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ПОЛІТИЧНІ ПРОБЛЕМИ МІЖНАРОДНИХ ВІДНОСИН

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CHILE: HOW TO BECOME AN ECONOMIC STAR OF THE PACIFIC REGION?

ЧИЛІ: ЕКОНОМІЧНА ЗІРКА ТИХООКЕАНСЬКОГО РЕГІОНУ?

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Abstract. *Chile is the state actor that became the regional power to be reckoned with despite a relatively small population and tense geopolitical relations with three neighbours – Argentina, Peru, and Bolivia, – while the pecularities of the national topography make the task of economic development considerably harder. Moreover, at the first sight, the dictatorship of Augusto Pinochet with its notorious repressions hardly could lure foreign investors. The article explains which commodities and services helped the country to reach one of the highest per capita levels in South America*

The authors focus on the specific features of Chile's geopolitical location by highlighting key points of its political and economic interactions with Argentina, Bolivia, and Peru, and also identify important segments of the state's tourism business which turn it into a significant point of cultural and tourist development in the Latin American region. In this vein, the importance of cooperation between Chile and other states in the region in the field of air transportation is emphasized, since this collaboration allows them to actually dominate the airspace and establish numerous tourist and cargo transportations.

The importance of mining which allows Chile establishing cooperation with other regional actors in this sector is emphasized. In addition, the authors highlight the sphere of agriculture where Chilean farmers emphasize fishing, fruit growing and wine production, as well as the subsequent export of these goods abroad due to the small consumption capacity of the domestic market.

Considering Chile's foreign policy interactions with external partners, the authors stress the importance of cooperation with China and the US. These states are noted to have a significant influence on the development of the Chilean economy because they cooperate with it in all critically important sectors. However, the uncontrolled growth of Chinese import flows and the excessive presence of Chinese multinational corporations in the territory of Chile cause certain concerns both in Chile and on the part of the United States.

Nevertheless, the authors conclude that the state's balanced economic policy in the region allowed Chile to gain a worthy place in the economic structure of Latin American trade and increase the pace of its own development.

Keywords: *Chile, China, the US, copper, lithium, fisheries, airlines, tourism, forestry, energy.*

Анатоція. *Чилі здобула статус могутньої в економічному відношенні регіональної потуги, незважаючи на відносно незначну чисельність населення, складні відносини з трьома сусідами – Аргентиною, Перу та Болівією, – а також унікальні особливості національної топографії, що суттєво ускладнюють розвиток народного господарства. Більше того, диктатура Августо Піночета з її репресіями на перший погляд не могла заохочувати іноземних інвесторів приходити у народне господарство. Однак, стаття пояснює, за допомогою яких товарів і послуг країна досягнула одного з найвищих прибутків на душу населення у Південній Америці.*

Автори концентрують увагу на специфічних рисах геополітичного розташування Чилі, виділяючи ключові точки політичної та економічної взаємодії з Аргентиною, Болівією та Перу, а також визначають вагомі зрізи туристичного бізнесу держави, які перетворюють її на значимий пункт культурного й туристичного розвитку в регіоні Латинської Америки. В цьому ключі, наголошується важливість взаємодії Чилі з іншими державами регіону в сфері авіаперевезень, що дозволяє їм фактично панувати в повітряному просторі та налагоджувати численні туристичні й вантажні перевезення.

Наголошується на важливості видобутку корисних копалин, котрі дозволяють Чилі налагоджувати кооперацію з іншими державами регіону в даному секторі. Крім того, автори виділяють сферу сільського господарства, в рамках якої чилійські фермери роблять акцент на рибальстві, вирощуванні фруктів й виробництві вина, а також подальшому експорті цих товарів за кордон у зв'язку з невеликою споживчою потужністю внутрішнього ринку.

Розглядаючи зовнішньополітичну взаємодію Чилі із закордонними партнерами, автори наголошують на важливості співпраці з Китаєм та США. Відзначається, що ці держави мають вагомий вплив на розвиток економіки Чилі, адже співпрацюють із нею в усіх критично важливих секторах. Однак, неконтрольоване зростання потоків китайського імпорту та надмірна присутність транснаціональних корпорацій КНР на території Чилі викликають певні занепокоєння як у Чилі, так і з боку США.

Тим не менш, автори доходять висновку про те, що зважена економічна політика держави в регіоні дозволила Чилі здобути гідне місце в економічній структурі латиноамериканської торгівлі та наростити темп свого розвитку.

Ключові слова: *Чилі, Китай, США, мідь, літій, рибний промисел, авіалінії, туризм, лісове господарство, енергетика.*

Introduction. Chile is widely known as the example of neoliberal miracle of 'Chicago Boys' and their centre-left successors who embraced the free trade and continued to pursue the course of liberalization and globalization. But many scientists are trying to understand how the country with widespread inequality could become truly successful as an export powerhouse or whether it was lucky to have the world's largest deposits of copper ore being extremely vital for modern economy at its disposal.

The paradox of the economic development of Chile is in a narrow internal market, arms race with its neighbours, and the lack of arable land for the agriculture what is defined by towering Andean mountains and extremely limited width of the national coast. Despite this, the country is considered the economic star of South America and demonstrates the dynamic growth of its GDP. The authors are confident that the success of export-oriented growth became possible because of a prudent selection of commodities and services that conquered global markets.

The aim of the article is to explore the principal factors being behind the economic success of Chile with the emphasis on the most important fields of export and to identify the key international partners who greatly contributed to the national success in this field.

Recent literature review. Gonzalo Salinas claims that transportation costs of the Chilean export commodities remain considerable because of unfavourable location of the country but the latter gradually decreased tariffs on foreign trade and developed the logistics and the facilities for the generation of electricity to be more competitive (Salinas, 2021, pp. 10, 16). Thomas Monteiro lists such factors of Chilean economic prowess as USD 15,000 per capita and relatively high purchasing power of the national population, significant natural resources for the benefits of mining industry, established democratic institutions, equal treatment of investors, conductive for business economic rules, and finally 32 free trade agreements with 66 state actors. At the same time, the author suggests that the country has relatively high level of unemployment and growing debt (Monteiro, 2023). JICA report notes a small size of the domestic market but, at the same time, underlines that several excellent ports of Chile serve as the gateways of Asian products to Argentina and in some cases to Brazil. Moreover, the central zone of the country has great conditions for the development of tourism and agriculture, and it is also distinguished for the quality of human capital (Analysis of export and investment…, p. 18, 27).

Presentation of the main research outcomes. A narrow 'snakelike' national territory of Chile is located on the periphery of South America. It shares the third longest in the world border with Argentina that extends itself to 5,300 kilometres along the chain of the Andes Mountains, while its northern neighbours are landlocked Bolivia and important Pacific power Peru whose frontier with Chilean state is rather small by the length (A Patagonia divided…).

The same map suggests that twin towns Arica in Chile and Tacna in Peru are playing increasingly important role in the trade between both neighbours, while the port facilities of Arica are heavily used by Bolivian merchants as well, since it is the closest Oceanic gateway to administrative capital La Paz and important regional city Cochabamba. According to the provisions of the Treaty of 1904 that settled the issues after the Pacific War, Chile provides Bolivia with free transit of goods via its ports of Arica and Antofagasta [Public statement on the treaty of 1904…, 2016]. In general, the coast of this country is the main gateway to the Pacific Ocean for the Western regions of Argentina and for all provinces of Bolivia. As a result, the national ports are always busy and get considerable profits.

The highest in the region Andean summits on the long border between Chile and Argentina are 'pushing' a tiny coastal strip towards the Ocean, and, as a result, the arable land is limited. In general Chile can be divided into three regions – the central coast with the climate that is similar to that of Spain, the world's driest Atacama Desert in the North with extremely small number of rainfalls, and, finally, the South with numerous forests and lakes along with the Patagonia Desert where the scenery of the coastline is almost the same as in Norway. The Pacific coast that exceeds 6,435 kilometres is conductive for fishing activities and for the development of aquaculture, but creates logistical challenges for the supply of goods between different regions. Moreover, the country controls numerous islands including Eastern Island and Juan Fernandez that have considerable tourist value (Our country; Dall, 2016). It is suitable to compare Chile to Israel that is also forced to trade with faraway destinations because of complex relations with its immediate neighbours. If to add the fact that the principal export commodities of Argentina, Peru, and Bolivia are in many cases similar, this strategy becomes even more important.

Chile has 19.5 million residents with 1.8 million of them being the members of tribes. Mapuche Indians are the most numerous and represent the lion's share of indigenous population, while Diguita and Aymara people are also present in the country in significant numbers (Milesi, 2023). Among them all the most protective of their rights are namely Mapuche people who are constantly demanding the return of native lands and deadly set against the regional activities of Chilean companies working in timber industry. Since 2017, the Southern region of Chile has been the epicentres of arsons of their equipment and plantations (Chilean forestry companies…, 2022). This factor may seriously aggravates the problem of forest fires that is typical for the country.

The political hub Santiago that was named in the honour of the Saint-Protector of Spain has at least 6.9 million residents (Thompson, 2022). The city boasts a significant number of skyscrapers, in particular, famous Gran Torre Santiago located in the financial district that is the highest and has the height of 300 metres and dominates over its central area. The snowy mountains surround the capital that adds a dramatic layer to general positive impression of foreigners about the city, but several dramatic hills allow for a panoramic view within Santiago itself. For example, Cerro Santa Lucia and San Cristobal Hill are both great lookout points for visitors and residents alike. Because of numerous earthquakes the megalopolis has a limited historic core that consists of the Cathedral in Plaza de Armas, the Presidential Palace 'La Moneda' (the former headquarters of the national Mint), and the Central Market that was opened for the use in 1872 (10 best things to do in Santiago).

The metropolitan of Santiago commenced its activities in 1975 when line No. 1 was introduced, and today boasts more than 130 stations within 7 lines. The most recent line is relatively modern, as it was unveiled in 2019 (Santiago Metro…). Probably it is the second largest such strategic object in the region after its counterpart in Mexico City.

Moreover, the capital of Chile has extremely advantageous location for the tourism development, as it is standing at the strategic crossroads between famous Andean resorts 'Valle Nevado', 'El Colorada', and 'Portillo', while only two hours of driving northwest, separate it from Valparaiso port and located slightly to the North of it Vina del Mar resort with several popular beaches and gardens where the residents of Santiago relax during the weekend or attend their summer houses (Chile's sky resort).

UNESCO-protected Valparaiso ('The Valley of Paradise') is the attraction with 15 historic funiculars and colorful houses that are clinging to the hills. A small mountain over the coastal area with Paseo 21 de Mayo is providing a sweeping view of the Ocean (Valparaiso…). The city with 270,000 dwellers is known as the architectural capital of Chile since it successfully catered the needs of ship crews in bunkering services and foodstuff before the opening of the Panama Canal in 1914 and thus enriched itself financially and culturally. It is standing on 40 hills and located at the distance of 120 kilometers away from Santiago next to the coast of the Pacific Ocean (UNESCO heritage site…, 2014). So, visually Valparaiso has much more historic buildings than Santiago de Chile, because it used to be a prosperous historic port.

Chile is relatively attractive in tourist respect since the country boasts 7 UNESCO World Heritage sites in 2024. Among them, one should name the colorful houses on the hills of Valparaiso, unique wooden churches of Chiloe, Sewell mining town on the almost vertical mountain slope that serves as the example of the classic settlement catering the needs of copper-extracting industry, and finally – Rapa Nui National Park on Easter Island in the middle of the Pacific Ocean with numerous enigmatic volcanic stone statues (Chile, UNESCO World Heritage Convention).

The top natural attraction of Chile is in the Deep South. A small and modest town Puerto Natales serves as the gateway to the National Park 'Torres del Paine' that is represented by massive granite mountains, dramatic lakes, and a huge glacier known as the Grey Lake. This place is also inhibited by such representatives of the national fauna as pumas and camelids (Torres del Paine). Its touristic value is further enhanced by the fact that the visitors can depart the National Park, cross the border, and reach after driving some 200 kilometres the main Argentinean natural attraction known as 'Perito Moreno' Glacier with the wall of blue ice that is 60 metres high and 5 kilometres long on the shore of Lake Argentino. A modest Argentinean town Calafate is serving is the main gateway to the natural wonders of this region (Vallejo, 2023).

At the same time, Chile boasts the world's driest Atacama Desert in its North with numerous opportunities to observe the stars in cloudless skies. Located within this extremely arid zone, Valle de la Luna near a small village San Pedro de Atacama is famous for open-air salt deposits and chaotic sand dunes, while other neighbouring areas are known for volcanic activity and distinguished for geysers, hot springs, red rocks with some iron ore, lagoons with clear water that attract migratory birds (10 must-visit places…, 2020).

Chile and Argentina are perfect for combined trips, as it was mentioned before with the example of the Perito Moreno Glacier. But this is not all. Santiago is located within the distance of a short flight to the capital of Argentinean winemaking Mendoza and neighbouring Provincial Park with the highest Mountain of Latin America Aconcagua that is 6,962 metres high. The distance between this famous Mountain and Mendoza town constitutes only 193 kilometres (La Ruta Natural). Chile also shares with Argentina the largest Island of Latin America Tierra del Fuego and controls the southernmost town Puerto Williams on the Island Navarino that is only a small village with 2,000 residents who are represented by the servicemen from the navy base and the fishermen. The residents are putting their hopes on cruise terminal that is being constructed and likely will help to create more jobs in catering industry and agriculture. Its direct competitor is Argentinean town Ushuaia with larger population base (Newman, 2023).

Because of the cold Humboldt Current the beach tourism in Chile is not highly popular, but the coast boasts numerous pools with hot water that visitors are using to warm up before jumping into oceanic waves. San Alfonso del Mar at the distance of 90 kilometres to the west of Santiago is the most famous resort in this respect that is equipped with the pool equal by its size to 20 regular Olympic pools, while several hotel towers are standing next to it (Puterman, 2017). This is just a one example of a prudent policy that helps to lure visitors from the capital and abroad to the national coastline that is not very attractive.

Chile with only 19.5 million residents is the regional's most influential player in the field of aviation industry, as it hosts 3 airlines – Latam, Sky, and Jetsmart. In 2023, Jetsmart became an important regional partner of American Airlines that is interested in the flights to Chilean cities with their subsequent continuation to other countries of South America. The fleet consists of 24 jets of Airbus A320 family that are unevenly distributed between Chile, Peru, and Argentina, while the new orders of the company include 100 ultramodern jets of the same producer (Garbuno, 2023). Its immediate competitor is the Sky low-cost airline that utilizes some of the most modern aircraft in Latin America. This carrier has 29 Airbus A320s 'Neo' and the main focus of its business model is on the flights within Chile (Romero, 2023).

Back in 2012, the merger of Brazilian TAM and Chilean LAN helped to create the preeminent carrier of Latin America LATAM. The idea behind it was to connect the two coasts of South America – Atlantic and Pacific – and to cater the needs of the population of the whole region by establishing large subsidiaries in all countries with significant population. Despite temporary difficulties of aerial travel during the Covid-19 pandemic, this largest aviation company of the region continues to purchase new jets. Today, it counts on 332 aircraft with 256 of them being the flying machines of Airbus A-320 family for short and medium flights, while the rest is represented by Boeing aircraft for long-haul destinations. Taking into consideration that several Andean countries are important exporters of the products of horticulture like cut flowers, expensive super food, and fresh fruit, LATAM also operates the fleet of 20 cargo carriers that are included in the list of Boeing jets (Our history, *Latam airlines*; Wolfsteller, 2023).

The mining industry is intimately connected to the extraction of copper ore. As it is widely known, the products from this commodity serve as an excellent conduit of the electricity and thus have a great universal value, since they are widely utilized in the manufacturing of cars and electric cars, aircraft, expensive decorations, coins, doorknobs, smart phones, and drugs (Copper: Critical today, tomorrow, and forever). In fact, any electronic device cannot function efficiently without the use of the copper wire. In 2022, Chilean miners extracted 5.3 thousand tonnes of the red ore and provided 24 per cent of global output of copper ore and 30 per cent of lithium. Moreover, the national companies invest considerable funds in the generation of green energy in the desert and use water for mining operations several times (Mining. Overview…, 2023).

In fact, almost all the largest copper mines are located in Chile. Among them Escondida stands out as the main strategic object that contributes 7 per cent of global production of this raw material, while Collahuasi is responsible for 3.1 per cent of it [The top 20 biggest copper mines…]. Because of this, solid international investors are attracted by the economy of scale in this Andean country. The importance of mining industry can be underscored by the fact that in 2022 Chile exported different types of ores to the tune of USD 97.5 billion and the share of copper in this amount constituted a whopping USD 43.8 billion (Despite record exports in 2022…, 2023).

The authors also believe that the investments in Chilean mining industry represent a safe bet. Unlike Peru, Chile is the country where the protests are relatively rare and is confined to the Deep South where Indians are trying to protect their rights on native lands, while the operations in the Andes continue unabated. As a result of constant unrest in mountainous region of Peru, this second largest exporter of copper ore does not provide a stable supply of the commodity to the world market and respectively the global prices of this commodity are growing all the time. The international investors are also wary of Peruvian economy taking into consideration its unpredictability (Aquino, 2022).

The state player working in this field is Codelco ('Corporation National del Cobre') that controls 28 per cent of mines, while numerous multinationals are exploiting the rest of them. As a result, 'Codelco' is the top producer of copper and molybdenum. The last mineral is also important economically, since it is used in the process of making of corrosion – resistant reinforced steel, in the production of lubricants, fertilizers, and different tools or engines. Taking into consideration the leadership of China in this field, it is clear where the molybdenum is exported to. Chile occupies the second place in the world by the output of the production of this useful mineral only after China (Pistilli, 2023; Mining. Overview…, 2023).

Along with Argentina and Peru, the country is the member of extremely important to the global economy 'Lithium Triangle' and produces some of the largest quantities of lithium by utilizing the water in the salty lakes (solars) in the Atacama Desert and evaporating it in order to get the raw substance. The lithium batteries provide the power to electric cars and smart phones, and this light metal is widely used in nuclear reactors as well. Currently, Chile is the second largest producer of lithium only after Australia (Otis, 2022). In 2023, private miner 'SQM' and state-owned 'Codelco' agreed to create in two years the joint venture that will keep working till 2060 under the guidance of 'Codelco'. This state-private partnership is necessary, since Chile may loose the competition against Argentina and Bolivia that are actively luring the investors with new lithium fields, while Chilean zone of extraction of lithium is gradually loosing its deposits (Chile's Codelco and SQM…, 2023).

The agriculture of Chile, where arable lands are truly limited, is known for the fruit and vegetables of the temperate belt that are widely popular abroad. The diversity of climatic conditions that are extremely dry in the Atacama Desert, alpine in the Andes Mountains, mild and Mediterranean in Santiago, while continental in the Desert of Patagonia create necessary factors for the cultivation of a wide range of agricultural products and berries. Moreover, the volcanic soils and a considerable number of sunny days are helping the farmers even further. Chilean farmers are effectively taking into consideration the counter-season demand in the North of the region by exporting the fruit and berries of moderate zone to cold countries like the US and Canada during their winter season. As a result, it is the top supplier to the world markets of cherries, grapes, apples, and citrus fruit. The cherries bring considerable profits, while the apples are sold in the largest quantities (Miranda, 2023).

Furthermore, Chilean agriculture is famous for its added value, since almost 99,000 companies are busy in the field of food processing and sell their products via 5 large networks of supermarkets or supply them to the national hospitality industry or abroad (Agricultural sector). The addition of value to agricultural products allows exporting them at more expensive price and to the far away international destinations, while prolonging their shelf life at the same time. This is like the European, Canadian or US practices that define the success of the industry.

The country operates the widest net of supermarket chains in South America to sell its products to as many clients as possible. The record-breaking number of such retail outlets is owned by Cencosud that controls the networks of shops under different commercial names in Chile, Argentina, Brazil, and Colombia, and even has the highest skyscraper in Santiago at its disposal. Its businesses are providing with work 116,000 people and this impressive result was achieved with gradual acquisitions of numerous rival companies in the region (Our history, *Cencosud)*.

A small Chile is the number one exporter of wines in Latin America and the fourth largest their vendor in the world ahead of such global players as the US, Australia, and even the South

African Republic (Workman). The national farmers are operating in the same climatic belt and the same topography as their counterparts in Argentina, but internal market of the country is considerably smaller, while the strategic location near the coast of the Pacific Ocean allows conducting a brisk trade with the region of East Asia and the overpopulated states of the US Western Coast. As a result, both China and the US are the main consumers of Chilean wines. Like in Argentinean case, the whereabouts of those lands on the deep periphery of South America isolated it from different deceases and many European grapes that disappeared on this continent, have been produced in Chile since colonial times and till present day. Take, for example, Chilean national red wine ‘Carmenere’ of French origin. The samplings of this grapevine were delivered to Chile in 1850 before the epidemics destroyed them in France and with the flow of time became the symbol of the added value in the agriculture (The story of Carmenere in Chile, 2021). In 2022, the Chilean farmers churned out 1,244 billion liters from the grapes that were collected on the land area of some 129,000 hectares and exported the lion’s share of produced bottles. The largest plantations were located in overpopulated central and south-central regions, what also defined an easy access of local population to those drinks. This field of economic activity brought USD 1.9 billion of export earnings during the same year (Gonzalez, 2023, pp. 2, 5, 8).

Chile is also actively competing with Norway as the top supplier of salmon fish to the world markets. The long and rugged coast to the South of Puerto Mont town with numerous fjords is a perfect zone for aquaculture, and because of this the country has the nickname ‘Norway of South America’. At the same time, the national territory is located at the vital crossroads between Brazil and the US with huge population bases, while the coastline of the Pacific Ocean provides it with a convenient route to the main consumer of this noble fish in the countries of East Asia like Japan. In 2022, Chilean farmers sold salmon products with the weight of more than 751,000 tonnes to the tune of USD 6.6 billion with the US being the largest customer with almost a half of import (Evans, 2023).

The commercial success of fish farming has another darker side that includes a heavy pollution of coastal waters with antibiotics or the feces of salmons and the proliferation of huge quantities of feed at the Ocean bottom. The farms are also routinely constructed in the national parks and protected zones (De Augustinis, 2013). Moreover, the Norwegian farmers and other European owners of such facilities in general enjoy calmer seas than the rough Pacific Ocean next to coast of Chile with its unpredictable weather and periodical El Nino phenomenon. El Nino may lead to the escape of the millions of salmons during storms where they prey on a smaller fish. But more importantly, this weather phenomenon is leading to algal bloom that is deadly for marine life in general (El Nino nightmare…, 2023).

The industry of forestry was created during the rule of Augusto Pinochet in 1974. It was decided at the state level to buy the samplings of trees with fast growing circle like Monterrey Pine and Eucalyptus and provide the national farmers who were willing to grow such trees on their land plots with generous state subsidies that covered the lion’s share of the costs. As a result, a couple powerful companies emerged that became the principal players in this field. However, occasionally the country, where at least 300,000 people are busy in this field, is suffering because of powerful forest fires, since the plantations are dense and the trees of Eucalyptus are burning extremely fast, while their whereabouts near villages is rather dangerous for residents as well (Kozak, 2017).

