistic nature of globalization of the economy is achieved by “enterprises from the most important sectors of national economies molding into a single system that operates in real-time”<sup>28</sup>. At the same time, narrowing the structure of the economy and decreasing the share of processing industries reduces opportunities for economic development of transitive countries.

From a strategic sense it is important to use the principle of mutual development of national economies in the unified space of international and regional organizations. For example, the “Asian tigers”, built mutual development on the basis of factors that reinforce each other (economies of scale, technical progress). Countries with a weak economy can raise the technological level due to the successive transition from one product to another, with greater added value. Thus, they are constantly improving production technology. The leader, in this case – Japan, provides an innovative breakthrough, opening new possibilities for neighboring countries. Over time, they will be able to take advantage of the advances in technology and the development of innovative production. This strengthens the economic power of the region as a whole. Countries that are neighbors to the regional leader, watching as the leader of developing new technology begin to duplicate these achievements. Without such cooperation, it is impossible to ensure the convergence of countries with different level of development. From a strategic point of view, to maintain a stable level of well-being, one needs a constant introduction of radical innovations. Radical innovation should have a high interdisciplinary and cross-disciplinary potential, to ensure the use of the most modern knowledge and research results. According to Reinert, E. radical innovations are born in the breakthrough sectors; therefore, these industries need to be present in each participating country. Only the strategy based on the introduction of radical innovations can ensure the safety of national economic development.

At the national strategy should be provided measures of economic security. G. Myrdal argues that the only symmetric relationship free trade between the countries, which are at a similar level of development, increases the level of protection of the national economies

M.:ZAO «Izdatelstvo «Ekonomika», 2004, p. 318–333.

<sup>25</sup> Polterovich V.M., Transplantatsiya ekonomicheskikh institutov/Ekonomicheskaya nauka sovremennoy Rossii, № 3, 2001, – p. 24–50.

<sup>26</sup> Investuvannya ukraïnskoï ekonomiki: Monograph/ed. A.I. Sukhorukova. – K.: National Institute of problems mineralno BEZPEKA, 2005, p. 22–43.

<sup>27</sup> Рассчитано по данным Academic Departments, College of Arts and Sciences, University at Buffalo, www.pluto.fss.buffalo.edu

<sup>28</sup> Raytner E., Kak bogatyie strany stali bogatyimi, i pochemu bednyie ostayutsya bednyimi/Per. s angl. N. Avtonomovoy, V. Avtonomov (ed.); Gos. un-t. – Vysshaya shkola ekonomiki, 2011, p. 384; Kastels M. Informatsionnaya epoha: ekonomika, obshchestvo i kultura/M. Kastels. – M.: GUVShE, 2000.



and ensures social welfare of each. Asymmetrical relationship in trade, on the contrary, provokes increased differentiation between countries<sup>29</sup>.

Finally, only a shared responsibility of all government branches can ensure the success of the strategy. A strong and accountable government is key to the formation and implementation of bold strategies. The example of the "Asian tigers" shows that their strong industrial development became possible thanks to strong government power, able to organize innovative development and to take responsibility for the future of the country.

Strategic planning in the region has features that reflect specifics of economic, social and environmental situation. The development of a regional strategy includes the following stages: agreeing objectives; socio-economic and environmental studies; SWOT analysis; competitive advantages; development of strategy and programs of its implementation; results verification and updating the content of the strategy. The main purpose of socio-economic development of the region is to improve the welfare and quality of life. Under certain conditions, conflict can arise between the development certain spheres of activity. Therefore, the strategy provides for an appropriate system of priorities and indicators for monitoring implementation of the strategy.

The presence of the regional development strategy promotes the creation of a favorable business climate, investors can coordinate their actions with the priorities of the region and to certain preferences, to use a common infrastructure to participate in the activities of regional and interregional clusters. Spatial planning and zoning ensures the rational use of the territory, balanced socio-economic development.

Existence of a regional strategy of socio-economic development is the basis for justifying the need for financial resources allocated from the Central budget, such as the implementation of targeted programs, targeted investment projects in the program of development of special economic zones.

The effectiveness of regional economy modernization is ensured through: the creation of an institutional environment conducive for business development; concentration of efforts on the development of infrastructure, conducive to maximize effective the use of regional advantages. The innovative strategy allows to fully develop the creative potential of the regions and to ensure the

effective development of their territories, as well as reaching the strategic development goals of the country as a whole, while maintaining its integrity and guaranteeing the provision of social and environmental security.

While developing anti-crisis policies, countries with economies in transition should consider the threats of transboundary crisis. In-depth study of this phenomenon enables to provide development of appropriate and integrated countermeasures in a timely manner. To strengthen the economic security of the state governments of transition countries must constantly implement anti-crisis measures within a framework of the following aggregated directions:

- orientation of all programs of the government to the innovative way of economic development;
- increasing the competitiveness of regional economies through the development of cluster structures and industrial parks;
- enhancement of export potential and replacement of critical imports;
- direction of investments to the construction of infrastructure facilities;
- reform of rent policy;
- usage of alternative energy technologies, increasing existing energy resources, implementation of pilot projects on energy saving;
- development of social partnership and public-private partnership.

Import substitution. Increasing export potential and increasing the economic security of the country as a whole must provide a complex of interconnected measures, which includes institutional, organizational, regulatory, preferential, tax, customs and investment measures.

Institutional measures lie within the establishment and continuous improvement of the legal framework aimed at ensuring effective economic activities and economic security of the state.

Organizational measures must be primarily aimed at the rationalization of the economy through the creation of a powerful corporate base of the economy and strong cooperative ties between the subjects of economy.

Regulatory measures should help reduce transaction costs by simplifying the permit system, granting plots of land for the organization of economic activities and procedures to connect to shared infrastructure.

Preferential measures may include: compensation of interest rates on loans for realization of innovative projects, providing equity participation from the state during the startup of pioneering projects, ensuring enterprise access to cheap credit.

<sup>29</sup> Karlson A., Shvedskiy eksperiment v demograficheskoy politike: Gunnar i Alva Myurdali i mezhvoennyiy krizis narodonaseleniya/A. Karlson – M.: Myisl, 2009, p. 312.

Measures in the tax area should include the introduction of preferential tax on the profits that are re-invested in modernization; introduction of investment tax credits through tax deferral with the accrual of compound interest during the use of these funds; improvement of special legal regimes of economic activities.

Measures in the customs area, must be directed at the prevention of smuggling and importation of counterfeit products; at the protection of domestic market from unfair competition; introduction of exemptions from payment of import duty on equipment that is not produced in the country.

Investment potential can be substantially increased by the introduction of accumulative forms of pension and other efficient forms of investment. Accumulation of the investment potential in the region should be provided through the creation of industrial parks and clusters, which allow concentrating the financial means of many economic actors, provide access to the objects of general engineering and transport infrastructure, as well as access to mineral resources and other kinds of resources and services.

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