Moreover, the country is one of the leaders of green revolution in South America, since more than 35 per cent of electricity is churned out by the energy of sun and wind, while 37 per cent is produced by hydropower stations, what helps to save money on the import of considerable share of fossil fuels. Some projects also allow using the salt as the source of energy (Hughes, 2023).

Both Chile and Uruguay are among the least corrupt state actors not only in Latin America, but in the world in general. In the 2022 Transparency International ranking, Chile occupied the 27th position, while Uruguay – the 14th (Chile. Ranking 2022; Uruguay. Ranking 2022). In the Economic freedom – 2023 list, the Andean country was at the 22th place that represented the second best achievement in the Western Hemisphere only after Canada, while leaving its direct competitor Uruguay in the fourth place. The Chilean economic system is noteworthy for considerable taxes that are aimed to redistribute the wealth between the Rich and the Poor, what remains a challenge for international investors. It is also notorious for a relatively high level of unemployment (Chile. 2023 Index of economic freedom).

In fact, both South American states can hardly be regarded as rivals, since Uruguay is a smaller agricultural twin of Argentina with a tiny population and Chile is highly developed multipurpose economy with the special emphasis on mining, the agriculture of temperate belt with its wines, cherries, berries, and apples, and a great connectivity to outside world.

What countries are responsible for Chilean economic success? Despite the contribution of the US consultants in the field of market reforms in the epoch of Augusto Pinochet, namely China with a significant appetite for world resources stands out as the main culprit of modern Chilean miracle. It is the leader in the world by the number of construction projects and badly needs different copper products. Some 27 million cars were assembled in the country in 2022, among them – 7.1 million electric cars, what makes Chinese demand for copper and lithium products even higher (Chinese automobile output…, 2023). China is also the dominant producer of batteries that contain copper and lithium elements. In 2022, the Chinese share in the manufacturing of batteries constituted 77 per cent of the global output (Bhutada, 2023). Moreover, 'The Middle Kingdom' is among the most important makers of ships, smart phones, and electronics. All this put together defines significant importance of such copper suppliers as Chile and Peru to constantly growing Chinese economy. The author also believes that the periodic political difficulties in the relations with Australia that considers the US as its main security partner force the official Beijing to turn towards Chilean copper, lithium, and wines in order to substitute the similar products of their Australian counterparts.

But not only copper defines the interest of China towards Chilean economy. The country with enormous population is the top consumer of fruit, especially the red ones that bring good luck in the imagination of Chinese customers who belong to the ranks of the middle class or higher. This can be illustrated by successful export of Chilean cherries to Chinese market. In 2022, the national farmers sold some 331,000 tonnes of those fruit to the East Asian country (Daye, 2023). The same probably concerns the wines and different berries.

In 2005, the partners signed free trade agreement and namely China has been known as the main trading partner of this country since 2009. In 2022, the bilateral trade in goods constituted some USD 38.11 billion, while 'The Middle Kingdom' was the largest export destination of the Chilean companies by a wide margin (Yeping, 2023). Chile, sensing the opportunity of profitable trade relations with rising China, accorded the diplomatic recognition to the official Beijing as early as in 1970 and was the first in the region to sign the free trade agreement with this country in 2005. On the other hand, Chinese enterprises consume a considerable share of Chilean mineral export thus making the country less inclined to diversify its economy and hope that the demands from will remain the same. The companies from this East Asian country also own 57 per cent of strategic objects that distribute the electricity in Chile, what makes the dependence even more pronounced (Fernández, 2022).

China is the principal partner of Chile in the field of green revolution. Santiago is in the Valley between several mountains and is suffering badly because of car emissions. The same problem is typical for many Chilean cities and they forced the government to declare the complete switch of the system of transportation of goods and people from gasoline buses to electric buses in 2040. China decided to help with the sales of electric vehicles for public purposes and agreed to supply in 2019 the buses of this type. Such producers as BYD, Yutong and Foton are well-represented in the capital, but this is the namely Foton that is the main player in the transport system of Santiago. In 2021, this company agreed to supply the Andean country with 1022 electric buses (Roberts, 2022).

China, as the world's largest batteries producer, is stepping up its quest for the extraction of lithium in Chile and in 2018 Tianqi Lithium bought with the loan that was worth some USD 4 billion 23.77 per cent of shares of SQM – the largest Chilean miner of this commodity. It happened so, because Chinese leadership wants to increase the volumes of the production of batteries and electric cars with Chilean raw materials (De La Jara, 2018).

Of course, the relations with the US are also of the paramount importance, since this country is one of world leaders by production of aircrafts, cars, ships, and military equipment, while its consumer market is the forth largest in the world. In 2003, the US and Chile signed the free trade agreement that became valid during the next year. Moreover, it was the first state actor of South America that concluded such a treaty with a sole superpower. The US trade with Chile in 2022 constituted some USD 35.4 billion and Chile was an important exporter of copper, salmon, lithium, grapes, berries, and citrus fruits (Karst, 2023).

Chile is one of rare players of Latin America whose citizens enjoy the right to travel to the US without visa for 90 days. This opportunity was given to them in 2014 (US relations with Chile, 2023). Mainly developed state actors deserve such a privilege and this South American country did it due to its constant economic successes and considerable per capita income. The authors believe that the education services in Chile are expensive, what may create the preconditions for US universities to open its branches in the country or attract more Chilean students to get the education in the US.

US corporations are active in the Chilean market as well. For example, Wallmart is the top provider of US products that purchased in 2009 the net of shops that belonged to Distribution y Servicio D & S S.A. Today, it consists of some 393 retail outlets that are well-represented across the national territory (Chile, *Wallmart)*. The companies from this country also guarantee energy security of Chile. For example, Chicago, Bridge & Iron was responsible for the opening of LNG terminal 'Quintero' with the price tag of USD 775 million in 2009. Since that time, the facility in the Quintero Bay has successfully been catering the needs of central region in natural gas. It was done in order to substitute unreliable supply of pipeline fuel from Argentina (Quintero Bay LNG project…). Furthermore, the US Corporation 'Albemarle' has been present in Chile since 1984 and controls three factories that churn out lithium products and share collective name 'La Negra' (Albemarle inaugurates news…). Finally, in 2021 Codelco and Microsoft stuck the deal that stimulated the digitalization of mining operations for the sake of their automation, remote control, and the analysis of the efficiency (Chile's Codelco parthers…, 2021).

But this is the field of aviation where the cooperation of both countries truly shines. In 2019, the US carrier 'Delta' bought 20 per cent of the LATAM shares for USD 1.9 billion that allowed partners joining hands and introducing some 435 destinations – more than any other competitor in the region. The same American corporation also agreed to invest USD 350 million in the future projects of mutual interest. Both partners are using terminal No. 4 in New York and terminal No. 3 at Guarulhos airport in the suburb of Sao Paolo, Brazil. However, because of the temporary bankruptcy of LATAM Delta decided to decrease its share to 10 per cent in 2021 (Delta to buy 20% stake…, 2021; Garbuno, 2021).

Moreover, Jetsmart is owned by the US corporation 'Indigo Partners' that also controls the most successful Mexican budget airline 'Volaris' (JetSmart Airlines). As it was mentioned before, in 2023, Jetsmart became the principal partner of American Airlines in South America that cemented the alliance of both countries even further.

Conclusions. As it is generally known, the epoch of Salvador Allende proved that even rich country could be engulfed by the economic crisis, if to manage the economy improperly and rely on a single export destination. All his successors tried avoiding his bitter mistakes by diversifying the export commodities and creating trade partnerships with free trade agreements and increasing connectivity via ports and airports. In the 2000-s, China stepped in as the largest consumer of Chilean natural resources and the country became too dependent on a single market again. The trade ties with the US are also important, but Chinese needs of raw materials are truly unlimited. Chile is the export powerhouse with its copper products, lithium, molybdenum, seafood, apples, grapes, cherries, and wines; however, the overreliance on 'The Middle Kingdom' remains the matter of some concern.

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STRATEGIC PRINCIPLES OF CULTURAL POLICY OF UKRAINE IN THE CONTEXT OF THE COURSE OF EUROPEAN INTEGRATION

СТРАТЕГІЧНІ ЗАСАДИ КУЛЬТУРНОЇ ПОЛІТИКИ УКРАЇНИ В КОНТЕКСТІ КУРСУ ЄВРОПЕЙСЬКОЇ ІНТЕГРАЦІЇ

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Abstract. *The purpose of the research deals with proving the need for the formation of strategic foundations of cultural policy in Ukraine for the conditions of military aggression and the post-war period, taking into account the requirements of the state course of European integration. The current state of the cultural sphere in Ukrainian society is demonstrated to be characterised by at least the following factors: the destruction of a large number of infrastructure facilities of cultural institutions due to military operations, a significant reduction in the financing of culture from state and local budgets and the requirement to learn European practices in the implementation of cultural policy as a result of Ukraine's acquisition of the status of an EU member. Given these circumstances, the political class and the administrative establishment of Ukraine are faced with the task of creating a renewed cultural policy that would be able to overcome the losses and traumas of the war period, ensure cultural development in the post-war period, aimed at forming a stable identity of Ukrainians. Hence, the task arises through the means of culture of forming the European component of Ukrainian identity, since the condition for the success of the course of European integration is the need to master the values on which the European community is built. It is established that an updated strategy plan for cultural development is required to address these issues. The necessity of modernization of the legislative base of cultural policy is shown, in particular, the approval of decentralization of the functioning of government bodies, strengthening support for culture from the state and municipal budgets, creating a legislative base for public-private partnership in the cultural sphere, strengthening the information component of the cultural process*.

Keywords: *cultural policy, cultural strategy, identity policy.*

Анотація. *Метою дослідження є доведення необхідності формування стратегічних засад культурної політики в Україні для умов військової агресії та повоєнного періоду з урахуванням вимог державного курсу європейської інтеграції. Показується, що наразі ситуація в культурній сфері українського суспільства характеризується, як мінімум, наступними чинниками: руйнуванням великої кількості об'єктів інфраструктури культурних закладів внаслідок військових дій, зменшенням фінансування культури із державного та місцевих бюджетів, необхідністю імплементації правових засад* *європейських практик культурної політики, що витикає із набуття Україною статусу кандидата до вступу у ЄС. В контексті зазначених чинників перед політичним класом та управлінським істеблішментом України стоять завдання створення оновленої культурної політики, яка б була здатна подолати втрати та травми воєнного періоду, забезпечити культурний розвиток у повоєнний період, спрямований на формування стійкої ідентичності українців. Звідси постає завдання за допомогою засобів культури формування європейської складової української ідентичності, позаяк умовою успіху курсу європейської інтеграції є необхідність опанування цінностями, на яких побудована європейська спільнота. Обґрунтовується, що для вирішення цих завдань необхідно створення оновленого стратегічного дизайну культурного розвитку. Показана необхідність ствердження децентралізації функціонування органів управління, посилення підтримки культури із державного та муніципальних бюджетів, створення законодавчої бази державно-приватного партнерства у культурній сфері, посилення інформаційної складової культурного процесу*.

Ключові слова: *культурна політика, стратегія культури, політика ідентичності.*

Introduction

The effectiveness of cultural policy in Ukraine for the conditions of military aggression and the post-war period depends on the solution of at least the following tasks:

(1) Modernization of post-totalitarian mechanisms for managing the cultural sphere (rejection of the so-called sectoral principle), as well as the involvement of managers capable of implementing an effective cultural policy. The political class of Ukraine is faced with the task of forming an optimal management model for decentralization conditions, when central authorities are limited to the development of strategic development programs and their implementation is transferred to grassroots levels;

(2) Cultural policy should meet the requirements of European integration of Ukraine, based on the need to adapt the legislation of Ukraine to the law of the European Union in the context of Ukraine's acquisition of the status of an EU member. In the context of this, the task arises through the means of culture of formation of the European component of Ukrainian identity. After all, the state course of European integration implicitly includes the need for Ukrainian citizens to master the values on which the European community is built. Cultural policy should play a key role in the implementation of this task.

(3) The consequence of the military aggression of the Russian Federation was a decrease in funding for the cultural sphere. Without targeted support from the state and local self-government bodies in the current conditions, cultural institutions simply will not be able to function fully. Therefore, the updated model of cultural policy should provide for state protectionism, which would ensure access to the culture of the general population;

(4) The purpose of cultural policy is to restore the destroyed and damaged due to hostilities infrastructure of cultural institutions and ensure their financing. Thus, according to the Ministry of Culture and Information, as of January 25, 2024, 1,938 cultural infrastructure facilities suffered losses. 314 of these were destroyed. In general, the following were affected: club institutions – 929; libraries – 689; institutions of art education – 154; museums and galleries – 113; theatres, cinemas and philharmonic societies – 38; parks, zoos, reserves – 12; and circuses – 3. As of the end of January 2024, almost the entire territory of Luhansk and significant parts of the territories of Zaporizhzhia, Donetsk and Kherson regions were under temporary occupation, which makes it impossible to calculate the exact number of cultural infrastructure objects affected by hostilities and occupation. (1938 objects ..., 2024).

Thus, the strategic principles of cultural policy are associated with the creation of a multidimensional model that would be able to ensure the restoration of destroyed institutions, involve the general public in the cultural process, ensure proper financing of the cultural process, which would guarantee the population's access to cultural goods, as well as the formation of the Eurocentric orientation of the identity of Ukrainian citizens.

Literature Review

Among the latest studies that analyse the problems of the implementation of cultural policy in Ukraine, we will point to a number of thorough publications that investigate certain aspects of the development of culture in the pre-war period. In particular, the study of the problems of financing creative industries (Vorobei V., Kobrynovych M., Kryvetska L., 2020), the development of library business in the context of decentralization of management (Krat M., Sofii O., 2016) and the analysis of the problems of informatization of libraries (Brui O., 2021), the analysis of the problems of the development of regional infrastructure of cultural institutions (Bohdan O., 2019) and the provision of cultural services to the population in the context of decentralization (Pyrohova D., 2020). In the Humanitarian Policy of Ukraine: Challenges and Prospects analytical report, an attempt is made to comprehensively study the problems of the humanitarian space in the pre-war period (Sinaiko O. et al., 2020).

At the same time, there is an obvious lack of analytical developments on the topic of what should be the cultural policy in wartime and the post-war period. However, similar tasks are faced by the creators of information policy and, in particular, the creation of information support for the cultural process aimed at conveying the achievements of culture to different social strata. In this plan, we can point to the plan for the restoration of the cultural sphere, prepared by a working group of experts under the patronage of the Ministry of Culture (Draft Plan for the Recovery of Ukraine, 2022). At the moment, the Vision of Ukraine: Reforming and Restoring the Social and Humanitarian Sphere in the Perspective of 2030 project, which was prepared by public experts (Vision of Ukraine, 2023), is under discussion, which separately pays attention to the development of the cultural sphere.

In our research, the basic concepts are used based on the conceptual approaches that are used in many international documents devoted to cultural policy issues.

The concept of *“cultural policy”* is used in the traditional key, as it was defined at the UNESCO Conference in Monaco (1967). Namely, *“cultural policy”* is defined as a set of conscious actions (or their absence) aimed at satisfying cultural needs by using the material and human resources that society has at the moment (Cultural Policy, 1969). For our study, it is important to understand that the content of the concept of "cultural policy" includes a set of legal, administrative and financial levers through which the state policy in the field of culture is implemented. We also used the conclusions of the report of the OUR CREATIVE DIVERSITY Culture and Development World Commission, in particular, on the need to recognize the cultural rights of different social groups and the importance of cultural development to ensure harmonious social progress (Our Creative Diversity, 1969).

For Ukraine, in developing its state cultural policy, it is important to use the principles defined in the UNESCO Universal Declaration on Cultural Diversity (2001). Of particular importance are the principles that define cultural diversity as a common achievement of mankind (Article 1) and a factor of development (Article 3). It is also important to use the principles of state policy in the field of culture defined in the Declaration, in particular the statement that such a policy should ensure the dissemination of cultural ideas, goods and services at the local and global levels. At the same time, each state makes its own cultural policy and implements it by appropriate means (UNESCO Universal Declaration, 2001). In the same context, the principles defined in the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions were used, among which, in particular, there is a requirement to include culture as a strategic component in the more general state development policy (UNESCO Convention, 2005).

Approved international documents set the conceptual horizons of specific national policies in the field of culture. International documents should play a significant role in shaping the state cultural policy in Ukraine. At the same time, their implementation should take into account the national specifics of the countries.

In early 2023, the European Commission presented a report on Ukraine's readiness to join the EU. In general, European experts positively assessed the state of implementation of cultural policy in Ukraine, noting *'a certain level of preparation for the EU goals'*, in particular, pointing to the ratification of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2010) and intersectoral cooperation within the framework of the Creative Europe Program (Analytical Report, 2023). However, it is obvious that within the framework of homework, much remains to be done to ensure that cultural policy meets the challenges associated with the implementation of the course of European integration. In particular, it concerns the need to harmonize Ukrainian legislation in the humanitarian field with EU law.

Main Research Results

Public Demand for a New Cultural Policy

Russia's military invasion was the impetus for significant changes in the structure of the identity values of Ukrainian citizens. In Ukrainian society, new structures of socio-cultural identity are being approved, so the state cultural policy should contribute to strengthening this process. The priority in this regard, in particular, should be to promote the mastery of European values, which should become an integral part of Ukrainian identity, as well as to counteract the destructive cultural and informational influence of Russia.

As an illustration of changes in public consciousness, we will give several statistical data that are important for the formation of cultural policy.

First of all, we should note the unprecedentedly high level of public support for the European and Euro-Atlantic integration course. Thus, according to a representative survey conducted by the RATING Sociological Group, support for Ukraine's accession to the EU in February 2023 was 85% (in April 2022, it was 80%). There is also a high level of support for joining NATO. In February 2023, it was 82%, although in April 2022, it was 59%. Support for the European and Euro-Atlantic vector of integration is unanimous on regional and age grounds (IRI All-Ukrainian Survey, 2023). This is an unprecedented level of support for the entire period of sociological research.

The next factor that indicates a significant transformation in the public consciousness is the final rejection of the symbol set, which is associated in the public consciousness with the Soviet past. Thus, the number of citizens who are nostalgic for the Soviet past decreased from 46% in 2010 to 11% in 2022. The absolute majority of respondents (87%) do not regret the disappearance of the USSR. Values inherited from the Soviet era have long influenced the formation of humanitarian policy. As can be seen, this value-semantic factor has now been overcome (Tenth National Survey, 2022).

Among the signs of political consolidation can also be called an unprecedented level of support for the democratic path of Ukraine's development. According to the survey conducted in May 2022, 95% of respondents indicated that it was important for them that Ukraine become a democratic society. For comparison, before the beginning of the war in December 2021, there were 76% of them. The most significant features of democracy for respondents were freedom of speech, fair justice, and free and fair elections (NDI Survey, 2022).

However, despite the consolidated support for the model of a society built on social and state values associated with the European community, nevertheless, there is no reason to assert that in Ukrainian society there has finally been a historical choice of citizens in favour of a pluralistic society, solidary social relations, and the rule of law. The consequences of social and psychological trauma caused by military aggression, the destruction of the economy, mass migration, the spread of poverty, etc. are quite acute. Consequently, the exam on historical choice and social consolidation has not yet been completed. It can be agreed that there is 'a high probability of the emergence of new socio-political splits associated with numerous human losses, migration, mass impoverishment, etc. Therefore, Ukraine needs to prepare the necessary fuses in advance so as not to slip into identity conflicts again, now based on new demarcation lines' (Zelenko H., Kononenko N., 2022).

In the context of the course of European integration, as noted, it is important to form citizens' value structures of identity, which are associated with the idea of "Europeanness". Polls on popular opinion indicate that there is still more work to be done in this area before Ukrainians consider themselves to be Europeans. Thus, according to the results of a sociological study, the generalized index of self-perception of residents of de-occupied and frontline territories as

Europeans is about 4 points. For comparison, the index of perception of oneself as a resident of one's region is 9.3 points. That is, respondents primarily identify themselves as residents of Ukraine and a particular region (oblast). Instead, identification markers associated with the perception of oneself as Europeans are at the initial stage of development (Cultural Practices, 2024).

In the public consciousness, there is a lack of understanding of the content of many norms on which the European community is formed (human rights, rule of law, etc.), so there is a need for the formation of state humanitarian and cultural work aimed at supporting new trends in the formation of the identity of citizens associated with the course of European integration of Ukraine. This is the public demand for a renewed state cultural policy.

Relevance of Updating the Cultural Policy Strategy

The strategic foundations of cultural policy should be based on strong constitutional principles. However, despite the importance of culture for the development of society, not a single article of the Constitution of Ukraine is fully devoted to it. The Basic Law mentions culture in Articles 11, 12, 24, 36, 54 and 66, but the definitions contained in the Basic Law are largely incomplete. In the relevant sections of the Constitution of Ukraine, where the functions of the central authorities are defined, the issue of cultural policy is not given due importance. There is no concept of 'cultural policy' in the Basic Law. Instead, the concept of 'nationwide programs of national and cultural development' is used (Art. 85), 'nationwide program of cultural development' (Art. 116, item 4), and 'regional cultural development programs' (Art. 119, item 3). Based on the importance of culture for the development of society and the citizens, it is obvious that the Constitution of Ukraine should contain a separate article devoted to culture and its functions, which will determine, in particular, the principles of cultural policy and guarantees of ensuring the cultural rights of citizens.

On the agenda is the problem of legislative consolidation of strategic directions of cultural policy. The current documents defining the strategy of cultural development are outdated and do not correspond to their purpose. The Long-Term Strategy for the Development of Ukrainian Culture, which was approved in 2016, does not take into account modern realities, therefore it does not perform the functions of a strategic document of state policy (Long-Term Strategy, 2016).

Currently, several projects for the development of culture in wartime and the post-war period are at various stages of preparation. At the initiative of the Ministry of Culture, in June 2022, the Cultural Consolidation for Victory manifesto was prepared, which identified the priorities of cultural policy in the war period (Manifesto Cultural Consolidation, 2022). The Culture and Information Policy working group of the National Recovery Council prepared a draft plan for the restoration of the cultural sphere in the post-war period (Draft Plan for the Recovery of Ukraine, 2022). The Vision of Ukraine: Reforming and Restoring the Social and Humanitarian Sphere in the Perspective of 2030 project, which was prepared by public experts, is under discussion (Vision of Ukraine, 2023). This Project pays special attention to the development of the cultural sphere. Despite the appropriateness of the creation of these projects, nevertheless, they do not have the status of a state policy document and, accordingly, do not have legal force for the functioning of state and public institutions implementing cultural policy.

Updating the strategic foundations of cultural policy is also necessary taking into account the need to fulfill the requirements for the adaptation of Ukrainian legislation to the law of the European Union in the context of Ukraine's acquisition of the status of a candidate for EU membership. The concept of Ukraine's cultural development strategy should be based on fundamental European values, including, in particular, the values of freedom, justice, solidarity, democracy, the rule of law, the protection of human rights, overcoming poverty and guaranteeing the rights of minorities.

We will identify the main conceptual positions that should be reflected in the updated strategy for cultural development. The following priorities of cultural development require conceptual justification: the need for citizens to master modern cultural competencies, overcome the phenomenon of 'cultural poverty'; guarantees of access to cultural goods regardless of material condition and place of residence; promotion of cultural diversity; institutional and legal foundations for the preservation and protection of cultural heritage; state and public support for various forms of creativity and innovative culture, in particular, creative industries; and mechanisms for the formation of a modern socio-cultural identity of Ukrainian citizens. Among the priorities is the definition of mechanisms for countering the 'cognitive war', that is, the spread in the cultural space of destructive narratives aimed at destroying the identity and deconsolidation of Ukrainian society. It should also be called guarantees of information accessibility of citizens to cultural goods; determination of mechanisms for proper budget financing of cultural institutions, and the legal basis for the creation of mechanisms for extrabudgetary financing. Particular attention in this regard should be paid to strengthening the role of cultural and humanitarian work on the mastery of European values and the formation of socio-cultural identity.

Modernization of the Legislative Base of Cultural Policy

The new strategic design of cultural development provides for the modernization of the regulatory framework of cultural policy.

In this context, the actual task is to develop and approve a new version of the Basic Act of Ukraine on Culture (Law of Ukraine, 2011). The current law requires innovations that should be aimed at the legal justification of the mechanism for the formation and implementation of state cultural policy for wartime and post-war conditions. In particular, it is advisable to identify among the priorities a set of tasks that are associated with the formation of the socio-cultural identity of citizens and the consolidation of society. In this regard, a legislative norm will be appropriate, according to which the mastery of European values will be determined by one of the priorities of cultural development. Accordingly, quantitative and qualitative indicators should be introduced into the system of monitoring and evaluating the implementation of state policy in the field of culture, using which the effectiveness of identity policy is determined.

The basic law should define the guaranteed share of state and local budgets that are directed to the needs of the cultural sphere. The legally defined amount of budget support will allow to get rid of the notorious 'residual principle', according to which cultural institutions are sometimes financed.

In the basic law, it is also necessary to determine the specifics of the implementation of cultural policy in the context of decentralization of management, to outline the areas of competence of regional and central authorities. The policy of decentralisation, which was implemented in the pre-war period, has generally proved its effectiveness, in particular, in terms of increasing the financial capacity of self-governing local communities. At the same time, it is necessary to recognize that local communities, having received additional financial resources, for the most part, did not provide appropriate improvement in the functioning of the infrastructure of cultural institutions. Therefore, at the legislative level, it is advisable to determine the mechanisms for the formation and implementation of cultural policy at the regional and local levels.

Special attention should be paid to the definition of mechanisms for information support of the cultural process (cultural enlightenment), which consists of promoting the accessibility of cultural values to the population.

The need to introduce a subvention from the state budget for guaranteed financing of cultural services is the next priority of the legislative support of cultural policy. In this regard, the legislative initiative of the Ministry of Culture, which proposed the Draft Act of Ukraine on Amendments to the Budget Code of Ukraine on the Introduction of a Cultural Subvention to Finance the Provision of a Basic Set of Cultural Services (Draft Law of Ukraine, 2022), deserves support. The introduction of a cultural subvention will contribute to the financing of a guaranteed set of cultural services, which will result in ensuring the uniformity of cultural development of regions and will become an effective means of preventing the development of the phenomenon of 'cultural poverty'. Moreover, the urgency of introducing a subvention for the conditions for the restoration of destroyed cultural infrastructure objects is increasing, because local budgets for such purposes may simply lack the necessary resources. Without centralized financial support, it is impossible to count on the rapid restoration of destroyed cultural sites.

Particular attention should be paid to the modernization of the legislative framework for public-private partnerships in the cultural sphere. In the current conditions, the main source of support for culture remains funding from state and local budgets, as well as the resources of international partners. At the same time, it is obvious that these sources of funding are not enough for the full restoration of the cultural sector.

According to the relevant committee of the Verkhovna Rada of Ukraine, in the budget of Ukraine in 2022, nominal expenditures on culture and art were UAH 18.9 billion, in 2023, expenditures on culture and art amounted to UAH 22.3 billion. The draft budget of Ukraine for 2024 provides for their growth to UAH 27.5 billion. At the same time, according to experts of the profile committee of the parliament, despite the increase in nominal expenditures on culture and art in the budget of Ukraine in 2024, taking into account inflation indicators (113.8% year-on-year), real financing of the sphere of culture and art will decrease by 26.69% compared to 2021, which will not ensure the restoration of budget financing in real terms of the pre-war level. (On Budget Financing, 2023)

In the context of insufficient budget support, the development of public-private partnerships can be an effective auxiliary tool for financing cultural policy. However, there are currently large gaps in the current legislation regarding the legal support of the capacity of public-private partnerships to significantly affect the financing of cultural activities. Thus, the Act of Ukraine on Culture, the Act of Ukraine on Museums and Museum Business and the Act of Ukraine on the Protection of Cultural Heritage fixed the possibility of using public-private partnerships. However, this fixation is mostly of a framework nature, since neither the laws that define cultural activities nor the by-laws have developed a mechanism for applying public-private partnerships. According to many experts, the current model of public-private partnership is not adapted for its effective application in the field of culture, taking into account the specifics of cultural infrastructure and cultural heritage sites. The main obstacle is the requirements for the preservation of historical monuments and the functionality of cultural objects under the conditions of their commercial use. As a result, at the moment there are no by-laws and methodological recommendations that would determine the mechanisms for the use of public-private partnerships in the field of culture and the use of historical heritage objects in commercial activities.

The sphere of culture and before military aggression was unattractive for private investors. Therefore, in the context of budget underfunding, the task of modernizing the regulatory framework of public-private partnerships in the field of culture is on the agenda to create a favourable environment and incentives for private businesses to attract investment in the cultural sphere.

Conclusions

Drastic changes in Ukrainian society caused by the Russian-Ukrainian war put on the agenda the need to form a state cultural policy in Ukraine for the conditions of military aggression and the post-war period.

The formation of updated strategic foundations of cultural policy was curtailed during the armed aggression. Ukraine's obtaining the status of a candidate for accession to the EU has set the task of accelerating work in this direction on the agenda. Therefore, despite the losses as a result of the war, the relevance of the formation of updated strategic foundations of cultural policy in the context of the state course of European integration remains.

At present, the situation in the cultural sphere of Ukrainian society is characterized, at least, by the following factors: firstly, the need to restore a large number of infrastructure facilities of cultural institutions that were damaged or destroyed as a result of hostilities; secondly, the need to ensure proper financing of culture from the state and local budgets; thirdly, the need to master European cultural policy practices, which derives from Ukraine's acquisition of the status of a candidate for accession to the EU; fourthly, the task of reforming cultural management bodies at the central and local levels, attracting managers capable of implementing policies following accepted European cultural practices.

To solve these problems, there is a need to update the state policy documents defining the strategy of cultural development. The subject of the updated strategy should be the creation of political and legal conditions for the formation of cultural practices that meet the public demand and the interests of consolidating society, guaranteeing the cultural rights of citizens.

The strategic principles of cultural policy should meet the challenges of today and cover all areas of cultural activity. Target results of cultural policy should be determined, the achievement of which is determined based on monitoring, which provides information to the subjects of the cultural process on the status of implementation of planned activities.

The financial condition of the cultural sector remains rather weak, despite the nominal increase in funding in 2024. Therefore, the agenda includes the development and approval of regulations that would facilitate the involvement of private businesses based on patronage and increase the investment attractiveness of the cultural sphere.

The implementation of European legislation requires a reform of the management system in the field of culture. The central executive body responsible for the implementation of cultural policy should be institutionally capable of implementing practices that contribute to the integration of Ukrainian culture into the European humanitarian space. In particular, this concerns the need to ensure the consistency of planning with the relevant plans of European institutions in the field of culture. Managers at the central and local levels should have the appropriate professional level to ensure the integration of Ukrainian culture into the European humanitarian space.

Current areas of cultural development require the following legislative substantiation: mechanisms for the formation of a Eurocentric socio-cultural identity of Ukrainian citizens; determination of mechanisms to counter the spread of destructive narratives in the cultural space aimed at destroying the identity and deconsolidation of Ukrainian society; guarantees of proper budget financing of cultural institutions; determination of mechanisms for information support of the cultural process; determination of guaranteed indicators of financing the cultural sphere from the state and local budgets.

The task of integrating Ukrainian culture into the European humanitarian space, in particular the implementation of EU law in the domestic regulatory framework, should be a priority in the development and implementation of cultural policy.

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HOW THE RUSSIAN-UKRAINIAN WAR IS TRANSFORMING INTERNATIONAL SYSTEM AND INTERNATIONAL ORDER

ЯК РОСІЙСЬКО-УКРАЇНСЬКА ВІЙНА ЗМІНЮЄ МІЖНАРОДНУ СИСТЕМУ Й МІЖНАРОДНИЙ ПОРЯДОК

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Abstract. The article examines the impact of the Russian-Ukrainian war on international system and international order. It assesses the former through the lenses of realism and neorealism, while approaching the latter within constructivist and English School approaches. Structural and normative changes in international politics are examined.

The war has been revealing and transforming the balance of power on a global and regional levels. By doing so, it is enhancing structural changes in the international system. The article explores the scope of these changes.

On the normative side, the conflict challenges and potentially alters the rule-based international order, affecting established norms and institutions. This war not only affects Ukraine but also has broader implications, contributing to the ideological standoff and security paradigm shifts globally. The article underscores the interplay between structural changes and normative shifts, illustrating how these dynamics are interconnected and mutually reinforcing. This comprehensive analysis provides insights into the evolving landscape of international relations and security, emphasizing the far-reaching consequences of the Russian-Ukrainian war on both international system and order.

Key words: Russian-Ukrainian war, international security, international order, international system, power transition

Анотація. Стаття досліджує вплив російсько-української війни на міжнародну систему та міжнародний порядок. Міжнародну систему оцінено крізь призму реалізму та неореалізму, тоді як міжнародний порядок розглянуто в рамках конструктивістського підходу та Англійської школи. Оцінено структурні та нормативні зміни в міжнародній політиці.

Війна виявляє та трансформує баланс сил на глобальному та регіональному рівнях. Тим самим вона посилює структурні зміни в міжнародній системі. Стаття досліджує обсяги цих змін.

З нормативного боку конфлікт кидає виклик і потенційно змінює міжнародний порядок, заснований на правилах, впливаючи на встановлені норми та інститути. Ця війна не лише впливає на Україну, але й має ширші наслідки, сприяючи ідеологічному протистоянню та змінам у парадигмі безпеки на глобальному рівні. Стаття підкреслює взаємодію між структурними змінами та нормативними зрушеннями, ілюструючи, як ці процеси взаємопов'язані та підсилюють один одного. Дослідження описує середовище міжнародних

відносин та безпеки, що змінюється, звертаючи увагу на далекосяжні наслідки російсько-української війни для міжнародної системи та порядку.

Ключові слова: російсько-українська війна, міжнародна безпека, міжнародний порядок, міжнародна система, перетікання сили

Introduction.

The Russian-Ukrainian war is a multifaceted security problem and a systemic challenge to international order and international security. It is impacting the global balance of power and questions well-established norms and institutions of international conduct. By doing so, the war is becoming a manifestation of a deep crisis of international politics. On a normative side, it is a struggle for preserving/changing the 'rule-based international order'. On a structural side, it is a factor of power transition within international system.

Assessing the impact of the war on international security along both dimensions is important to understand its consequences, including subsequent security risks. Structural transformations on a global level trigger adaptations in national security strategies of great, middle and small powers, resulting in new alliances and (im)balances of power. Normative changes in world politics, enabled by the war, are changing the ways international society operates, as well as shifts the rules of the game. Those shifts, in turn, transform international security environment.

The purpose of this article is in assessing the impact of the Russian-Ukrainian war on both international system and international order.

Literature review.

The concepts of the international system and international order are extensively debated given their definitions, dynamics, and implications. Key theoretical perspectives include realism, liberalism and constructivism.

Realism offers a pragmatic view of the international system. Classic realists like (Morgenthau, H., 1948) argue that the international system is anarchic, driven by the competitive pursuit of power among sovereign states. Kenneth Waltz (Waltz, K., 2010) further refines this in his structural realism (or neorealism), emphasizing the distribution of power (polarity) as the primary determinant of international order. John Mearsheimer (Mearsheimer, J., 2001) adds to this discourse with offensive realism, positing that great powers are perpetually engaged in power-maximization for survival.

Liberalism presents an alternative understanding, focusing on cooperation and institutions. Theory of complex interdependence (Keohane, R., Nye J., 1977) highlights the role of international institutions in mitigating anarchy and fostering cooperation. The work of John Ikenberry (Ikenberry, J., 2001) explores the construction of international order through liberal institutionalism, suggesting that hegemonic stability underpinned by democratic values and economic openness can lead to a more stable and prosperous international system.

Constructivism shifts the focus from material to ideational factors (Wendt, A., 1992). It argues that the international system is socially constructed through the interactions and shared understandings of states. This perspective emphasizes that international order is not only shaped by power and interests but also by identities, norms, and beliefs. Martha Finnemore and Kathryn Sikkink (Finnemore, M., Sikkink, K., 1998) elaborate on the role of international norms and how they influence state behavior and contribute to the formation of international order.

Recent scholarship explores the implications of emerging powers, global governance, and non-state actors on the international system and order. The rise of China and its impact on the liberal international order is a subject of significant debate (Ikenberry, J., 2008; Allison, G., 2017). The impact of transnational challenges such as climate change, terrorism, and cyber threats on the stability of the international system is increasingly recognized (Buzan B., Hansen, L., 2009).

Realism and liberalism offer competing explanations based on power and institutions, respectively, while constructivism and critical theories introduce the significance of ideational factors and structural inequalities. Contemporary debates continue to evolve, addressing new challenges and the shifting dynamics of global power. Understanding these complex interactions is essential for comprehending the nature of international relations and the prospects for global stability and order.

The geopolitical implications of the Russian-Ukrainian war are also widely debated. John Mearsheimer's controversial article ‘Why the Ukraine Crisis Is the West’s Fault’ argues that NATO's eastward expansion provoked Russia, sparking significant debate. Conversely, Richard Sakwa's ‘Frontline Ukraine: Crisis in the Borderlands’ highlights the internal Ukrainian dynamics and the role of external actors in exacerbating the conflict.

The war has been also examined through various theoretical lenses. Realist perspectives, as discussed by John Mearsheimer and Stephen Walt, emphasize power politics and strategic interests. Liberal perspectives, represented by scholars like Anne-Marie Slaughter, focus on the role of international institutions and the liberal international order. Constructivist analyses (Hopf, T., 2016) explore the identity and normative dimensions of the conflict, including the competing national narratives of Russia and Ukraine.

Main results of the research.

The impact of the Russian-Ukrainian war can be noticed in many ways; however, from the international security perspective, two of the are particularly important: structural and normative. The war is revealing and changing the global, regional and bilateral balance of power, and is thus transforming the international system. It is also changing the norms and undermining existing regimes – what’s often referred to as a ‘rule-based order’. The war is not so much making all the rules obsolete but suggest the normality of its own. In that sense it is the conflict over the future of international order.

The structural dimension of the war is manifested in transformations within the international system. Not all of them have been caused by the war; however, many have been triggered, accelerated or reinforced. To assess transformations of international system I’ll be turning to a neorealist IR framework with its emphasis on a structural level of analysis. A neorealist approach to the Russian-Ukrainian war is focusing on power transitions, relative strength of the poles, concentration of power and the way these developments impose frameworks on states’ decision-making (Mearsheimer, J., 2022; Walt, S., 2023). The way power is distributed and how states perceive such distribution are fundamental parameters of international security from a realist perspective.

The Russian-Ukrainian war exemplifies both the consequences and catalysts of shifts in the global balance of power. The conflict's impact on the international system is multifaceted: it not only influences the global distribution of power but also illuminates existing power dynamics. According to neorealist theory, international security is fundamentally shaped by the distribution of power among major actors, particularly great powers (Waltz, K., 2010). However, assessing this balance presents significant challenges.

One traditional method of gauging power distribution is through the outcomes of recent conflicts. Yet, interstate wars are increasingly rare, and conflicts between great powers have been absent since World War II. This rarity renders the balance of power an often speculative and indeterminate concept, undermining its reliability as a cornerstone of international security. This inherent ambiguity fosters a pervasive sense of uncertainty within the international system. Uncertainty regarding the relative power potentials of states can itself be a significant factor in international (in)stability. Governments inclined toward risk-taking, for various reasons, may be tempted to test their strength in practical scenarios. Challengers might overestimate their own power while underestimating that of established hegemons. But what was the real balance of power on the eve of the war?

Recent developments offer preliminary insights into the current distribution of power. Wars tend to make existing power distributions more explicit, and the Russian-Ukrainian conflict has elucidated several key aspects. It has exposed the limits of the West's capabilities, highlighted the extent of European soft and normative power, and underscored the dynamics of the 'West versus the Rest' confrontation. Additionally, the conflict has revealed both the weaknesses and strengths of Russia.

The evolving balance of power, both globally and regionally, has become more discernible. It is evident that Western hegemony, while still influential, is no longer as overwhelming as it once was. Concurrently, China has demonstrated a reluctance to fully align with Russia's aggressive revisionism, despite shared strategic goals aimed at altering the international order. These observations suggest a more complex and multipolar global power structure.

The ongoing war is also highlighting the presence of elements of bipolarity in today's world, evidenced by conceptual divides such as the Global North vs. Global South and democracies vs. autocracies. These divisions are further reinforced by the distribution of material capabilities, with the United States and China being the only two states surpassing a 15% share of global GDP. However, this bipolarity is only partial, as the contemporary world features more than two significant poles.

The relevance of multipolarity is increasingly acknowledged. Many leaders of major powers perceive a world characterized by political diversity, a dispersion of power, and competition among multiple centers of influence (Scholz, O., 2022/2023). Furthermore, power in today's world is not as heavily concentrated in the hands of states; non-state actors are gaining more influence, resources, and agenda-setting capabilities.

In this context, the future positions of the European Union, as well as countries like India, Saudi Arabia, and Brazil, will significantly impact the evolving architecture of international security. The decline of American hegemony, alongside China's rise, the steady growth of nations like India, and the sustained influence of traditional poles such as the EU and Japan, suggest a coexistence of several great powers within an increasingly diversified political setting. Nevertheless, the hard power dominance of the US and China has made expectations of a new bipolarity widespread.

Polarity is traditionally defined by the distribution of material capabilities among states, yet it also encompasses the readiness and ability of states to project military power and leverage these capabilities to influence the behavior of others. The Russian-Ukrainian war serves as a critical test of both this readiness and ability. The outcomes of this conflict will be crucial in shaping the future system of international security. The war represents not only a clash of military forces but also a struggle for international leadership, strategic vision, and coalition-building.

Moreover, significant conflicts do more than reveal the existing balance of power; they actively alter it. Understanding shifts in the global balance of power is essential from both static and dynamic perspectives. The static perspective focuses on identifying the current operational international system, while the dynamic perspective involves monitoring and managing power transitions. The implications of these shifts are profound, affecting how power is distributed and exercised on the global stage.

The Russian-Ukrainian war has emerged as a significant catalyst for polarization within the international system. Prior to this conflict, technological advancements and the evolution of political institutions contributed to the dispersion of power, diminishing the extent of state control over substantial segments of the global economy and material capabilities. This diffusion of power has been further bolstered by a network of international multilateral institutions, several robust international regimes, and what constructivist scholars might term an 'international society'—a set of widely accepted norms, rules, and procedures (Wendt, A., 1999).

An important structural feature of international politics in the past two decades revolves around the contentious status of American supremacy. On one hand, the United States has indisputably held the mantle of the most potent state globally. Yet, on the other hand, its position of hegemony has gradually eroded. American supremacy has traditionally rested upon a substantial share of the world economy, a commanding lead in military expenditures, the capacity to project power on a global scale, and an extensive network of allies. However, these material capabilities have not automatically translated into the influence necessary to sway the decisions of other actors—an essence of power as articulated by Dahl (Dahl, R., 1957). Unlike the 1990s, the United States has relinquished control over the outcomes of politically significant recent events, such as Russia's annexation of Crimea or the protracted conflict in Afghanistan.

The relative decline in American power capabilities has engendered elements of multipolarity within the international system. This multipolar balance of power has traditionally underpinned international security through the collective dominance of Western powers and a network of security commitments spanning Western multilateral alliances and specific nations. This arrangement has been further fortified by containment strategies at regional levels. Additionally, several international regimes have been established to mitigate the risks associated with direct military confrontations, including those pertaining to nuclear non-proliferation and arms control. Despite the design of a global system of international security aimed at averting major conflicts, it has, regrettably, failed to prevent the eruption of a significant war in Europe.

The enduring impact of Russia's war in Ukraine on the global balance of power remains to be seen. The war has induced shifts in the framework of expectations guiding state behavior and has accelerated major structural developments, notably in the realm of coalition-building. While the United States has augmented its prospects for reclaiming global leadership, the conversion of these prospects into tangible political influence is still unclear.

Examining the dynamics of power transition through the lens of power transition theory yields valuable insights into how regional crises can precipitate transformations in global orders, particularly when aligned with a sustained trend of hegemonic decline (Organski, A., 1968). This theoretical perspective posits that global security is preserved as long as status quo powers substantially outweigh challengers. Typically, status quo powers coalesce in some form of collective hegemony, comprising states that derive maximal benefits from extant rules, structures, and institutions. However, as the gap between status quo powers and challengers narrows, the risks to international security escalate. Challengers may resort to aggressive revisionism if they overestimate their capabilities or underestimate those of the established status quo powers. The Russian-Ukrainian war has exemplified such inaccuracies in assessing the balance of power, accompanied by Russia's willingness to test Western hegemony, which may portend the onset of a profound crisis in international security precipitated by anticipated or actual power transitions.

From such a perspective, the erosion of the international security architecture at the global level has been perceptible as the disparity between status-quo powers and potential challengers has diminished. The sustained ascendance of China, strategically propelled by the implementation of the One Belt, One Road initiative since 2013 (Kim, W., Gates, S., 2015), alongside the consolidation of Russia during the 2000s—facilitating Vladimir Putin's enunciation of a revisionist trajectory in his 2007 Munich speech and subsequent invasion of Georgia—may represent pivotal junctures. The Russian-Ukrainian war serves as a constituent element within a continuum of regional conflicts, emblematic of the broader global crisis in international security stemming from shifts in the balance of power.

Efforts to sustain the post-Cold War international order have strained and depleted the United States' power. Preserving and augmenting U.S. global influence necessitated meticulous management of its considerable yet finite resources and attendant risks. Confronting the complexities of managing client states engendered a conundrum, requiring discernment in delineating appropriate measures and optimal responses, particularly concerning arms provisions, security assurances, and financial assistance (Yarhi-Milo, K., Lanoszka, A., Cooper, Z., 2016). The crisis of leadership engendered a more circumspect approach by the United States at the regional level, alongside an intensified focus on strategic partnership with the European Union and strategic competition with China. Involvement in regional security issues became progressively more fraught. Nevertheless, the annexation of Crimea by Russia in 2014 transcended mere regional security concerns, constituting a direct affront to the foundational principles of the international order. The United States was compelled to augment its engagement in the conflict, transcending its initial characterization as a bilateral dispute with Russia to become enmeshed within the broader global competition paradigm.

The annexation of Crimea and subsequent full-scale invasion by Russia have markedly impacted the European Union's global posture. Since 2014, the Union has grappled with the imperative to formulate a novel modus operandi in its relations with Russia—one that would preclude Russia's further attempts to destabilize Europe, while simultaneously preserving room for stable and predictable coexistence. Despite the imposition of sanctions, Russia has remained a pivotal trade partner for the EU, particularly regarding energy resource supplies. Notwithstanding these measures, several European countries have continued to support the construction of Nord Stream-2, a new gas pipeline, until mere weeks before the invasion. Consequently, Russia has continued to wield significant influence in the strategic planning of the EU and its foremost member-states, such as Germany and France.

However, the Russian-Ukrainian war has precipitated a paradigm shift in this dynamic. The EU has notably diminished its reliance on Russia for energy supplies and has acknowledged Russia's role as a threat to European security. This shift underscores the EU's recalibration of its strategic priorities and its endeavor to assert greater autonomy in matters of energy security and geopolitical strategy.

China's strategic interests are intricately entwined with the outcome of the Russian-Ukrainian war, presenting a significant challenge to Beijing's geopolitical calculus. In the short term, China stands to gain from the ongoing conflict through the accrual of enhanced influence over Russia, cheap supply of Russian energy resources, and expanded access to the Russian market. However, these perceived gains are counterbalanced by the attendant risks, notably the consolidation of Western alliances and the concomitant deterioration of China's relations with its primary trade partners, the European Union and the United States.

The war has exerted a profound impact on global security arrangements in three fundamental ways. Firstly, it has disrupted the institutional underpinnings of global security by undermining several international regimes and organizations, most notably those governing strategic arms control, nuclear non-proliferation, and institutions such as the United Nations and the OSCE, thereby fostering the potential escalation of regional crises and exacerbating tensions among major powers.

Secondly, the war is poised to precipitate a recalibration of the balance of power among key global poles, heralding a potential restructuring of the international system. A pivotal juncture in the trajectory towards either bipolarity or the consolidation of Western alliances and influence, the conflict assumes significance as a systemic game-changer.

Lastly, the war has undermined the foundational principles of a rules-based international order, which had hitherto served as a bulwark against large-scale conventional conflicts in Europe and the annexation of territories belonging to neighboring states. This erosion engenders diminished trust and heightened security dilemmas across all echelons of international politics, exacerbating uncertainties and vulnerabilities within the global security landscape.

From a normative and institutional perspectives, the Russian-Ukrainian war is about the future of international order. While international system and balance of power are operationalized within realism, to grasp the concept of order one might turn to constructivism and the English school.

Within these approaches, order is used to denote a set of instruments and rules, with which an international society seeks preserving itself. Why do norms, rules and institutions which promote them emerge? From a realist perspective, the reason is that the egoistic interests of states coincide from time to time. However, according to Headley Bull, the reason is different: there is a common good, which states perceive much like the way people do in a society (Bull, H., 1977). Just the way people agree on simple things, e.g. who’s calling back if the call has been disrupted, states can also establish basic principles. They channel some efforts to establishing and maintaining an international order that would be based on the common recognition, for instance, that each state’s survival and security depend on the general willingness to restrict the use of force or respect sovereignty and territorial integrity. States agree to exert common efforts with a view to ensuring adherence to such basic institutes as diplomacy or law. Among the major elements or manifestations of the world order, Bull mentions the balance of power, international law, diplomacy, war and great powers. Of a particular interest is the difference between international and world order. The former refers to the interstate level of relations whereas the latter concerns all levels, including that of some people's personal interests. Such a take on international order was to integrate states' interests and human rights into a single whole. While neorealism focuses on structure, an essential element of the English School's theoretical views is the concept of change. Contrary to realists, who associate changes in the international system with shifts in the correlation of power among states, the English School pays attention to normative shifts leading to changes in how states perceive their own interests, rules and norms.

One more important aspect of understanding international order is linked to theory of regimes. The Russian-Ukrainian war is doing a lot of damage for some of them, most importantly of nuclear non-proliferation and armaments control.

A regime is considered to consist of formal and informal principles, norms, rules and decision-making procedures around which actors' expectations converge in a specific area of international relations (Krasner, S., 1983). A regime is a particular case of an international institution. It is established through a set of norms and procedures with a view to making relations among actors more predictable and less anarchic, e.g. the nuclear non-proliferation regime. The presence of a regime results in more transparency, predictability and stability of states' interaction.

International organizations, in some ways similar to international regimes, are also elements of international order. A regime can thus be understood as a specific type of international institutions that can take the form of an international organization, but only when embodies the norms and rules of interaction in a certain area.

Finally, within the context of the international order, especially 'rules-based', the notion of rules is important. It may be rather problematic to establish what those rules are, especially when they are informal. If rules are not legal norms, they can be taken as certain principles, which guide decision-making of states. But in that case every motivation is a certain rule for a certain state. A revisionist state, which challenges the world order by violating seemingly universal, but not always written, rules of conduct, is also guided by some principles or, to better put it, preferences. However, instead of being related to agreements among states, these rules are more linked with egoistic interests, the logic of power-based interaction among states, the understanding of tendencies and regularities of world politics or the assessment of the structure of the international system. Breaking the rules in an anarchical society may seem quite paradoxical. From the institutionalist viewpoint, international order, which is a mode of arranging of the international system through introducing formal or informal rules and procedures, may be considered a combination of functioning international regimes.

Russia's invasion to Ukraine is challenging existing agreements, social arrangements, norms, procedures and regimes – and thus it is challenging international order.

First, it is doing so by denying territorial integrity and sovereignty, two fundamental norms of existing geopolitical arrangements. In fact, Moscow has undermined these principles earlier, in Ukraine in 2014 and in Georgia in 2008. But a full-scale invasion takes these efforts to the highest point, making this war different from other military conflicts of the post-Cold War era.

Second, Russia's invasion is restoring the value of and demand for military component of power. Military might is once again proving to be a costly but effective power resource. As a result of this war, states are reconsidering their investments into and understanding of security. Extended military power projection capabilities are once again becoming a hard currency in international politics – and a key resource at times when international order is shrinking. Maintaining effective military seems to provide extended benefits, while non-military tools of containment seem much less powerful. Countries are increasing their defense budgets and boost military production – while expecting others to do the same. Military capabilities and the ability to project them are becoming cumulative power assets. Maintaining military advantage is perceived as a crucial condition for survival or success of nations in international politics. Although arms races not necessarily lead to wars, management of security in a highly militarized context would require much more skill and effort.

Third, nuclear weapons are gaining new meaning and value, while nuclear weapons non-proliferation regime is weakening. Ukraine, which voluntarily gave up 176 IBMs, several dozens of strategic bombers, about 1800 nuclear warheads – third largest nuclear capacity in the world overall in exchange for security guarantees, lost a part of its territory. That posed for many a question about whether a nuclear disarmament brings about more security or undermines it. As a powerful component of hard power capabilities, nuclear weapons may become more demanded. Weakening of a non-proliferation regime, which has been underway for a while already, may bring about tactics of brinkmanship, threats and resulting rise of tensions, both regionally and globally. In a world of arms races and weak/absent regimes for weapons control, a war is becoming more immediate danger.

Along with that, Moscow's hinted nuclear threats before and during invasion to Ukraine imply that whoever can make those threats credible gets a huge advantage. For a nuclear threat to be credible, the more the better rule applies. From now on nuclear armaments race becomes a rational choice for those seeking more security or expansion. Threshold countries may find the best response to the rules of a new international order in seeking nuclear weapons.

Fourth, international security organizations are under threat of becoming obsolete. The UN, OSCE and many other international security institutions failed to impose enough additional costs on Moscow's decision-making before the war, as well as failed to make Russia stop the war. Apparent weakness of international organizations in what concerned prevention and/or managing large-scale violence makes states seek other options. Progressive insufficiency of international norms and regimes promotes restoration of realist thinking in international politics, with its emphasis on hard power, zero-sum competitions and mistrust. Coalitions may prove to be much more important and effective than international organizations.

In that regard, the Russian-Ukrainian war is affecting multilateral institutions like NATO and the EU and redefining their role in the regional security setting. NATO's importance has been on the rise since annexation of Crimea by Russia in 2014. The Alliance has taken several steps to strengthen its military presence in Eastern Europe, ensure trust, and contain possible Russia's aggression against any member-state. Exercises have become larger and more often. New types of threats, including cyber and hybrid, have been addressed. After Russia invaded Ukraine in 2022, NATO's consolidation continued. The Alliance expanded with Finland and Sweden joining. It put an emphasis on a threat from Russia and established closer relations with partner countries, most importantly Ukraine. NATO is also strengthening its Eastern flank. Credibility of security guarantees within the Alliance goes up; the same is true about NATO's technical, financial and military capabilities. When it comes to providing international security after the war, NATO is going to play a crucial role (NATO, 2022).

EU's also facing significant challenges. The war has revealed the Union's unpreparedness for a long-term military standoff and, more generally, its lack of hard-power resources and power-projection capabilities. A strategy built on expansion of European normative influence largely failed. The Union is facing a strategic dilemma of either restructuring its whole approach to managing regional security or remaining vulnerable to ongoing transformations of the international order. The former would entail revision of policy towards Russia and China, long-term increase in military spending and hard power capabilities, less emphasis on multilateral international institutions and, possibly, changes of decision-making procedures inside the Union.

Transformation of the role of international institutions, as well as undermining of fundamental principles of international politics are signaling about normative changes and are at the heart of the struggle for protecting a 'rules-based international order'. In an anarchical setting of the international system, it is quite difficult to introduce transparency, trust and predictability among states through norms. At the same time, it is much easier to undermine all that. A prolonged large-scale war in the heart of Europe is doing exactly that: undermining current international arrangements. A failure to prevent the war means that usual international security tools are no longer reliable, while growing competition among great powers points at increased probability of other wars in the future. Are wars becoming normal again?

For more than three decades since the end of the Cold War, international political scene has been dominated by intrastate low-intensity conflicts, while interstate wars have been exceptionally rare and mostly concentrated in Asia. Splashes of violence in protracted conflicts, like those between India and Pakistan or Armenia and Azerbaijan, were rather semi-frozen conflicts out of control than 20-century style large wars; and the absence of institutionalized large-scale interstate violence has become a characteristic feature of international security.

High price of a war has been an important element of the international order. What can become an element of a new order is states' readiness to launch wars regardless their price. Russia's war in Ukraine costs hundreds of billions dollars of annual direct spending; with long-term structural effects for the economy and distant impact of sanctions also to be taken into account. Moscow opted for a war not because it was cheap, but regardless of how expensive it might have been. The rise of the global competition among great powers may be accompanied by a growing risk of interstate warfare. That competition is displayed at several levels. On the global level it is about challenging international order and shifting balance of power. On the regional level it is manifested in proxy wars and opposition of the alliances. On the national level it can reinforce ideological standoffs and promote institutional changes inside states. The danger of this war is that it changes the way states perceive intentions of each other and see the ways to enhance their security. It shifts security paradigms and undermines established norms. By doing so, it not only endangers Ukraine, neighboring countries or Europe as a whole; but increases chances of further destabilization.

The Russian-Ukrainian war has affected international order at several levels and in many ways. It has deteriorated security environment by generating suspicion and fear. It has weakened multilateral international institutions and usual frameworks for security cooperation. It pushed large powers in Europe to reconsider their security strategies and reassess challenges and threats.

Conclusions.

Both international system and international order have been strongly affected by the Russian-Ukrainian war. Although structural transformations and changes of institutional setting can be seen separately for analytical purposes, they are intertwined and reinforcing one another.

Structurally, the war is shifting the global balance of power and speeds up the trends set earlier by the rise of China and deterioration of the American leadership. International system is drifting towards bipolarity – or is already there. The war consolidated the process and added a stronger ideological component to already existing power competition between US and China, or between coalitions of status quo protectors and challengers.

The war can also be seen from a power transition perspective as a dangerous case of revisionism, marking a chain of destabilizing events leading to increased instability of the international system.

Institutionally, the war is a game-changer. It has the potential to undermine some most important rules and regimes of international conduct. Renewed significance of military force, denial of territorial integrity and deterioration of nuclear non-proliferation are among most important shifts in international order. These are accompanied by weakening of international organizations and regimes of multilateral cooperation and trust, which have been important for a post-Cold War neoliberal security paradigm. The role of these organizations and regimes is likely to be retaken by alliances and coalitions.

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NATO'S COMMUNICATION STRATEGIES IN THE CONTEXT OF THE RUSSIAN-UKRAINIAN WAR

КОМУНІКАЦІЙНІ СТРАТЕГІЇ НАТО В КОНТЕКСТІ РОСІЙСЬКО-УКРАЇНСЬКОЇ ВІЙНИ

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Abstract. *The article is devoted to the analysis of NATO's communication strategies in the context of the Russian-Ukrainian war. The dynamics and main objects of the communication policy of the Alliance are analyzed. Effective mechanisms for ensuring regional and international security within the framework of collective security and combining the efforts of allies have been determined. Ways of reaction of NATO member states to new challenges for the international security system have been studied: hybrid threats, cyber terrorism, disinformation, destructive informational influences. The key priorities of cooperation between Ukraine and NATO for countering aggression from the Russian Federation and restoring the territorial integrity of Ukraine are outlined.*

Keywords: *NATO, Ukraine, communication strategies, Russian-Ukrainian war, international security, information security, hybrid threats, cybersecurity, disinformation.*

Анотація. *Стаття присвячена аналізу комунікаційних стратегій НАТО в контексті російсько-української війни. Проаналізовано динаміку та головні об'єкти комунікаційної політики Альянсу. Визначено дієві механізми забезпечення регіональної та міжнародної безпеки в рамках колективної безпеки та об'єднання зусиль союзників. Досліджено шляхи реагування держав-учасниць НАТО на нові виклики для системи міжнародної безпеки: гібридні загрози, кібертероризм, дезінформація, деструктивні інформаційні впливи. Окреслені ключові пріоритети співробітництва між Україною та НАТО для протидії агресії з боку Російської Федерації та відновлення територіальної цілісності України.*

Ключові слова: *НАТО, Україна, комунікаційні стратегії, російсько-українська війна*, міжнародна безпека, інформаційна безпека, гібридні загрози, кібербезпека, дезінформація.

Introduction. The Russian-Ukrainian war has become a turning point in world history, changing the picture of the world. The war has destroyed the world order, called into question the world's perception of international security, jeopardized the independence of one of the largest countries in Europe, brought back the ghost of nuclear confrontation, destroyed the global economy, and has already led to the deaths of hundreds of thousands of people. The Russian-Ukrainian war has demonstrated the ineffectiveness of modern mechanisms for preventing and resolving crises.

Actors of international relations realize the necessity of moving towards solving geopolitical problems, resolving international conflicts, and ensuring national interests using non-military methods and technologies. Modern technologies provide such a devastating capability to the actors of international relations that the use of "hard power" is potentially, with a high probability, to endanger the existence of humanity in large areas and in many regions of the world.

The concept of national resilience, the ability of the state and society to effectively counter threats, adapt to changes in the security environment and ensure stable functioning during crises, is becoming increasingly relevant. It means, first and foremost, the acquisition by states and organizations of a certain set of capabilities required for safe existence in the face of increased risks and crises, as well as for rapid recovery from a crisis. The current level of global interconnectedness necessitates the formation of an international coalition to combat information threats. The point is to share experience, information and support each other. It is necessary to jointly develop protection mechanisms, counteract threats, and adapt international standards of regulation in the media and cyberspace to new challenges without violating the principles of democracy. This is a challenge not only for individual states, but also for organizations, alliances and unions based on collective decision-making. Ukraine is making considerable efforts to create a set of measures to counteract real and information warfare by joining the process of international integration and cooperation, enhancing a wide-scale information policy based on the use of modern technologies and rapid response.

In the light of the current Russian-Ukrainian war, many models of international security have proven to be inefficient, failed, and ineffective. For instance, the system of international law and the activities of the United Nations concerning sustainable peace and security have been criticized. The system of collective security and the unification of allied efforts has proven to be one of the most effective mechanisms for ensuring regional and international security. At present, there is a progressive advance of strengthening and consolidation of the “collective West”, strengthening the Euro-Atlantic system of international security.

The North Atlantic Treaty Organization (NATO) supports the inalienable right of independent states to individual or collective defence (*The North Atlantic* 1949). Considering the changes in the international security system, the violation of the territorial integrity of one of the European countries, the deployment of a full-scale Russian-Ukrainian war, and the emergence of new methods of hybrid confrontation, it is important to study the changes and directions of NATO's communication strategy in the field of regional and international security.

Analysis of recent research and publications. The Ukrainian school of research on the use of information and psychological influences is represented by the works of Voloshenko I., Makarenko E.A., Marchuk E.K., Meleshchenko T., Pavliuk V.V., Perepelytsia H.M., Polovnyk P.M., Polyakov O.M., Sydoruk T.V., Shpura M.I., etc. In their works, Ukrainian researchers mainly cover the issues of intensification of cooperation in the field of regional and international security between Ukraine and NATO, prospects and problems of Ukraine's European integration aspirations, the main trends in the transformation of the North Atlantic Treaty Organization, NATO enlargement as a false pretext to justify Russia's aggression against Ukraine, strengthening the Alliance's capabilities in countering hybrid threats and cyberterrorism.

The aim of the article. The article studies features and directions of NATO's communication strategies in the context of the Russian-Ukrainian war.

Presentation of the main research material. The necessity to combine the functions of defence sufficiency and international security has challenged the Alliance to strengthen political structures, introduce information and analytical monitoring of conflict situations in Europe, apply predictive decision-making methods, extend the competence of activities beyond the Organization, and provide information means for the perception of NATO's foreign policy doctrine. This has determined NATO's task of responding to new security challenges through information programs, policy initiatives, preventive diplomacy, strategic communications, and information operations. NATO's information strategies are designed to provide access to the organization's sources, to use communication tools via the Internet, to provide an opportunity to disseminate position papers, to respond to public inquiries, to ensure media relations, and to ensure cybersecurity of the Alliance's activities (Makarenko Ye. et al., 2023).

NATO has always paid great attention to communication strategies as part of its international security policy. The North Atlantic Treaty Organization has an extensive system of communication units such as the NATO Communication and Information Systems Services Agency, the NATO Headquarters Information Systems Service, the NATO Information and Press Service, the NATO Situation Room, the NATO Electronic Warfare Advisory Committee, the NATO Subcommittee on Radio Frequency Management, and the NATO Communications and Information Systems School. These services and structures carry out joint projects on the implementation of the concept of information security, information support for political consultations and negotiations during crises and in the post-conflict period, management of information flows and databases in war zones, protection of computer networks and systems from possible use of information weapons.

The processes of shaping the international security system and transforming NATO are permanent, but it is the Russian influence factor and the Russian-Ukrainian war that have become the determining factors of change over the past decade. The annexation of Crimea by the Russian Federation in 2014, the undeclared war in the East of Ukraine, and the rise of hybrid threats like disinformation and cyberattacks have forced NATO to also respond and adapt its communication strategies to counter these new challenges. Since 2014, the Alliance has introduced the largest collective defence reinforcement in a generation, with an increase in the number of high-readiness military forces and additional troops deployed to Allied territories.

While NATO unequivocally condemned Russia's aggression against Ukraine, the Alliance's initial reaction was relatively restrained. It primarily involved urging member states to aid Ukraine on a bilateral basis, considering NATO allies' responsibility to avoid direct conflict with a nuclear power (Dopovid Tsentru Razumkova, 2022). NATO and its Member states provide Ukraine with substantial financial assistance, assistance in equipping the Armed Forces of Ukraine with the necessary weapons, training and education of personnel, instructors, academic staff, and provide the necessary humanitarian aid.

Even though the formation and the establishment of relations between Ukraine and NATO began from the very beginning of Ukraine's independence in 1991, it was the aggressive and brutal actions of the Russian Federation in 2014 that necessitated the search for more effective mechanisms and guarantees of Ukraine's independence, sovereignty and territorial integrity. A key stage was the support by the Verkhovna Rada in December 2014 of the draft law on Ukraine's refusal of non-aligned status. Since then, cooperation has intensified significantly and taken on new forms. Since the beginning of the conflict in Ukraine, NATO's communications strategy has also evolved significantly. There is an obvious intensification of interconnections within the Alliance and increased cooperation and engagement between NATO and Ukraine, which is reflected in communications through an emphasis on military support, exercises, and consultations. This was a response to Russia's aggressive actions and a demonstration of international support for Ukraine. NATO's communications strategy has become more severe regarding Russia. NATO strongly condemned Russia's actions in Ukraine as a violation of international law. The Alliance's communication efforts were aimed at highlighting Russia's criminal actions and emphasizing the importance of international order and rules. (Joint press point with NATO Secretary General Jens Stoltenberg and the Prime Minister of Romania, Nicolae Ciucă, 2022).

The increasing utilization of hybrid warfare methods represents a perilous trend. Such threats are flexible, multi-actor, complex, and multi-subjective. At the same time, in combination with the means of information warfare and cyberwarfare, large-scale spread of disinformation, propaganda and fakes through global media, information and psychological operations, hybrid warfare methods achieve a high level of efficiency in achieving the goals of aggression, avoiding the large-scale use of conventional weapons (Kuchmii O., Frolova O, 2023). Hybrid wars are a new form of global confrontation in the modern international security system. Hybrid wars have gained particular significance since the beginning of Russia's open military aggression against Ukraine in February 2022, although they have been actively waged since 2014. Not only traditional media, but also social media have become a source of spreading Russian propaganda narratives, disinformation, and fakes. NATO is actively utilizing online platforms, including social media, for providing operational information and engaging with the public. This involves the use of infographics, videos, and other visuals to present complex information in an accessible manner, as well as podcasts, webinars, and other multimedia formats to reach diverse audiences.

In the media space of NATO member states, attention was focused on Russian propaganda and disinformation, with the aim of warning and persuading the public to be cautious about information coming from Russian sources. Since the beginning of the Russian-Ukrainian war, many states have prohibited the broadcasting of the propaganda channel Russia Today on their territories. NATO is also actively working with international partners and the media to counter disinformation and propaganda. The Alliance urges that false stories be corrected or prevented from being broadcast or published. NATO has specialized teams monitoring disinformation and propaganda materials targeting the Alliance. The organization has mechanisms in place to promptly correct inaccurate information and provide accurate data. NATO is establishing cooperation with the media, providing journalists with reliable information and access to NATO experts to confirm facts. An important element of communication is the organization of trainings, seminars, and webinars to raise awareness of disinformation and how to detect and counter it.

Given that the party involved in the conflict, which predominantly implements the disinformation campaign, holds the initiative, NATO needs to act proactively, swiftly, and decisively to avert potentially devastating consequences. NATO has set up a website called "Setting the record straight" to counter and combat Russian fakes and disinformation. The website is a one-stop shop, a platform for documentaries, speeches, myth-busting videos, and photos, and is published in multiple languages, including Russian. Naturally, such measures cannot completely stop enemy destructive information influences, but they can identify propaganda and demonstrate it to the public. And crucially, by doing in this way, NATO is demonstrating that its own narrative is more accurate and truthful than that of its enemies. Countering disinformation can only be effective if it is supported by constant proactive communication. NATO's narrative must be known as much as the narratives of its adversary (Michael Rühle, Clare Roberts, 2021).

These elements of NATO's communications strategies help the Alliance to engage with the public, media, and other stakeholders in the face of the challenges posed by information warfare. And while the situation continues to develop, the basic principles and tools that NATO uses serve as an important means of ensuring clarity and transparency in complex circumstances.

The Russian-Ukrainian war made NATO revise its communication strategies regarding cybersecurity as a component of hybrid warfare. Apart from direct military threats and the threat of using "hard power," NATO has also identified cyberspace as an environment of information warfare, and cybersecurity has become an important area of its strategy. NATO advanced centres have been established in member states as multinational institutions to develop cybersecurity doctrine, implement theoretical developments in the practice of countering cyber threats, improve interstate cooperation and exchange of experience.

On May 16, 2023, the 15th anniversary of the NATO's Cooperative Cyber Defence Centre of Excellence (CCDCOE), the Ukrainian flag was solemnly raised at the Centre’s headquarters in

Tallinn, greeting Ukraine. For Ukraine, this is an opportunity to strengthen international cooperation in the field of cybersecurity and cyberdefence, deepen the exchange of experience, and participate in cyber defence exercises and training, as well as joint cybersecurity research. Ukraine's accession to NATO's Cooperative Cyber Defence Centre of Excellence will help to enhance the state's cyber resilience and effectively counteract aggression in cyberspace.

The strategic focus of NATO's activities is largely determined by the NATO Summits, where the Heads of State and Government of NATO Member states can meet and take joint coordinated decisions to address the current issues facing the Alliance. NATO summits are a highly efficient communication mechanism at the level of heads of state and government, meetings at the highest available level, where new policies are introduced, new significant initiatives are launched, new members are invited, and partnerships are strengthened (Warsaw Summit Communiqué, 2016).

In 2015, NATO foreign ministers adopted an updated strategy to counter hybrid threats. In July 2016, the NATO Summit reaffirmed NATO's defence mandate and recognized cyberspace as a field of military operations in which NATO must defend itself as efficiently as it does in the air, at sea and on land. NATO has signed a Technical Arrangement on Cyber Defence with EU, including information sharing, personnel training, research, and exercises. According to NATO Secretary General J. Stoltenberg, the transatlantic cooperation organization supported the decision to strengthen cooperation between the EU and NATO, defined the dimensions of hybrid warfare and its threats to European security and drew attention to the crisis in Ukraine and further relations with Russia.

In 2017, NATO established the Joint Intelligence and Security Division, consisting of a specialized unit responsible for systematic analysis and monitoring of hybrid threats. This can be seen as a significant step forward in providing the Alliance's Allies with a comprehensive understanding of the situation. Recognizing that hybrid threats can have both internal and external aspects countries are increasingly focusing on sharing information about their internal developments.

To continue its policy of countering hybrid threats, in 2018 NATO leaders agreed to form Counter-Hybrid Support Teams to provide individualized, targeted assistance to Allies upon the request in preparing for and responding to hybrid activities. National cybersecurity units can be used to protect NATO member states during special operations. In 2019, NATO developed recommendations to strengthen the ability to effectively respond to cyberattacks, develop cooperation with the business environment in the development of cyber industry.

At the 2021 NATO Summit in Brussels, the Allies approved a Comprehensive Cyber Defence Policy that supports NATO's three primary tasks and its overall deterrence and defence posture. It reaffirmed the commitment to use the full range of capabilities to actively deter, defend against, and always counter the full range of cyber threats, including by considering a collective response. The response should be sustained and based on elements of NATO's full toolset, including political, diplomatic, and military instruments. The Allies also recognized that the impact of significant combined malicious cyber activity could, in certain circumstances, be considered an armed attack that could lead the North Atlantic Council to invoke Article 5 of the North Atlantic Treaty on a case-by-case basis (Brussels Summit, 2021).

The last NATO Summit was held in Vilnius on July 11-12, 2023. Support for Ukraine, which has been deterring Russia's large-scale aggression for 1.5 years, was a central theme of all discussions. NATO Allies agreed on a list of measures to bring Ukraine's membership in NATO closer. During Russia's illegal, unjustified, and aggressive war against Ukraine, NATO member states have strengthened the Alliance's deterrence and defence policy by adopting new regional plans to counter the two main threats to NATO's security, Russia and terrorism. NATO member states have pledged to spend at least 2% of their national gross domestic product on defence annually. Furthermore, an Action Plan was adopted to promote defence production, encourage investment, and increase production capacity. At the NATO Summit in 2023, Allies agreed on a new concept to strengthen the contribution of cyber defence to NATO's overall deterrence and defence posture. Additionally, they introduced the NATO Virtual Cyber Incident Support

Capability to support national efforts to mitigate the consequences of criminal and dangerous cyber activities. The concept aims to better integrate NATO's three levels of cyber defence - political, military, and technical. Strengthening NATO's cyber resilience is one of the pillars of regional and international security. Ukraine was in the centre of attention of the summit participants, receiving another confirmation that the country will be able to become a NATO member when the conditions are completed. A long-term assistance program for Ukraine was approved, and the inaugural meeting of the NATO-Ukraine Council was held [9].

A significant consequence of the Russian-Ukrainian war for the transformation processes in NATO was its expansion and accession of new members. In April 2023, Finland became a new NATO member state. Sweden also applied for NATO membership in 2022. Sweden's membership is in the process of being approved, as all NATO member states have agreed on this decision, except for Turkey and Hungary.

Conclusion. NATO's communication strategies in the context of war demonstrate the alliance's adaptability and its ability to respond to dynamic changes in the geopolitical landscape. NATO constantly optimized its communication approaches throughout the conflict. NATO's communication strategies are quite restrained, measured, and cautious, aiming to avoid the escalation of the conflict with a party that possesses weapons of mass destruction. NATO emphasizes that it provides only non-lethal aid to Ukraine. Lethal weapons are supplied to Kyiv only by the Member states of the Alliance, bilaterally or multilaterally.

Since the beginning of the conflict in Ukraine, NATO's communications strategy has undergone significant changes. The intensification of interconnections within the Alliance and the strengthening of cooperation and engagement between NATO and Ukraine are evident, reflected in communications through an emphasis on military support, exercises, and consultations. Equally important is information support for Ukraine, emphasizing its sovereignty and right to territorial integrity. Communications reaffirm NATO's position to reject aggressive actions and violations of international law. The main strength of the alliance is its ability to act collectively and coordinate communication among members. This has allowed NATO to act as a united front line, efficiently responding to threats and challenges that arose during the conflict.

In general, NATO's communication strategies have proven effective in the conflict, but need to be constantly adapted and modernized to face new information challenges. NATO should continue to invest in its communications efforts, developing the latest technologies and techniques to ensure that its messages are clear, transparent, and credible.

The Alliance is committed to a NATO-Ukraine partnership based on mutually beneficial cooperation and mutual reinforcement, shared values, and coordination and cooperation with other international alliances and organizations such as EU, UN, G7, OSCE and others.

The NATO Heads of State reaffirmed that Russia's war against Ukraine is a major challenge to the norms and values that have guaranteed the security and well-being of the European community. Russian aggression is a danger not only for Ukraine, but also for NATO Member states. NATO Allies have officially declared their intention to counter Russian aggression and help the government and people of Ukraine defend their independence and territorial integrity, since such actions are an integral part of countering threats and shaping the system of regional and international security

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СУЧАСНА СИСТЕМА МІЖНАРОДНОГО ПРАВА

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THE EUROPEAN EMISSIONS TRADING SCHEMES (EU ETS): SOME LEGAL PERSPECTIVES OF MARKET-BASED MECHANISMS

ЄВРОПЕЙСЬКА СИСТЕМА ТОРГІВЛІ ВИКИДАМИ (ЄСТВ): ДЕЯКІ ПРАВОВІ ПЕРСПЕКТИВИ РИНКОВИХ МЕХАНІЗМІВ

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Abstract. *In this article, the implementation of the Paris Agreement by the European Union, the current stage in the development of the climate policy of the European community in the fight against global warming in accordance with the European Green Deal, which was based on the strategy of achieving climate neutrality by 2030 by reducing greenhouse gas emissions by at least 55% to 2030 comparing with the level of 1990, are analyzed. The author researches some legal aspects of the implementation of the "Fit for 55" package of sectoral initiatives to the EU legislation, in particular the current phase of the EU Emission Trading Schemes (EU ETS), market mechanisms of interstate trading of certificates on emissions. The author draws special attention to the prospects of introducing EU's Carbon Border Adjustment Mechanism (CBAM) with the aim of determining a fair price for emissions during carbon-intensive production of goods that are imported into the EU, as well as stimulating cleaner industrial production in non-EU countries, and to related potential challenges and prospects for the development of climate diplomacy in order to achieve agreed compromises between the participants of the Paris Agreement in combating with global warming.*

Key words: *International Law, climate change, Paris Agreement, European Green Deal, Emission Trading Schemes, CBAM*

Анотація. *У цій статті аналізується імплементація Паризької угоди Європейським Союзом, сучасний етап розвитку кліматичної політики європейського співтовариства у боротьбі з глобальним потеплінням відповідно до Європейської зеленої угоди, в основу якої було покладено стратегію досягнення кліматичної нейтральності до 2030 року шляхом скорочення викидів парникових газів щонайменше на 55% до 2030 року порівняно з рівнем 1990 року. Автор розглядає деякі правові аспекти запровадження пакету галузевих законодавчих ініціатив "Fit for 55" до законодавства ЄС, зокрема поточної фази міжнародної системи торгівлі викидами EU ETS, ринкові механізми міждержавної торгівлі* *сертифікатами на викиди. Окрему увагу в статті приділяється перспективам запровадження механізму прикордонного коригування викидів вуглецю CBAM з метою визначення справедливої ціни на викиди під час виробництва вуглецевоємних товарів, які імпортують до ЄС, а також стимулювання чистішого промислового виробництва в країнах, що не входять до ЄС, зокрема пов'язані потенційні виклики і перспективи розвитку кліматичної дипломатії з метою досягнення узгоджених компромісів між учасниками Паризької угоди у боротьбі з глобальним потеплінням.*

Ключові слова: *Міжнародне право, кліматичні зміни, Паризька угода, Європейський зелений курс, Схеми торгівлі квотами на викиди, CBAM.*

Introduction. The impacts of climate change are increasingly frequent and severe, and scientific warnings about the dangers of the current pathway have become stronger than ever (IEA 2023). Improving the legal mechanism for regulating of activities that have a negative impact on climate change within the framework of international legal cooperation is urgent for the parties of the Paris Agreement to achieve the global goal "to set the world on a clear path to keep 1.5°C within reach, to protect those impacted by climate change and to leave no one behind" (Paris Agreement, 2015). It was emphasized during COP28 that "the framework calls for regional and international cooperation, including for the first time asking to also look at the need to look at the transboundary nature of climate impacts" (COP28). The European Green Deal is the ambitious flagship policy towards a more sustainable future and can be considered like a major step forward in global climate change efforts and represents a significant and ambitious attempt to inspire other key actors to step up (Blaschke&Johns, 2021). Crucial role of finance has to play in delivering ambition due to such system like the European Emission Trading Schemes (EU ETS) for greenhouse gas emissions allowance trading and the EU's Carbon Border Adjustment Mechanism (CBAM) to put a fair market price on the carbon emitted during the production of carbon intensive goods importing to the European Union.

The purpose of research is to analyze the current climate policy of the European Union, some legal aspects, prospects and challenges of the implementation of the European Green Deal to align with the Paris Agreement, the legislative package of sectoral initiatives "Fit for 55", in particular the current phase of the European Emission Trading Schemes (EU ETS) and EU's Carbon Border Adjustment Mechanism (CBAM).

Recent literature review. The author draws on data from international organizations and research institutions that have conducted comprehensive global or regional studies of the prospects and challenges of implementing the European Green Deal in accordance with the Paris Agreement, the implementation of the "Fit for 55" package, in particular the reformed current phase of the European Emission Trading Schemes (EU ETS), and the legal prospects for the introduction of Carbon Border Adjustment Mechanism (CBAM). Among researchers who began to highlight this problem should be named Aleksandar Zaklan, Jakob Wachsmuth, Vicki Duscha, Sebastian Oberthür, Claire Dupont, Constantin Blaschke, Dietrich John and Julia.

Main research results. In order to prevent the danger of anthropogenic influence on the climate and stabilize the level of greenhouse gas concentrations, the UN Framework Convention on Climate Change was claimed in 1992, later the Kyoto Protocol was adopted in 1997, and in 2016 it was replaced by the Paris Agreement, in accordance with Article 2 of which the parties agreed to "keep global temperature increases below 2°C above pre-industrial levels and continue efforts to limit temperature increases to 1.5°C above pre-industrial levels" (Paris Agreement, 2015). The Paris Agreement became the basis for the possibility of providing support to countries that need additional financial and technical assistance to achieve global climate goals. The experience of countries' cooperation within the framework of the Kyoto Protocol was taken into account, and in accordance with the Paris Agreement, interstate trade in quotas was prohibited. At the same time, the Paris Agreement does not prescribe strict control mechanisms for the observance and fulfillment of contractual obligations, only a commission of international experts is given the right to check the information provided by countries regarding their achievements in reducing greenhouse gas emissions.

The current stage in the development of the EU's climate policy in accordance with the Paris Agreement is the implementation of the European Green Agreement (Communication…), which laid out the EU's strategy for combating climate change and achieving climate neutrality with an initial set of goals by 2030.

The European Commission has adopted a series of proposals to make the EU's climate, energy, transport and tax policies appropriative for decreasing of greenhouse gas emissions by at least 55% by 2030 compared to level of 1990, as outlined in the European Green Deal (Communication…), and established in the European Climate Law (Regulation…).

As part of the European Green Deal and the European Climate Law, the EU has set the goal for achieving climate neutrality by 2050. It requires that the current levels of greenhouse gas emissions will be decreased significantly over the next decades. The EU's interim target for reducing emissions by 2030 was updated from 40% to at least 55% (EU Parliament). For this purpose, on July 14, 2021, the "Fit for 55" package was adopted, which by its nature is a package of sectoral legislative proposals and amendments to the current EU legislation on the reduction of net greenhouse gas emissions in order to provide a balanced basis for achieving the EU's interim climate goals by 2030 (Communication …). The "Fit for 55" package includes legal acts in such important areas as the Emissions Trading System (EU ETS), regulation of the allocation of efforts to reduce emissions, land use and forestry (LULUCF), alternative fuel infrastructure, the Carbon Border Adjustment Mechanism (CBAM), social climate fund, green aviation fuel (RefuelEU) and greener shipping fuel (FuelEU Maritime), reducing methane emissions, CO_2 emission standards for cars and vans, energy taxation, renewable energy sources (RES), energy efficiency and energy efficiency of buildings (Communication …) .

The European Emissions Trading System (EU ETS) was created in 2005 and significantly reformed in the period 2013-2020 during its third phase (European Commission). EU ETS means the system for greenhouse gas emissions allowance trading within the Union in respect of activities listed in Annex I to Directive 2003/87/EC other than aviation activities (European Parliament and the Council, 2003). International Energy Agency indicates that “the experience from the EU ETS shows that interactions between benchmark design and pass-through of carbon (opportunity) costs need careful consideration and need to be followed over time as carbon prices varies” (IEA 2020).

The previous system of national limits was replaced by a single emission limit for the whole of the European Union, and an auction of allocation of allowances was introduced with new rules for allocation of allowances, which were still provided free of charge, were agreed, including 300 million reserve allowances for new entrants, to finance innovative renewable energy technologies, carbon capture and storage, also more sectors and gases were included. The EU ETS system operates in 28 EU member states, as well as in other countries like Iceland, Liechtenstein and Norway. Within the framework of the system, companies can buy and sell emission allowances, as well to use a limited number of international credits generated by emission reduction projects (Costantino, 2022).

According to International Energy Agency “an emissions trading system is generally embedded within higher-level greenhouse gas mitigation objectives, including those expressed within each country’s nationally determined contribution (NDC) to the Paris Agreement on climate change and longterm mitigation strategies” (IEA 2020). There is an expert opinion that “ETS is not the only policy in Europe affecting GHG emissions, at the European level it forms a policy triad together with renewable energy and energy efficiency targets, while further policy initiatives occur at the national and even local level” (Zaklan, Wachsmuth &Duscha, 2021).

The package "Fit for 55" contains the Commission's proposal to amend Directive 2003/87/EC on the revision of ETS (2021-2030), including robust rules to eliminate the risk of carbon leakage, an annual reduction of the total emission quotas by 2.2% starting from 2021, the system of free allocation of quotas will be extended for another 10 years, as well as mechanisms for providing financial assistance to energy-intensive industrial sectors and the energy sector for the transition to a low-carbon economy, the established modernization fund will support investments to promote a just transition in carbon-dependent regions in 10 low-income Member States (European Commission…).

Such companies as energy suppliers, oil refineries and coal suppliers are eligible to participate in the Emissions Trading System, where they are able to buy and sell national emission certificates. There are two types of certificates at the EU markets: green certificates and emission certificates.

A green certificate can be considered the opposite to an emission certificate, while emission certificates such as EUA - EU Allowances impose costs on non-renewable production and set a maximum level of total emissions. Green certificates create additional income for renewable production and guarantee a minimum level of renewable production. The price of green certificates depends on deficit at the market. The price is higher when the green certificate scheme is driven by rigid governmental policy objectives. Certificates cannot be transferred between European markets, unlike emissions certificates, so the overall market size is small. Markets of green certificates have fallen out of favor last years, and only a few European countries have still operated this mechanism, including Belgium, Sweden, Norway and Poland. Most of the markets have been organized at the national level, with the exception of Norway and Sweden, where there is a common market for environmental certificates called ElCert (Law on Elsertifikater, 2011). Most of trading is done due to such brokers as STX, Cleanworld, Evolution Markets and ACT or at the Green Power Hub platform. The price for Carbon Tax Rates inside of the EU is described below.

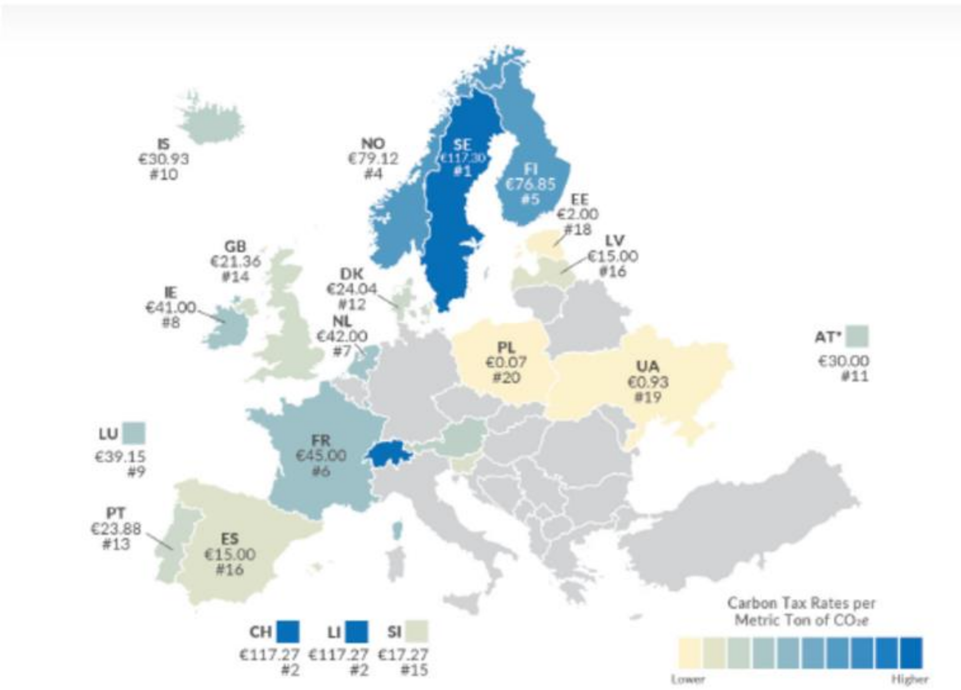

Fig.1. Carbon Tax Rates (Source: Tax Foundation, 2023)

Emission certificates fix the volume of emissions for which the financial responsibility is taken by supporting climate protection projects. One certificate corresponds to one ton of greenhouse gases. The amount of greenhouse gas emissions that are reduced or avoided by a climate project is calculated for the production of electricity from renewable energy sources by the amount of greenhouse gas emissions that are reduced or avoided as a result of the implementation of the climate project. The base scenario describes the volume of greenhouse gas emissions that would have been generated without the implementation of the climate project, the difference between baseline emissions and expected project emissions provides the expected reduction in emissions. Responsibility for CO_2 emissions from the production of products and services that cannot be further reduced can be assumed by purchasing emission certificates. Such repayment reliably confirms that the owner of the certificates has contributed to climate protection. The price of emission certificates at EU market during 2020-2023 is represented below.

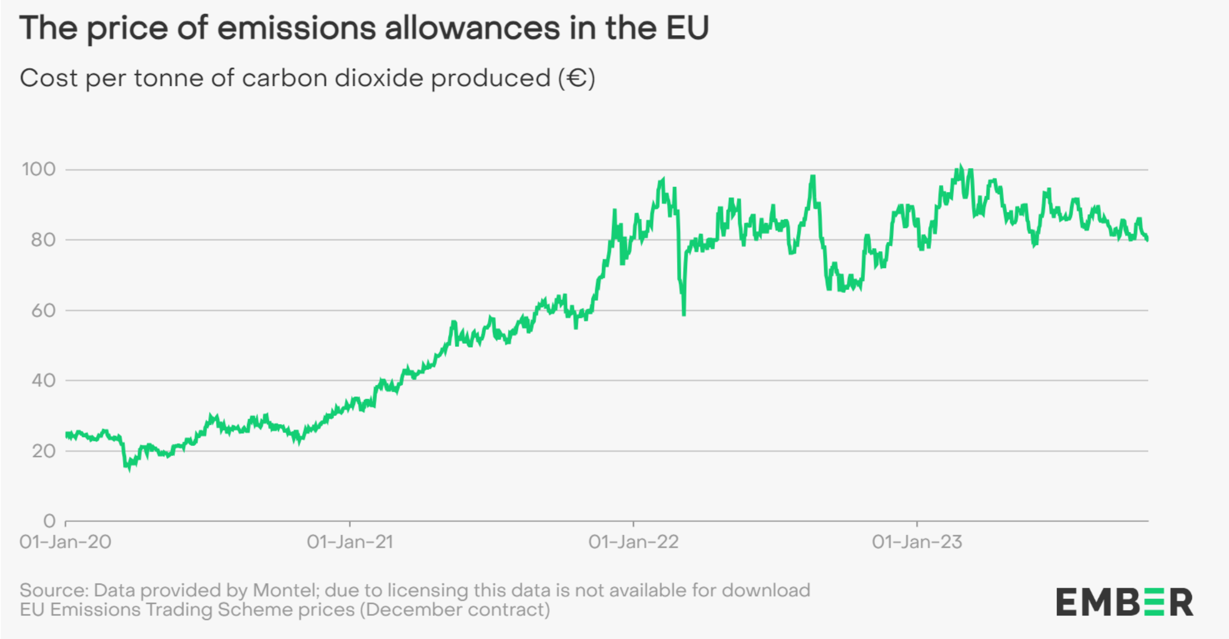

Fig.2. The price of emission certificates in the period of 2020-2023
(Source: Montel, 2024)

For determining a fair price for emissions in the processes of the production of carbon intensive goods imported to the EU and stimulating cleaner industrial production in non-EU countries the EU Carbon Emissions Border Regulation Mechanism (CBAM) was introduced in the Regulation (EU) 2023/956, according to which "the EU ETS and the CBAM share a common objective of pricing greenhouse gas emissions embedded in the same sectors and goods through the use of specific allowances or certificates" (Regulation…). The step-by-step implementation of CBAM is consistent with the end of the free allocation of allowances under the EU Emissions Trading System (ETS) to support the decarbonization of EU industry.

At the transitional stage from October 1, 2023, CBAM has be applied to imports of iron, steel, aluminum, fertilizers, electricity and hydrogen, while oil and gas are not on the list. The purpose of the transition period is to collect information on embedded emissions to improve the methodology for the next period. The Regulation establishing a carbon border adjustment mechanism should apply to goods imported into the customs territory of the Union from third countries, except where their production has already been subject to the EU ETS through its application to third countries or territories or to a carbon pricing system that is fully linked with the EU ETS (Regulation (EU) 2023/956). The proposed rules require importers of goods to pay for CBAM certificates equivalent to the GHG emissions embedded within them, a discount is proposed for emissions covered by the GHG pricing mechanism in the country of origin (Report…2022). After January 1, 2026, importers will have to annually declare the number of goods imported into the EU in the previous year and their greenhouse gas emissions to receive an appropriate number of certificates to CBAM, the price of the certificates will be calculated depending on the weekly average auction price of EU ETS allowances expressed in Euro for tone of CO_2 emitted (European Commission, 2023). The phasing-out of free allocation under the EU ETS will take place in parallel with the phasing-in of CBAM in the period 2026-2034 (European Commission, 2023).

Communication from the Commission on the 12 of May, 2021 entitled Pathway to a Healthy Planet for All, EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil' announced the promotion of appropriate tools and incentives to better implemention of the principle "polluter pays" and in such way to finalize the gradual abandonment of "free pollution", the corresponding principle is laid down in Article 191(2) of the Treaty on the Functioning of the European Union. (Communication…2021). The gradual termination of free allocation within the framework of the EU ETS is planned in parallel with the gradual implementation of CBAM during the period of 2026-2034 (Communication…2021). From this year the EU has expanded the scope of the European Emissions Trading System (EU ETS) by including the maritime sector (Safety4Sea, 2024). The EU ETS for maritime transport applies to all maritime transport with at least one call within the EU, covering 100% of emissions for transport between two EU ports and 50% for transport between EU ports and non-EU ports (Directive 2023/959). It provides for a three-year phase-in period, increasing emissions from 40% in 2024 to 70% in 2025 and 100% in 2026, it applies to cargo and passenger ships with a gross capacity of more than 5,000 registered tons from 2024 and to seagoing vessels with a gross capacity of more than 5,000 registered tons from 2027 (Directive 2023/959).

Member States' auctioning revenues will increase as a result of the inclusion of maritime transport in the EU ETS (Directive 2023/959). It was specified that "Member States are encouraged to increase the use of EU ETS revenues pursuant to Article 10 (3) of Directive 2003/87/EC to contribute to the protection, restoration and better management of marine-based ecosystems, in particular marine protected areas" (European Parliament and the Council).

To stimulate cost-effective emission reductions in buildings, road transport and additional sectors, the new emissions trading system ETS 2 has been introduced for fuels combusted in these sectors and revenues from such auctioning of emission allowances will supply the new Social Climate Fund to address for climate and social actions in the EU with total ambition to mobilize together with the Member States' contributions 86.7 billion of Euro in the period from 2026 to 2032 (European Commission…). ETS 2 will be operated from 2027, the monitoring and reporting of emissions will be started in 2025 (European Commission…).

After the election of Joe Biden, the USA returned to the Paris Agreement. The Inflation Reduction Act of 2022 puts the USA on track to meet its 2030 Nationally Determined Contributions under the Paris Agreement with an estimated $369 billion in climate investments over the next ten years (Public Law No. 117-169 (08/16/2022)). Providing such state subsidies to American companies violates WTO rules and makes this option infeasible for the EU (Sarah Jackson, Mary Helimich, 2022). Trade disputes over schemes to subsidize the decarbonisation of industry and transport will take place. The US does not apply CBAM.

China started the implementation phase of the national ETS in 2017 for limitation and reduction of CO_2 emissions in a cost-effective manner, that could become a major climate policy tool to help China realize its Nationally Determined Contribution to the Paris Agreement on climate change and its long-term low-carbon strategy, but the national ETS has covered only coal- and gas-fired power plants (IEA 2020). China has not applied CBAM.

Combating with climate change has become an issue of geopolitics. The relevant legal-institutional framework puts particular demands on EU coordination for coherence and unity in EU external climate policy (Oberthür & Dupont, 2021).

Conclusions. In the framework of the European Green Deal, the European Union announced the goal of achieving climate neutrality by 2050. In order to achieve global climate goals, the European Community reformed its emissions trading system (EU ETS) and established the general limitation of emissions for whole EU, as well as the introduction of an auction of allocation of quotas with new rules. Companies registered in the ETS obtain the right to buy and sell emission certificates, in such way the EU has introduced financial responsibility for production emissions that cannot be further reduced. There are emission certificates and green certificates in circulation on the EU markets. Green certificates have been losing popularity in recent years because their circulation is possible only within the boundaries of each individual EU country and, accordingly, their prices are determined by national markets. Green certificates have been currently in circulation only in the markets of Belgium, Sweden, Norway and Poland. Interstate trade in EU markets is only permitted by emission certificates. At the same time, it is obvious that the introduced additional financial responsibility of EU member economies should be shared with other partners. To implement the EU's intermediate goal of reducing emissions by 55% by 2030 through the implementation of the package of sectoral legislative proposals "Fit for 55", among which the new CBAM system was proposed, which, according to the legislators, should become a tool to reduce carbon leakage for importers who relocate production to countries with less strict climate policies

In fact, from 2026, the CBAM should act as an incentive for the EU's global trading partners to decarbonize their high-emission sectors, as well as a fair equalization of EU market requirements for both European producers physically located in and outside of Europe. CBAM will clearly affect the competitiveness of importers on EU markets. The governments of the countries of origin of imported goods to the EU markets will be forced to find an appropriate balance between national ambitions to achieve zero emissions and trade relations, appropriate strategies and procedures will have to be worked out, adapted and agreed upon. Inevitable dissatisfaction of countries exporting carbon-intensive goods to the EU, there is a possibility to appeal the CBAM as a discriminatory trade barrier in the World Trade Organization. The synchronization of the EU and US markets is in question, since CBAM is not applied in the American legislation, at the same time subsidy schemes for the greening of industry are foreseen and consultations are currently ongoing regarding the provision of legislative opportunities for European countries to participate in subsidy schemes. At the same time, the EU considers CBAM exclusively as an environmental measure and it is doubtful whether the political will could appear to offer exemption from additional taxation or offer other concessions to third countries.

Climate policy has become part of global strategizing. The prospect of achieving global climate goals and the effectiveness of the fight against global warming depend on rationally developed and agreed solutions by the international community. Alone, Europe is not able to combat global warming.

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STATE TERRORISM - DEFINITIONS AND MANIFESTATIONS IN THE CONTEXT OF THE RUSSIAN-UKRAINIAN WAR

ДЕРЖАВНИЙ ТЕРОРИЗМ – ВИЗНАЧЕННЯ ТА ПРОЯВИ В КОНТЕКСТІ РОСІЙСЬКО-УКРАЇНСЬКОЇ ВІЙНИ

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«The russian federation brings death and destruction»
Permanent Representative of Ukraine to the United Nations Sergiy Kyslytsya

Abstract. *The article examines national and international law in the context of interpreting the concept of terrorist state. Eleven criteria of the 1987 Geneva Declaration on Terrorism, which explain such a phenomenon as terrorist state, were analyzed. It was proved that the actions of modern Russia toward Ukraine fully correspond to all eleven criteria of the 1987 Geneva Declaration on Terrorism.*

It was demonstrated that Moscow's bombing of civilian targets in Syria, Chechnya shows that russia's way of war and bombing of civilian targets was meant to inflict terror on the general population and beat it into submission. The same way of war "Putin's regime" tries to apply to Ukraine. It was refuted the thesis of Permanent Representative of Ukraine to the United Nations Sergiy Kyslytsya which he expressed on January 2, 2024 during the interview to the American television and radio organization Voice of America that the russian way of war in Ukraine is complete terrorism that brings death and destruction.

Key words: *diplomacy, international law, peace, the United Nations (UN), russian-Ukrainian war, terrorist state, terrorism, terror, terrorist activity, war.*

Анотація. *У статті досліджено національне та міжнародне право в контексті тлумачення поняття «держава-терорист». Проаналізовано одинадцять критеріїв Женевської декларації про тероризм 1987 року, які пояснюють таке явище як державний тероризм. Доведено, що дії сучасної росії повністю відповідають усім одинадцяти критеріям Женевської декларації про тероризм 1987 року.*

Продемонстровано, що бомбардування Москвою цивільних об'єктів у Сирії та Чечні свідчить про те, що російський спосіб ведення війни та бомбардування цивільних об'єктів мав на меті залякати населення та підкорити його «режиму». Такий самий спосіб війни нині «режим Путіна» намагається застосувати до України. Спростовано тезу Постійного представника України при ООН Сергія Кислиці, які він висловив 2 січня 2024 року в інтерв'ю американській телерадіоорганізації «Голос Америки» про те, що російський спосіб ведення війни в Україні – це суцільний тероризм, який несе смерть і руйнування.

Ключові слова: *війна, державний тероризм, дипломатія, мир, міжнародне право, Організація Об'єднаних Націй (ООН), російсько-українська війна, тероризм, терор, терористична діяльність.*

Introduction. The study begins with the words of the Ukrainian career diplomat who serves as Ambassador Extraordinary and Plenipotentiary of Ukraine and Permanent Representative of Ukraine to the United Nations, Sergiy Kyslytsya: "The russian federation brings death and destruction". The ambassador expressed this phrase on January 2, 2024 during the interview to the American television and radio organization Voice of America summarizing the results of 2023, humanitarian aid, the displacement of russia from the governing bodies and structures of the UN (Solomko, 2024).

As a sovereign and independent state, during the 23 years of its own statehood, Ukraine consistently adhered to the policy of peaceful coexistence, devotion to the principles and norms of international law. The confirmation of this phrase is the signing on December 5, 1994 of The Budapest Memorandum on Security Assurances in connection with Ukraine's accession to the Treaty on the Non-Proliferation of Nuclear Weapons (The Memorandum, 2024). Thus, Ukraine voluntarily refused the world's third largest arsenal of nuclear weapons, significantly reduced its defense budget and army spending every year, demonstrating its commitment to democracy and the freedom of state formation.

In 2014, Ukraine was attacked by the russian federation, which is one of the largest nuclear powers in the world. The armed aggression was well planned and began on February 20, 2014 with the military operation of the Armed Forces of the russian federation to seize the Crimean Peninsula. This date is not denied even by the Ministry of Defense of the russian federation, as it is indicated on the departmental medal "For the return of Crimea". Thus, from February 2014 to February 2022, russia's hybrid war against Ukraine lasted, which was accompanied by propaganda, trade and economic pressure, an energy blockade, terror and intimidation of Ukrainian citizens, cyber-attacks, a strong denial of the very fact of war against Ukraine despite large scope of irrefutable evidence, use of pro-russian forces and satellite states in its own interests, blaming the other side for its own crimes (Ministerstvo, 2017).

On February 24, 2022, russia's hybrid war against Ukraine entered the stage of an open armed invasion by the russian army into Ukraine. The armed invasion of russian soldiers into the territory of Ukraine was accompanied by mass murders of the civilian population, shelling of kindergartens, hospitals, residential areas, the use of cruise missiles against the civilian population, the shooting of school buses, the blocking of expressways, sexual violence, the destruction of cities, civil infrastructure, cultural objects heritage, health care facilities, open looting, kidnapping and forced resettlement of Ukrainian children, nuclear terrorism, attacks on critical energy infrastructure of Ukraine, forcing citizens to participate in military operations against their own state, blockade of Ukrainian ports and theft of Ukrainian grain, etc. (Armiia, 2023). Moreover, through the mouth of president V. Putin, the terrorist state makes illegal demands, in particular: to change the internal and foreign policy of Ukraine; to refuse the right to self-defense, to implement the national idea of building an independent, democratic state; to recognize russian supremacy and the correctness of russian illegal actions – the occupation of Ukrainian territories, the destruction of the population, the destruction of settlements, the destruction of international law in its understanding and perception recognized by the entire civilized world (Krupenya, 2023).

All these facts listed above only further confirm the words of Ukrainian diplomat Sergiy Kyslytsya, which he voiced on January 2, 2024, that the russian federation brings death and destruction. At the same time, when assessing any criminal crime/fact committed by a natural or legal person, or a public servant or the state as a whole due to the orders of the highest military-political leadership, we must be guided first of all by international law, and then by the statements of experts!

The purpose of research is to investigate international law in the context of interpreting the concept of terrorist state; policy of the russian federation towards Ukraine and to confirm the words of the Permanent Representative of Ukraine to the United Nations S. Kyslytsya that russia's war against Ukraine is pure terrorism that brings death and destruction.

Recent literature review. The article is based on current international documents that define the criteria of "terrorist state". The Law of Ukraine "On Fight against Terrorism" was also analyzed in the context of the national interpretation of the concept of "terrorist state". The scientific interpretation of "terrorist state" is considered separately.

Among domestic researchers a team of authors under the leadership of editor-in-chief V. Smoliy first began to highlight this problem and prepared a specialist scientific research (Smoliy, V. Political terror and terrorism in Ukraine nineteenth and twentieth centuries. Historical essays, 2002) based on new archival materials that shed light on the problem of terror and terrorism in Ukraine, and their modern understanding. The study consists of 13 essays on terror and terrorism in a theoretical dimension, on terrorism at the beginning of the 20th century, on terror of the Soviet era, terror and terrorism during the Second World War and the post-war period, on the suppression of dissent in the era of "stagnation", on the problems of combating terrorism at the current stage.

A senior fellow in The Washington Institute's Diane and Guilford Glazer Foundation Program on Great Power Competition and the Middle East, Anna Borshchevskaya exploring Putin's overall approach to the Middle East and the russian way of war in Syria (Borshchevskaya, A. The russian way of war in Syria: threat perception and approaches to counterterrorism, 2020).

The famous Ukrainian diplomat Volodymyr Ohryzko in his article (Ohryzko, V. Reflections on ruscism, 2022) highlighted the characteristics of the ideology and practice of ruscism, emphasizing that the concept of "ruscism" should be recorded in international legal documents as a modern the russian equivalent of fascism, and the world community should organize an anti-ruscism front as a broad anti-Putin coalition. And accordingly, the creators of the ideology of ruscism and its executors should appear before the Special International Tribunal and be punished for their crimes committed against Ukraine.

Iryna Krupenya analyzed in her research current international documents that define the criteria of terrorist state and in her scientific investigation demonstrated that the political decisions taken by the president of russia V. Putin in relation to Ukraine fall under the criteria of the Geneva Declaration on Terrorism (Krupenya, I., 2023).

The content of terrorist state as a social phenomenon and its danger for the modern world was highlighted in the research of professor Kudinov S. (Kudinov, S., 2022). Tkach V. investigated the essence of political terrorism as a type of modern terrorism (Tkach, V., 2012). Actual issues of counter-terrorism in modern conditions in Ukraine were analyzed by such scientists as Cherednichenko O. U., Cherednychenko A. O. (Cherednichenko, O., 2017) etc.

Putin's war against Ukraine is under constant monitoring by foreign television and radio corporation BBC, CNN, Voice of America, Al Jazeera, Euronews, Deutsche Welle; domestic daily all-Ukrainian newspaper "Day", the English-language newspaper "The Ukrainian Weekly"; American newspapers "The Wall Street Journal", "The New York Times", "USA Today", "The Washington Post", "The Independent", etc; European newspapers "POLITICO", "EUobserver", "The Baltic Times", "The European Times News", "Brussels Morning", "The Brussels Times", "Süddeutsche Zeitung", "Die Zeit", "Die Welt", "Le Figaro", "Le Monde Diplomatique", etc.; Ukrainian news agency «RBC Ukraine», Television news service «TCN», an online publication «Radio Svoboda», databases of Human Rights Watch etc.

Main research results. The problem of terrorism is becoming one of the most relevant today. The events in Ukraine drew the attention of all countries of the world to this phenomenon. On December 11, 2023, the President of Ukraine spoke at the US National Defense University as part of a working visit to the United States of America. The main message of the appeal is "freedom must always prevail when challenged"! Volodymyr Zelenskyi emphasized that since 1989, the "enemies of freedom" invested in terror, provoked crises, incited hatred and fueled local conflicts, resurrected the nuclear threat, etc. The year 2022 was the time when one of the freedom's enemies tried to strike the entire world order that was being established after the fall of the Berlin Wall with its full-scale, criminal and unprovoked war in Ukraine. Russia's war against Ukraine is not just an attempt by a revanchist dictatorship to take revenge for real or imagined insults; this is not just an attempt by Moscow to divide Europe again, but it is a deliberate attack by V. Putin on the historical turning point that happened in 1989. The russian federation is fighting in Ukraine not only against the Ukrainian people, but actually against the whole of free and united Europe. Russia destroys normal life in Ukrainian cities, systematically carrying out massive attacks on the civilian and critical infrastructure of Ukraine, its population. The propaganda of the russian federation sows despair in democratic countries and tries to prove that dictatorships with certain elements of the market economy will allegedly win the global confrontation. V. Putin has partners such as Hamas, Iran, North Korea – they are all united by intolerance of freedom and terror (Ofitsiine, 2023).

In the context of the term "terror", on March 11, 2023, the President of Ukraine once again publicly stated that russia has become synonymous with terror and will be an example of defeat and just punishment for this terror. This was said after another series of brutal terrorist attacks by the "evil state" on Ukrainian cities and villages in the Kherson, Zaporizhzhya, Donetsk, Luhansk, Kharkiv, Sumy, Dnipropetrovsk regions, etc (Ofitsiine, 2023).

Today, there are many scientific definitions of terrorism, none of which has gained a dominant meaning in science. At the same time, the Ukrainian legislator in the Law of Ukraine "On Fight against Terrorism" provides a legislative interpretation of the concept of "terrorism". Thus, Article 1 of the law states that "terrorism is a socially dangerous activity that consists in the deliberate, purposeful use of violence by taking hostages, arson, murder, torture, intimidation of the population and authorities, or committing other attacks on the life or health of innocent people or threatening to commit criminal acts in order to achieve criminal goals". Separately, the legislator defines "terrorist state" in the same law. A "terrorist state" is a state that openly, using its own armed forces, other armed formations, or covertly, using armed formations acting on behalf and (or) in the interests of such a state, commits acts of terrorism, acts of international terrorism (Pro borotbu, 2003).

In the first half of 2014, the terrorist state russian federation committed acts of terror against Ukraine, which fall under the legal definition of a "terrorist state", in particular: open invasion of Crimea and its annexation; "hidden" hybrid war in Donetsk and Luhansk regions; preparation for a terrorist campaign in regions with a predominantly Russian-speaking population outside the Donbass. And since February 24, 2022, Putin's hybrid war has turned from a hidden state into an open, full-scale invasion into Ukraine (Kuzio, 2018).

The criteria of a terrorist state were also defined by international law 37 years ago in the 1987 Geneva Declaration on Terrorism (UN General, 1987). The declaration includes 11 criteria, and the actions of modern Russia fully correspond to each of them: police state practices against its own people to dominate through fear by surveillance, disruption of group meetings, control of the news media, beatings, torture, false and mass arrests, false charges and rumors, show trials, killings, summary executions and capital punishment (e.g., kidnapping and killing of Crimean Tatar activists in Russian-occupied Crimea, the arrest of opposition politician Alexei Navalny, the assassination of Boris Nemtsov as one of the main leaders of the Russian opposition to the Putin regime, which was committed on February 27, 2015 on the Great Moskvoretsky Bridge in Moscow, the murder of Alexander Litvinenko by the Russian special services, repression by the Russian authorities against their own citizens who publicly spoke out against the war in Ukraine); the introduction or transportation of nuclear weapons by a state into or through the territory or territorial waters of other states or into international waters (e.g., Russia has deployed 39 nuclear weapons carriers on the territory of occupied Crimea); military exercise manoeuvres or war games conducted by one state in the vicinity of another state for the purpose of threatening the political independence or territorial integrity of that other state (e.g., large military exercises in early February 2022 in the southern military district of the Russian Federation and in Belarus near the borders of Ukraine); the armed attack by the military forces of a state on targets that put at risk the civilian population residing in another state (e.g., the bombings of Mariupol, Irpin, Bucha and other cities of Ukraine); the creation and support of armed mercenary forces by a state for the purpose of subverting the sovereignty of another state (e.g., Wagner private military army funding by Russia); assassinations, assassination attempts, and plots directed by a state towards the officials of other states, or national liberation movements, whether carried out by military strike, special forces units or covert operations by “intelligence forces” or their third party agents (e.g., since the beginning of the large-scale war, Russian special services have attempted to assassinate the President of Ukraine Volodymyr Zelenskyy 12 times); covert operations by the “intelligence” or other forces of a state which are intended to destabilize or subvert another state, national liberation movements, or the international peace movement (e.g., the Russian dictator announced the start of a “special military operation” against the “Kyiv regime” rather than a war against Ukraine); disinformation campaigns by a state, whether intended to destabilize another state or to build public support for economic, political or military force or intimidation directed against another state (e.g., propaganda of such Russian propagandists as Olga Skabeyeva, Yevgeny Popov, Vladimir Solovyov, Margarita Simonyan, etc.); arms sales which support the continuation of regional wars and retard the search for political solutions to international disputes (e.g., since 2014, Russia has openly supported the armed formations of the terrorist organizations “DPR” and “LPR”. However, the weapons were most likely not sold, but supplied free of charge to their own security forces and mercenaries who fought under the guise of separatists against Ukraine); the abrogation of civil rights, civil liberties, constitutional protections and the rule of law under the pretext of alleged counter-terrorism (e.g., in Russia, all opposition media have already been closed, Facebook has been blocked); and the development, testing and deployment of nuclear and space-weapons systems that in all circumstances increase the probability of genocide and ecocide, while condemning the poor to continued misery and all humanity to a state of perennial fear (e.g., Kh-95 long-range hypersonic aviation missile is being developed for the aerospace forces) (Krupenya, I., 2023).

Anna Borshchevskaya, a senior fellow in The Washington Institute’s Diane and Guilford Glazer Foundation Program on Great Power Competition and the Middle East, in 2021 wrote the book “Putin’s War in Syria: Russian Foreign Policy and the Price of America’s Absence”. In Chapter two of her book “The Russian way of war in Syria: Threat Perception and Approaches to Counterterrorism” was highlighted that terrorism historically played an important role in Russia. Russia’s counterterrorism typically focused on brutal repression and murder. This is how imperial, and later Stalinist, Russia sought to subdue the Caucasus – an approach that created more problems than it solved, as it only hardened resistance to the Russian state.

Moscow’s and Assad’s bombing of civilian targets like hospitals was meant to inflict terror on the general population and beat it into submission. The bombing of Aleppo in particular bore striking resemblance to Moscow’s scorched earth tactics in Chechnya, where, for example, Moscow essentially razed the republic’s capital, Grozny, to the ground in the December 1999–January 2000 siege. While no one disputed Moscow’s legitimate right to fight terrorists, its methods, according to many observers at the time, fell into the category of war crimes, and world leaders expressed shock at the violence (Borshchevskaya, A., 2020).

The massive missile attack on Ukraine on December 29, 2023 once again demonstrated the “character of Putin’s regime” and terror on broad sections of the Ukrainian population in such cities as Kyiv, Kharkiv, Dnipro, Odesa, Zaporizhzhia, Konotop, Smila and Lviv (Espreso, 2024).

On December 29, 2023, was issued Statement from President Joe Biden on Russia’s Aerial Assault on Ukraine. In this document was stated that russia launched its largest aerial assault on Ukraine since this war began. This massive bombardment used drones and missiles, including missiles with hypersonic capability, to strike cities and civilian infrastructure all across Ukraine. It is a stark reminder to the world that, after nearly two years of this devastating war, Putin’s objective remains unchanged. He seeks to obliterate Ukraine and subjugate its people. He must be stopped (U.S. Embassy, 2023).

On 23 January 2024 civilians killed in another missile strikes on Kyiv and Kharkiv. Residential buildings were hit in the north-eastern city of Kharkiv, leaving five people killed and another 42 injured. In Kyiv, the air raid went on for more than two and a half hours, the longest since 2 January 2024. These facts clearly demonstrates that Russia’s war against Ukraine is pure terrorism (BBC, 2024).

Conclusions. The example of Putin's Syria intervention shows that Russia's way of war and bombing of civilian targets was meant to inflict terror on the general population and beat it into submission. The same way of war Putin's regime tries to apply to Ukraine take in consideration the destruction of Mariupol, Irpin, Bucha etc., nuclear blackmail, information warfare, the destroy the energy system of Ukraine, terrorist attack at the Kakhovskaya HPP, destroy the ecosystem, pollute the soil and water space, constant rocket attacks on Ukrainian villages and cities, humanitarian danger etc. Thus, the russian federation spreads terror on the territory of Ukraine by committing ***war crimes*** (murder, torture, enslavement or for other purposes of the civilian population of the occupied territory; killing of hostages; robbery of state or private property; destruction of cities or villages, etc.); ***crimes against humanity*** (murder; enslavement; deportation or forcible transfer of population; imprisonment; torture; rape; forcible abduction of people, etc.) and **the crime of aggression**.

The analysis of the above-mentioned criteria of a terrorist state and the study of both national and international law allow to confirm the words of Permanent Representative of Ukraine to the United Nations Sergiy Kyslytsya that the russian way of war in Ukraine is complete terrorism that brings death and destruction (Solomko, 2024).

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ОСОБЛИВОСТІ РОЗВИТКУ СВІТОВОГО ГОСПОДАРСТВА ТА МЕВ

УДК 339.926:339.972:339.982

INSTITUTIONALIZATION OF CLIMATE CHANGE COMBAT IN THE EU AND SOCIO-ECONOMIC EFFECTS OF INDUSTRY DECARBONIZATION

ІНСТИТУЦІОНАЛІЗАЦІЯ БОРОТЬБИ ЗІ ЗМІНАМИ КЛІМАТУ В ЄС ТА СОЦІАЛЬНО-ЕКОНОМІЧНІ ЕФЕКТИ ДЕКАРБОНІЗАЦІЇ ПРОМИСЛОВОСТІ

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Abstract. *The purpose of the article is to determine the specifics of the process of institutionalization of the fight against climate change in the EU and generalize the potential socio-economic effects of industrial greening with an emphasis on the inevitability of changes in the taxation system. It is argued that the rhetoric in many European countries is changing, from perceiving the climate as a burden, challenge and danger to promoting the idea of the benefits that can be gained by gaining the status of a "leader of the green transition". It was concluded that in order to implement ambitious plans for industrial greening, it is necessary to use the potential of macroeconomic regulation with a combination of monetary and tax-budgetary policy instruments, to review the "ceiling" of the permissible budget deficit and to determine priority areas for capital investments. At the same time, the reduction of intra-European competition will be facilitated by the coordination of industrial development strategies of the EU member states, and, therefore, the volumes of state aid and subsidies related to the functioning of ETS1 and ETS2. Such large-scale government interventions at the national and supranational levels of the EU will enable the green transition, because no one will succeed in creating a "new green reality" relying on the market. The existing economic approach, according to which private investments determine the directions of development, without interfering with what, how and why companies actually produce, is losing its relevance. And that is why the states will have to formulate and consolidate with relevant legal acts* *a clear and comprehensive understanding of sectoral climate goals with the subsequent inclusion of these goals in the process of economic decision-making. After all, the creation of new markets while gradually closing existing ones implies the creation of transparent rules of the game. This involves approving requirements for subsidizing instruments, taxation, permitting procedures, providing grants for R&D, as well as developing new infrastructure solutions and state funding mechanisms. Therefore, governments, and not "spontaneous" markets, will have to take on the authority to coordinate pricing mechanisms, as well as develop principles for attracting investments and applying uniform rules for regulating economic activity. The declared "green transition", if it is also "just", will require deeper structural changes, for example, thanks to the increase in the amount of "green" investments for low-income or low-income families.*

Key words: *decarbonization, sustainable development, circular economy, green transition, financial instruments, climate finance, green investment, taxes, CBAM mechanism, Emissions Trading System, regulation, monetary policy, fiscal policy, EU, strategic interests, economic interests.*

Анотація. *Мета статті полягає у визначенні специфіки процесу інституціоналізації боротьбі зі змінами клімату в ЄС та узагальнення потенційних соціально-економічних ефектів озеленення промисловості з акцентом на неминучості змін у системі оподаткування. Розглянуто ризики декарбонізації для конкурентоспроможності європейських виробників. Визначено особливості анонсування кліматичних цілей як складової промислових стратегій розвитку, що тягнуть за собою перегляд фінансово-фіскальних інструментів сприяння зеленому переходу. Державне стимулювання модернізації виробничих потужностей за рахунок комбінації прямих і непрямих заходів підтримки визначено дієвим інструментом амбітного плану боротьби із наслідками змін клімату та адаптації до них, прийнятого на наднаціональному рівні регулювання політики в ЄС. Стверджується, що реалізація задекларованих цілей передбачає не лише розробку превентивних заходів для протидії соціальним наслідкам декарбонізації промисловості, а й перехід до стратегічного довгострокового планування, що відображено в Плані дій з економіки замкненого циклу в ЄС. Проаналізовано потенційні наслідки впровадження Механізму регулювання вуглецевих кордонів через систему торгівлі квотами на викиди та Механізму прикордонного вуглецевого коригування. Розглянуто пастки фінансування та залучення інвестицій в зелені проєкти. Доведено, що сприяння конкурентним відносинам всередині ЄС в процесі реалізації зеленого переходу виступатиме запорукою координації стратегій промислового розвитку держав-членів ЄС, що відповідає національним інтересам.*

Ключові слова: *декарбонізація, сталий розвиток, циркулярна економіка, зелений перехід, енергоресурси, фінансові інструменти, кліматичне фінансування, зелені інвестиції, податки, механізм CBAM, міжнародна торгівля викидами парникових газів, торгівля квотами, монетарна політика, фіскальна політика, ЄС, стратегічні інтереси, економічні інтереси.*

Introduction. To model the impact of climate change on GDP, monetary authorities of developed countries try to "capture" complex interactions between the physical and economic aspects of climate change. Some of them actively use the Integrated Assessment Models, which provides for the assessment of the "social cost of carbon". Others, such as the United States, rely on climatology and econometric studies to assess how climate change affects key economic sectors. Climate impacts are modeled in the study with a very high degree of detail, highlighting regional variations in climate impacts. Further quantitative research based on such detailed data and climate knowledge could potentially enable monetary policymakers to better assess the long-term physical effects of climate change. The Bank of England has long assessed the short-term impact of abnormal weather events on economic activity. For example, it simulates the impact of winter (depending on the degree of snow cover) on retail trade, construction and the hotel business. Analysts of JP Morgan take into account, for example, the water level in the Rhine and other major rivers in the assessment of economic growth in Germany. They established a direct link between the impact of extreme heat in 2018 on the decline in economic growth

The process of decarbonization of such important industries as steel, cement, and chemicals affects not only the strategic interests of market participants, but will also affect consumers, who will feel the socio-economic consequences of the green transition with their wallets. For example, in the EU, almost 80% of all productions will require significant modernization. European experts believe that their industrial policy until recently was exclusively defensive in relation to competitors and was not far-sighted. Governments shied away from interventions that could harm competition between already existing firms in the domestic market and therefore fell behind in the industrial race in the foreign market *(Abdelli, M., & Batsaikhan, U., 2022).* At the same time, taxes on energy resources (which make up almost 60% of environmental taxes in the EU) for heavy industry were kept at a low level thanks to a series of complex preferential tariffs and benefits. And a wide range of aid, such as subsidies, investment support, research and development grants, was provided without any clear conditions or long-term planning.

However, the situation is beginning to change. The Netherlands and Germany have announced a number of new climate targets and laws, including quantitative targets for industrial emissions. So far, the German approach to stimulating the green transition has been based mostly on subsidizing research and development (R&D) and investing in the development of new markets for environmentally friendly products. The Netherlands opted for a combination of "whip and gingerbread": a combination of subsidies, higher prices for carbon emissions and a review of the taxation policy of different types of energy. The accepted political and economic "pair" in both countries was inclined to a compromise that market adjustments combined with indirect and direct support measures should contribute to the greening of the economy. Some countries, notably Belgium, have bet on a full-scale industrial transition, and its only major steel producer will receive substantial government support to modernize production facilities. In many European countries, the rhetoric is changing: from perceiving the climate as a burden, challenge and danger to promoting the idea of the benefits that can be acquired by gaining the status of a "leader of the green transition".

The purpose of the article is to determine the specifics of the process of institutionalization of the fight against climate change in the EU and generalize the potential socio-economic effects of industrial greening with an emphasis on the inevitability of changes in the taxation system.

Literature review. Ukrainian scientists prove that the modern strategic prospects of reforming the current system of environmental business taxation and increasing its effectiveness should be connected, first of all, with the improvement of the forms and methods of its coordination operating in international economic practice. This is, first of all, the introduction of a system of global anti-carbon taxation at a worldwide fixed tax rate; inclusion in the Paris climate agreement of quantitative obligations of each participating state to reduce greenhouse gas emissions *(Chala, V., Orlovs'ka, Y., Kvaktun, O., Vovk, M., 2017)*; introduction of legal responsibility in the form of international anti-carbon sanctions for violations of assumed environmental obligations in relation to each signatory country, proportional to the damage caused to the environment *(Chala, V., Kakhovych, E., Mashchenko, S., Dryhola, K., 2019);* introduction of a two-level carbon transport tax, taking into account the level of CO2 emissions and the type of fuel used, with a simultaneous commensurate reduction in the tax rates of companies' wage funds and individual incomes of citizens; systematic linking of the amount of environmental fines of economic entities with the amount of economic benefit received by them from illegal actions; introduction of a system of tax benefits and preferences for those producers who apply ecological innovations and developments *(Chala, V., Bozhanova, V., Niameshchuk, H., Hlushchenko, A., 2021); Chala, V., Orlovska, Yu., 2021)).* The green economy is no longer considered by scientists in isolation from the structural dynamics of social development, and its modern theoretical discourse is based on the principles of the complexity of socio-economic processes *(Fromberg, E.H.E., Bakker, C.A. & Peck, D., 2023; Kandpal, V., Jaswal, A., Santibanez Gonzalez, E.D.R., Agarwal, N., 2024).* Today, we are all witnesses of the further active evolutionary development of scientific thought in the direction of moving away from the qualification of the green economy as an industrial subsystem to a qualitatively new, post-industrial paradigm. It is primarily about a systematic transition from a linear understanding of the connections between economic, social and ecological aspects of social development to their comprehensive understanding taking into account circular approaches *(Dovgal, O., Borko, T., Miroshkina, N., Surina, H., & Konoplianyk, D., 2024; (Prokopowicz, D., 2022).* Scientists *(Krysovatyy, A., Zvarych, R., Zvarych, I., Reznikova, N., & Homotiuk, V., 2021; Mercy, T., 2023)* investigate the specifics of the implementation of national strategies for green transformation and green growth management, as well as study the impact of decarbonization of industry in the context of macroeconomic stability challenges *(Melnyk, T., Reznikova, N., & Ivashchenko, O., 2020; Diluiso, F., B. Annicchiarico, M. Kalkuhl, and Minx J. C., 2021; Abdelli, M., & Batsaikhan, U., 2022; Schoenmaker, D. & Tilburg, R.V., 2016; Van Lerven, F. & Ryan-Collins, J., 2017).* The study of the system of internationally institutionalized rules, principles, norms and regulators of greening processes contributes to a critical understanding of the potential of monetary and fiscal instruments for promoting decarbonization and combating climate change *(Reznikova, N., & Grod, M., 2023).*

Main results of the research. The EU has already recognized that the existing economic approach, according to which private investments determine the direction of development, without interfering in what, how and why companies (plants and factories) produce, is losing its relevance. And that is why the states will have to formulate and consolidate with relevant legal acts a clear and comprehensive understanding of sectoral climate goals with the subsequent inclusion of these goals in the process of economic decision-making. After all, the creation of new markets while gradually closing existing ones implies the creation of transparent rules of the game. This involves approving requirements for subsidizing instruments, taxation, permitting procedures, providing grants for R&D, as well as developing new infrastructure solutions and state funding mechanisms. Therefore, governments, and not "spontaneous" markets, will have to take on the authority to coordinate pricing mechanisms, as well as develop principles for attracting investments and applying uniform rules for regulating economic activity *(Reznikova, N., & Grod, M., 2023).*

Of course, this will require a demonstration of political will and an appeal to national interests. It is at this stage that demarcation lines may emerge, which will demonstrate the multidirectionality of strategic planning at the level of EU member states and the difficulty of bringing to a common denominator the proposed way of implementing green transition initiatives. After all, today it will be necessary to look behind the scenes of the future and determine the list of production and sales chains that could potentially be in demand from the standpoint of national security in 2050. Moreover, minimizing the social consequences of the green transition involves a return to clear planning and the development of preventive measures to curb potential disturbances in society.

One of the examples of such strategizing is the Circular Economy Action Plan. The circular economy involves a radical change in the organization of production and consumption — from a linear growth model (extraction, production, disposal) to a sustainable alternative (recycling, reuse, recycling, sharing), when waste becomes a resource. But since there is no economically justifiable benefit in preventing waste generation given the availability of resources that can be extracted and developed, national and local governments will have to subsidize such circular production and encourage the reuse of waste.

It will not be possible to avoid competition between methods of processing waste into energy, which will be preferred in different EU countries in an uncoordinated manner. For example, waste-to-energy (WTE) plants require significant investment, so private operators typically force municipalities to commit to waste for several decades, often up to 50 years. WTE cannot be considered as a single solution to waste problems, but should be integrated into a single solid waste management system, adapted to specific local conditions, taking into account the structure of such waste, the features of its collection and recycling, the share the shadow sector of the economy, environmental problems, methods of financing, cost of resources and other aspects. At the same time, the United Nations Environment Program has warned that WTE can create a blocking effect: a certain amount of waste is required for the operation of factories, which in turn does not interfere with the prevention of their formation. In this connection, there are increasingly calls to return to state ownership, because then profit will not be prioritized over environmental considerations. The most circular capital of the EU is considered to be Ljubljana in Slovenia, where a waste processing plant based on WTE technology is financed and managed by the state. At the same time, waste processing is carried out together with waste minimization measures and a municipal waste collection system that encourages waste sorting for recycling at home.

It is clear that the green transition can lead to the loss of competitive positions by European companies based on the price criterion. Therefore, a number of instruments have already been developed to help them protect against external competition, such as the "Mechanism for the Regulation of Carbon Borders through the Emissions Trading System" (ETS, but in view of the proposals to supplement this system, it is already designated as ETS1), the package of measures "Next Generation EU" and "Readiness 55" ("Fit fo 55" proposals, 55 is the percentage of emission reduction until 2030 according to the Paris Agreement, which the EU undertook) *(Agora Energiewende and Ecologic Institute, 2021).*

The package of legislative initiatives "Fit for 55" envisages the following goals: by 2030, 40% of the produced energy should be provided from renewable energy sources (previous goal - 32%); by 2030, the share of primary and final energy consumption will decrease to 39-41% and 36-37%, respectively; by 2030, carbon emissions from new cars should be reduced by an average of 55% compared to 2021, and from 2035, the sale of cars with an internal combustion engine will stop altogether in the EU, and the number of charging stations for electric cars will increase; from 2023, the aviation and shipping sectors will also be involved in the expanded EU emissions trading scheme, in particular, it is proposed to introduce a so-called "kerosene" tax on air travel, which may affect the price of tickets. The ReFuelEU aviation initiative aims to reduce carbon emissions by increasing the amount of green jet fuel used in the EU *(Pilszyk, M., Lipiński, K., Miniszewski, M., 2024)*.

To build up sustainable aviation fuels (SAFs), the EU intends to introduce a fuel blending mandate. All planes departing from EU airports will have to refuel with green aviation fuel, the minimum share of which should be 2% in 2025, and 5% in 2030. Similarly, the FuelEU Marine Initiative will encourage the use of sustainable marine fuels and zero-emission technologies by introducing targets to reduce the carbon content of the fuel used by ships calling at European ports. Over time, these restrictions will become stricter, and therefore the construction of ships focused on the use of alternative energy sources, as well as the construction of sustainable marine infrastructure (refueling complexes, a service network for conversion and technical operation of ships) will be actualized *(Chala, V., Bozhanova, V., Niameshchuk, H., Hlushchenko, A., 2021).*

"Fit for 55" envisages that from 2023 the transitional three-year phase of the implementation of the carbon border adjustment mechanism (CBAM) will begin, which will be applied to the import of steel, fertilizers, aluminum, cement and electricity, and its full implementation is expected from 2026. This measure is aimed at protecting European business from environmental dumping and preventing "carbon leakage" in situations where European businesses, for example, plan to move outside the EU to avoid paying for CO2 emissions. The CBAM mechanism actually imperatively encourages the EU's international partners to take steps in the same direction. CBAM will operate in addition to the European emissions trading system, but instead of quotas, special CBAM certificates will be introduced, which will be purchased in the EU by importers of products according to the volume of emissions. Certificate prices will be calculated based on the average auction price of quotas within the EU ETS.

ETS (and, in fact, ETS1) covers greenhouse gas emissions of large enterprises in the energy and manufacturing sectors. These enterprises must measure and report emissions from their production facilities and must use carbon credits (quotas) accordingly. They either buy such "carbon credits" on the ETS1 or use allowances issued to them for free, as is the case in many industrial sectors, such as steel and cement production.

However, in construction and road transport in the EU, 70% of emissions fall on households . This became the reason for the creation of a new EU carbon market for heating and road transport (ETS2). Given the complexities that will inevitably arise in forcing 200 million households to report emissions from heating their homes and using cars, the reporting and monitoring obligations under the newly established ETS2 will fall on fossil fuel suppliers. And therefore, according to ETS1 and the proposed ETS2, companies transfer the costs of their own emissions to end consumers. But in the case of ETS2, investment decisions will largely depend on consumers, since, for example, the transition to low-carbon heating systems, increasing the energy efficiency of buildings, and the transition to low-emission modes of transport will be entrusted to them *(Görlach, B., Jakob, M., Umpfenbach, K., Kosch, M., Pahle, M., Konc, T., Brehm, J., Feindt, S., Pause, F., Nysten, J., Abrell, J., 2022)*. At the same time, alternatives to fossil fuels may not be available to all families, for example, due to a lack of financial resources for energy modernization, poor access to public transport (distant or high-quality), lack of charging infrastructure in sparsely populated areas, not to mention the availability of electric vehicles *(Görlach, B., Jakob, M., Umpfenbach, K., Kosch, M., Pahle, M., Konc, T., Moore, Nils aus dem, Brehm, J., Feindt, S., Pause, F., Nysten, J., & Abrell, J., 2022)*. Therefore, it is clear that the creation of a new EU carbon market for heating and road transport will not only exacerbate existing social problems, but also cause political escalation.

The ETS market mechanism entails price uncertainty, as the price of carbon depends on the demand for carbon allowances. In the already existing EU carbon market (ETS1), the CO2 price has ranged from €5 to €60 per tonne over the past five years. In the EU, the 10% of households with the lowest income spend almost 10% of their income on energy, excluding transport costs. According to calculations, a CO2 price of €100 per tonne would increase the road transport and heating bills by around 25% *(Acworth, W., Schambil, K., and Bernstein, T., 2020)*. This could have dramatic consequences for those who rely on fossil fuels, or for those living in rural or suburban areas who rely heavily on gasoline and diesel cars for daily transportation. Today, at least 35 million (7%) Europeans cannot afford adequate indoor thermal comfort, and 90 million (20%) EU citizens face difficulties accessing public transport *(Rosendahl, K. E., 2019)*. Therefore, the declared "green transition", if it is also "fair", will require deeper structural changes, for example, thanks to the increase in the amount of "green" investments for low-income or low-income families. That is why it was proposed to start the Social Climate Fund (SCF).

The SCF will support EU member states in financing measures to mitigate the social consequences of ETS2 both in the form of social compensation (temporary income support) and in the form of green investments for the most vulnerable citizens and micro-enterprises. To gain access to funding, member states will have to submit social climate plans for approval to the European Commission and undertake to co-finance at least 50% of activities and investments. The SCF will start operating in 2025 (one year before the proposed ETS2 is launched) and is expected to operate with €10 billion per year, based on an estimated carbon price of €48 per tonne *(Schmidt, L., 2020)*. In general, the Social Climate Fund will mobilize 144.4 billion euros by 2032 for a socially just transition. The SCF will be financed by the EU budget, and from 2026 it will also receive 25% of the revenues from the trading of allowances for companies to pay for emissions related to heating homes with fossil fuels and from road transport, which will be controlled by the new ETS2 system. The start of social compensation before the implementation of ETS2 is an important component of initiatives to increase the social acceptability of the green transition. But given the time limits projected for the Social Climate Fund, there are doubts that green investment aimed at protecting vulnerable families from rising prices will hit the mark, as it is too late to do so just a year before ETS2 is introduced.

The reason for the transition to investments in renewable energy sources and the rejection of investments in non-renewable ones lies not only in the planning horizon (because it is believed that existing technologies give a current, short-term effect, and renewables can provide production benefits in a longer term). Institutional pressure on manufacturers is no less important. The increase in long-term productivity will offset the economic costs associated with reducing current production. Therefore, increasing the long-term rate of profit from mining ultimately stimulates investment and growth.

The inevitability of the transition period and intertemporal compromise, which have to be faced during the restoration of natural capital, is obvious. Inefficient, unsustainable and excessive use of resources in the past is an obvious fact. The paradox is that the countries that went through the stage of rapid industrialization of the 19th and 20th centuries ("unsustainable" in today's terms of the UN Sustainable Development Goals) and took full advantage of its benefits are now shifting the responsibility for global warming to other states, regardless of today's level and their development needs. And the contribution that countries must provide to reducing CO_2 emissions is calculated as the "average temperature in the hospital". After all, the Paris Climate Charter states that "countries adopt ambitious plans to prevent climate change." According to this, all countries together will reduce CO_2 emissions on the planet by 50%: some - more, some - less. But definitely - ambitious! Governments, incited by ambitions to get to the top of the "green transformer countries", refuse serious calculations of socio-economic, humanitarian consequences of the "green transition" *(Prokopowicz, D., 2022)*. At the same time, the amount of investments necessary not only for adaptation to the new economic reality, but also for mitigating the consequences of the transition, taking into account the country's industry specifics, is not analyzed. And the less economically developed a country is, the more severe economic consequences it expects from excessive ambition.

It is also necessary to determine the side effects of policy in the process of implementing the "green growth" model, which arise in a situation where political intervention in the functioning of some sectors of the economy fundamentally changes the nature of compromises in others. In this case, economy-wide "coordination problems" can be a serious impediment to growth *(Melnyk, T., Reznikova, N., & Ivashchenko, O., 2020; Diluiso, F., B. Annicchiarico, M. Kalkuhl, and Minx J. C., 2021*. And the question lies not only in the country's ability to produce new technologies, introduce them into the production process and promote their application in foreign markets, so as not to remain in the status of an eternal hostage to the consumption of imported technologies, the "poor relative", exchanging their raw materials for them in unimaginably terrifying proportions . The problem is that under the proposed innovations in the way of the "greening" of industry, the need to create a completely new type of production is often masked, which can be compared to the closure of the existing one, and therefore, a violent rejection of the country's specialization. It is the kind of raw material specialization that was actually imposed on the countries of the second and third world by the global market, promoting liberal and neoliberal theories of comparative advantage.

There is no doubt that if CO_2 emissions are reduced through the transition to cost-effective low- and zero-carbon energy supply and energy efficiency, the strengthening of CO_2 bans will have less impact on growth. It is implied that the transition to a low-carbon economy can be achieved without a significant negative supply shock if sufficient investments in low-carbon energy sources are made at an early stage. We emphasize: "in the early stages." If the country has not done this, growth will slow down and move into negative indicators. Inflation rate volatility may also increase as the share of bioenergy increases, as energy and food prices may be affected by the same weather shocks. Although this effect can be mitigated by a gradual reduction in the share of food and energy in the population's consumption basket (and hence the effect on the consumer price index) as countries become richer. But in poor countries, the shift towards bioenergy is expected to cause inflationary pressure and further impoverishment of the population. Moreover, in the context of climate change, which affects weather conditions, the issue of food security in general will become key.

Conclusions. The main source of risk for the country's macroeconomic stability is populist environmental policy and climate policy. Some of the tools proposed by environmental populists, including interventions such as CO_2 pricing, impose a burden on economic activity, at least in the short to medium term. As compliance with environmental regulations forces companies to limit production or direct certain resources to reduce emissions, this has a negative impact on profitability, productivity, employment and, ultimately, GDP. From the point of view of monetary policy, climate policy, which affects the final prices of producers through its fiscal instruments, is expected to provoke a negative shock on the supply side. By setting a price on carbon, regulators seek to discourage the production and consumption of high-emission goods. The carbon price is set through a carbon tax or through a system of limiting emissions, in particular, the Emissions Trading System (ETS). ETS works on the cap-and-trade principle. The government sets a cap or limit on the total volume of emissions in one or more sectors of the economy. Companies must have permits for each unit of emissions, which they can obtain for free or buy from the state, as well as from other companies through a specially created market. The question lies in the amount of funds and their sources. Countries burdened with a debt burden (those sitting "on a credit needle"), budget deficits, and an underdeveloped stock market initially acquire the status of "outsiders." And the clichés about "perfect competition", "market economy", "equal opportunities" that are replicated at the same time become a weapon that shoots at defeat.

Within an allowance trading system, the price of carbon emissions is set indirectly: a regulatory body sets the total allowed emissions, and then the price of carbon is set through the allowance market. A one-time increase in the price of emissions usually has only a temporary effect on the inflation rate, provided agents recognize that it is a one-time change. Such a policy has the effect of raising the price level, and the inflation rate will quickly return to its original level. At the same time, the relative price of carbon-intensive goods will be constantly higher. In addition, emission costs are almost entirely passed on to wholesale electricity prices. According to observations of the impact of the ETS system on wholesale electricity prices in 20 European countries and calculations by European scientists, it was found that a significant share of the cost of CO2 emission allowances (which are freely distributed) is transferred to electricity prices, as a result which increases prices for consumers. The ETS carryover ratio was particularly high in the carbon-intensive electricity and metallurgy industries, which are characterized by limited internal competition.

Since the introduction of carbon pricing has a one-time temporary effect on inflation, monetary policy authorities usually monitor this effect to avoid raising interest rates and depressing the economy. Both the physical aspects of climate change and the transition to a low-carbon economy are major structural changes that will require systemic transition and innovation in many sectors of the economy. Both physical risks and transition risks associated with climate change can potentially affect long-term growth, and therefore require a review of the Central Bank's ability to use monetary policy instruments to ensure price and financial stability.

To implement the mentioned plans of greening economy, it is necessary to use the potential of macroeconomic regulation (monetary and credit and tax-budgetary policy), review the "ceiling" of the permissible budget deficit and determine priority areas for making capital investments. At the same time, the reduction of intra-European competition will be facilitated by the coordination of industrial development strategies of the EU member states, and, therefore, the volumes of state aid and subsidies related to the functioning of ETS1 and ETS2. Such large-scale government interventions at the national and supranational levels of the EU will be able to launch the green transition. After all, no one will be able to create a "new green reality" relying on the market.

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DYNAMICS AND STRUCTURE OF WORLD SEABORNE TRADE IN 2009-2023: IMPACT OF COVID-19 PANDEMIC AND UKRAINIAN WAR

ДИНАМІКА ТА СТРУКТУРА СВІТОВОЇ МОРСЬКОЇ ТОРГІВЛІ У 2009-2023: ВПЛИВ ПАНДЕМІЇ КОРОНАВІРУСУ ТА ВІЙНИ В УКРАЇНІ

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Abstract. *This paper examines the dynamics and structural changes of the world seaborne trade for the period of 2009-2023 with a special focus on its vulnerability to such recent external shocks as the covid-19 pandemic outbreak and the Ukrainian war. Besides, the world seaborne trade is decomposed into major components – dry bulk trade, containerized trade and tanker trade. The volume of seaborne trade is considered in two different measurement units. The outcome of the analysis suggests that behavioral patterns of examined datasets coincide with minor differences. Over the period under examination the volume of the world seaborne trade measured in tonnes demonstrated a general upward trend, except for 2020 and 2022. Dry bulk and container seaborne trades experienced similar changes, while the world oil and chemical seaborne trade dropped in 2019 and 2020, after which recovered. As opposed to tonnes measurement, the dry bulk seaborne trade measured in tonne-miles was under negative growth regime only once in 2022. As to tanker trade measured in tonne-miles, it declined on a year-by-year basis throughout three consecutive years – 2019, 2020, 2021. It is ascertained that volumes of global seaborne trade faced short-term impacts of said external shocks, and recovery from sudden events and adjustment to changes in macroeconomic environment and shift of trade patterns took relatively low time (from 1 to 2 years max). It was confirmed that regardless of how the market was measured, the share of each segment was identical. While the percentage of fleet in number of ships was not representative, the percentage of fleet in deadweight tonnes, as well as the percentage of trade in tonnes and tonne-miles could equally truly describe the share of each market in the shipping industry. As for the end of 2023, dry bulk sector occupied around 45-48% of the shipping industry, containership segment – approximately 15%, and wet bulk (tanker) sector – around 26-30%. In addition, an observation is made that tonne of global seaborne trade per world fleet deadweight capacity tends to follow the downward trend mainly due to emission compliance-driven decrease of vessels' speed and increase of average haul caused by trade patterns modifications, especially the most recent.*

Key words: *shipping, seaborne trade, maritime economics, covid-19, Ukrainian war, dry bulk trade, container trade, tanker trade, merchant fleet.*

Анотація. *Метою даного дослідження є аналіз динаміки та структурних змін світової морської торгівлі за період з 2009 по 2023 роки з акцентом на її вразливість до таких нещодавніх зовнішніх потрясінь, як пандемія коронавірусу та початок війни в Україні. Окрім того, світову морську торгівлю розкладено на найбільш значні компоненти – перевезення сухого вантажу навалом, контейнерна торгівля та торгівля нафтою, нафтопродуктами та хімічними речовинами. Обсяги морської торгівлі розглянуто у двох різних одицинях вимірювання. Результати проведеного аналізу свідчать, що поведінкові патерни досліджених масивов даних схожі, маючи незначну кількість розбіжностей. За розглянутий період обсяги світової морської торгівлі, що вимірюються у тоннах, продемонструвала загальну тенденцію до зростання, за винятком 2020 і 2022 років. Морська торгівля сухими вантажами та контейнерами зазнала подібних змін, тоді як світова морська торгівля нафтою та хімічними речовинами впала в 2019 і 2020 роках, після чого відновилася. На відміну від виміру в тоннах, морська торгівля сухими вантажами, виміряна в тонно-милях, упала лише один раз у 2022 році. Що стосується танкерної торгівлі, виміряної в тонно-милях, вона зменшувалася з кожним роком протягом трьох років поспіль – 2019, 2020, 2021 рр. Встановлено, що обсяги світової морської торгівлі зазнали короткострокових впливів зазначених зовнішніх шоків, а відновлення після цих раптових подій і пристосування до змін макроекономічного середовища та зміни регіональних особливостей торгівлі зайняло відносно короткий час (від 1 до 2 років максимум). Було підтверджено, що незалежно від того, як чисельно вимірювати ринок, частка кожного сегмента була однаковою. Хоча відсоток конкретного флоту, виражений в кількості суден, не був репрезентативним, відсоток флоту, виражений в тоннах дедвейту, а також відсоток торгівлі в тоннах і тонно-милях однаково точно описують частку кожного ринку в судноплавній галузі. Станом на кінець 2023 року сектор сухих навалочних перевезень займав близько 45-48% судноплавства, сегмент контейнерних перевезень – приблизно 15%, а сектор наливних (танкерних) – близько 26-30%. До того ж, було зроблено спостереження, що тонна глобальної морської торгівлі на дедвейт світового флоту має тенденцію до зниження, головним чином через зниження швидкості суден, викликане необхідністю відповідати вимогам щодо викидів в атмосферу, і збільшення середньої дистанції, що проходить судно, спричинене трасформаціями регіональної структури морської торгівлі, особливо найбільш останніми.*

Ключові слова: *шипінг, судноплавство, морська торгівля, економіка морського транспорту, пандемія коронавірусу, Українська війна, торгівля сухим вантажем навалом, торгівля контейнерами, торгівля нафтою та нафтопродуктами, морський торговельний флот.*

Introduction. Being truly international, the shipping industry is perceived as a circulatory system of global trade and subsequently the entire world economy. Maritime transportation accommodates for the movements of almost 90% of the goods transferred worldwide (UNCTAD, 2023), so seaborne trade is instrumental in keeping the world economy ball rolling. The shipping industry as well as seaborne trade is rather complex and heterogenous, not static but ever-changing.

Like any other market, the shipping market is subjected to typical market attributes, such as cyclicality and risks. This paper dwells on the dynamics of structural development of the world seaborne trade from 2009 to 2023 inclusive – the period which covers consequences of the world financial crisis 2008, European debt crisis, as well as recent external shocks.

Macroeconomic shocks are phenomena the world has recently faced in abundance. The covid-19 pandemic outbreak disrupted and completely modified the flow of commercial shipping in 2020. Having started slowly recovering, the world economy was suddenly hit from a political event – the outbreak of the war in Ukraine in early 2022 caused a new imbalance. Apparently, both events significantly distorted shipping cycles in all segments.

This research presents an attempt to identify the development trends in the world seaborne trade and specifically in the three sectors (dry bulk commodities maritime transportation, container shipping trade and tanker trade) which cumulatively account for almost 90% of the world seaborne trade. The remaining slightly more than 10% comprising gas trade, car trade, reefer trade, other dry trade are out of scope of the current paper. Changes in the regional structure of the world seaborne trade are also considered.

Following this introduction, the remainder of this paper is organized as follows: the purpose of research is formulated, the next section provides a review of the literature on the issue, thereafter main research results are discussed, and the final section concludes on the findings.

The purpose of research is to analyse the qualitative and quantitative changes of the world seaborne trade structure over the period under examination as well as to identify trends stipulating the seaborne trade development in the world and in particular shipping segments.

Recent literature review. The dry bulk segment is engaged with transportation of dry bulk commodities which are subdivided into major bulk (iron ore, coal, grain) and minor bulk (steel products, forest products, fertilizer, bauxite, cement, petcoke, sugar, etc.) (UNCTAD, 2023). Iron ore as a key steel ingredient is consumed by construction of industrial and domestic buildings, machinery, merchant ships, motor cars (Stopford, 2009). The main iron ore seaborne trade routes are mainly concentrated in the East, with Australia being the major exporter (58%), followed by Brazil (24%), and China the primary importer (73%), followed by Japan (8%) (UNCTAD, 2022).

Coal trade is mostly performed in the same region, with Indonesia (38%) and Australia (28%) as the leading exporters and India (20%), China (19%) as the leading importers. Grain is utilized for baking and as a raw material for factory farming of meat – both bread and meat are the staple foods of modern society (Stopford, 2009). As too geography of its trade, Asian countries are importing the highest volumes of grain (China – 27%), however, grain export is predominantly driven from the West – Brazil (24%), US (23%), Argentina (12%) (UNCTAD, 2023).

Park, Kim and Kwon (2022) examined covid and post-covid period and verified that when the dry bulk freight rates exceeded the normal range, they were determined by specific demand of market participants rather than by actual supply and demand.

Containerships carry various types of commodities in containers which are miscellaneous consumer products, home and building products, furniture, industrial machines and parts, textile, clothing, miscellaneous industrial products, autos and auto parts, consumer electronics, iron/steel, toys, sport equipment, wood pulp, lumber, peas, beans, lentils, wastepaper, hay/alfalfa, fresh and frozen meat, soya beans, malt, newsprint, scrap metal, etc. (Stopford, 2009).

Between 1975 and 2007 the containerized cargo grew much faster than other parts of the shipping business (Stopford, 2009). Alizadeh and Nomikos (2009) confirm that the largest growth from 1970 to the present [2009] was in the container fleet mainly because of the containerisation of trade in manufactured goods and the increase in the number of large container carriers in recent years, due to the expansion of trade between the Far East, Europe and North America. In addition, the containerisation of some commodities, previously carried by general cargo or reefer ships, has also contributed to the growth of the container fleet. In 2022 the main East—West routes dominated (38%) with the high importance of intraregional routes (28%) reflecting dynamic intra-Asian container shipping activity and the manufacturing supply chain specific to East Asian countries (UNCTAD, 2023).

As to tanker sector, each type of tankers is utilized at different stages of industrial process and performs function of either primary sea transport (moving raw material to plant) or secondary one (transferring produced commodity from plant). Crude oil tankers transport crude oil from extraction places to refineries while oil products tankers carry oil products, such as fuel oil, diesel, gasoil, gasoline, jet fuel, naphtha, further to consumption centers (Stopford, 2009). The most sophisticated oil products carriers are close to chemical sector. Chemical tankers carry a range of specialised chemicals, i.e. ‘easy’ aromatics, MTBE, vegetable oils, inorganic acids, exported mainly from the US and the Middle East (Clarksons, 2015).

Regions wise in 2022 Asia consumed the highest volume of crude oil and oil products. China imported 23% and India 12% of transported crude oil, South-East Asia and UK imported 17% of oil products each. Obviously, exports were driven from the Middle East (Gulf) – 47% of crude oil and 18% of oil products transported by sea. Total Europe exported 34% of oil products transported by ships (UNCTAD, 2023).

Published in 2020, two papers by Michail and Melas (2020a) are worth mentioning. Exploring the relationship between seaborne commodity trade and freight rates, the scientists revealed that seaborne trade volumes strongly impacted dry bulk and dirty tanker indices, but not clean tanker since the latter vessels are universal cargo wise and can carry both dirty and clean oil products.

Michail and Melas (2020b) were first to try to evaluate how the particular shipping markets reacted to an exogenous shock, namely coronavirus disease spread. The scholars reviewed the Baltic freight indices of the dry bulk (BDI), the clean tanker (BCTI) and the dirty tanker (BDTI) markets and concluded that the pandemic had negatively affected the dry bulk and the dirty tanker indices, while it had not directly affected the clean tanker segment. Dry bulk and clean tankers segment appeared to be highly affected by the demand side of the economy, while the dirty tankers (vessels which transport crude oil) did not register such a relationship. The suggested rationale behind this scientific observation is quite business-driven: while commodities transported by dry bulk vessels and clean tankers cannot be easily stored given both their nature and the need for specific facilities, crude oil can be stored much more easily given that it can simply remain in the vessel. However, retrospectively, we got to know that the dirty tanker sub-segment stagnated considerably after the covid-19 outbreak, however, with a time lag compared to other segments.

Fei *et al.* (2020) conducted the research which looked at how external environment (financial crisis, environmental crisis, crude oil agreement) impacted the Baltic Dirty Tanker Index, particularly on different routes, and proved that index was interfered by the external factors – the observation which has a direct relation to the current paper.

Michail (2020) examined how the world economic growth impacts the global demand for seaborne trade and subdivided the world economy into three groups of countries by income (high, middle and low). The results of the research revealed that seaborne trade was affected by changes in the world economic growth, albeit to a different extent: refined petroleum products demonstrated the strongest effect from an increase in world GDP in comparison to crude oil and dry cargo. The positive reaction of seaborne trade demand on GDP shock has to be mainly attributed to the high- and middle-income countries. As to low-income countries, who are normally net exporters of oil and petroleum products, economic growth negatively impacted seaborne trade, as the highest the income – the highest the domestic consumption and the lowest the exports. The oil price appeared to have a small negative effect on the amount of goods transported, supporting the view of demand inelasticity with regards to price.

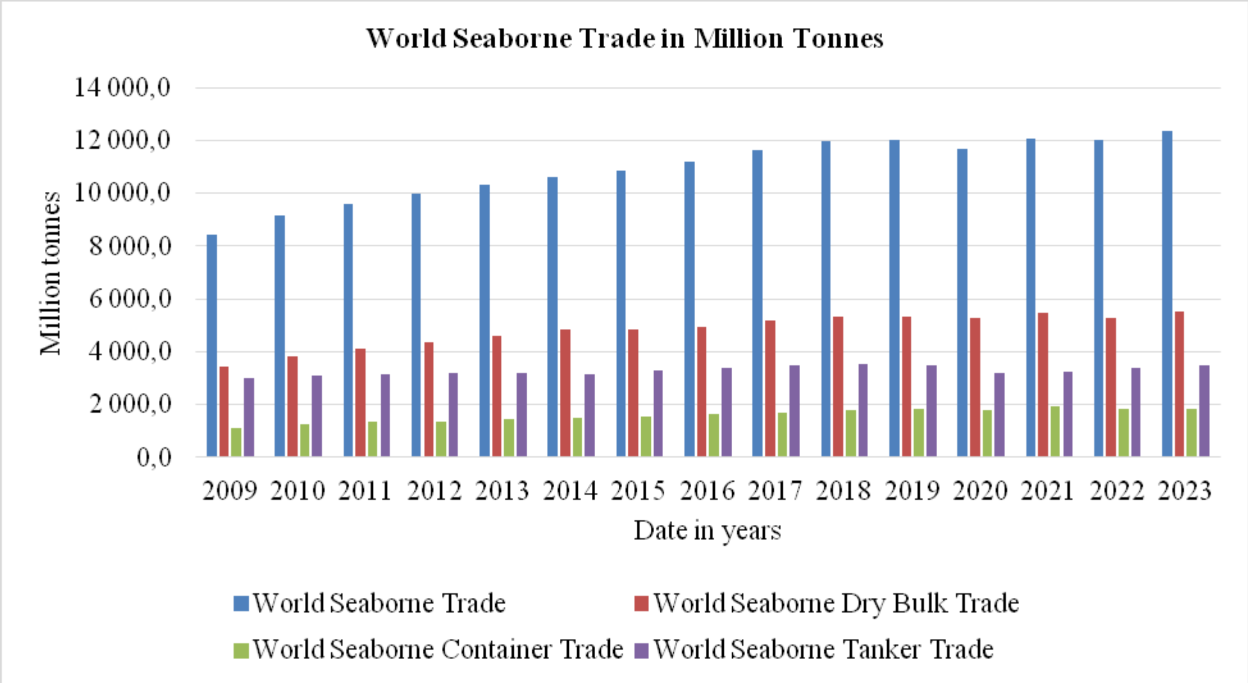
In the pertinent literature there was a recent attempt (Arslankap, Marini and Tumbarello, 2019) to connect AIS data with trade activity. Having taken Malta as a benchmark and having used AIS-based port calls data, the scholars introduced ‘cargo numbers’ and ‘cargo loads’ to trace maritime and trade activity. ‘Cargo number’ included vessels calling at ports, and ‘cargo load’ stood for changes in ships’ draughts proving the fact of loading or discharging occurred at port. Thereafter the obtained data was assessed against the official reports and the results (0.75 and 0.65 correlation coefficients respectively) could act as a proof of credibility of this method to predict trade volumes by means of AIS data and to nowcast them (evaluate in live).

Nowcasting trade flows is crucial for all market players as official trade reports are always released with delays. By introducing the GTI (Global Trade Intelligence) index calculated based on AIS data and by comparing it with official trade data, Cerdeiro, Komaromi, Liu and Saeed (2020) concluded that based on the high final correlations such a methodology achieved a good match with official statistics and reports may be produced with 5-10-day lag in comparison to 11-15 weeks it takes officials to publish the same data about trade activity.

However, while the pandemic impact on the shipping has been researched in the literature, there has not been an attempt yet to examine the cumulative effect of both covid-19 and the Ukrainian war. Thus, the current paper comes to fill in the gap in the existing literature by exploring effects of both external shocks. On another note, the innovativeness offered by this paper is the comparison of two methods as to measurement of separate shipping segments.

Main research results. Over the period under examination (2009-2023) the volume of the world seaborne trade expressed in million tonnes demonstrated a general upward trend apart from 2020 and 2022 when it dropped on a year-on-year basis. Identical trend development is applicable to the world dry bulk seaborne trade and the world container seaborne trade, while the world oil and chemical seaborne trade experienced two consequent drops earlier – in 2019 and 2020, after which the volume of tanker trade increased, although still has not reached the all-period maximum observed in 2018. Contrary to the wet bulk trade, both the dry bulk trade and overall volume of the seaborne trade reached the highest value in 2023, and the containership trade in 2021 – recovery in 2023 was not enough to outmaneuver the 2022 reduction.

Graph 1. World seaborne trade in million tonnes from 2009 to 2023



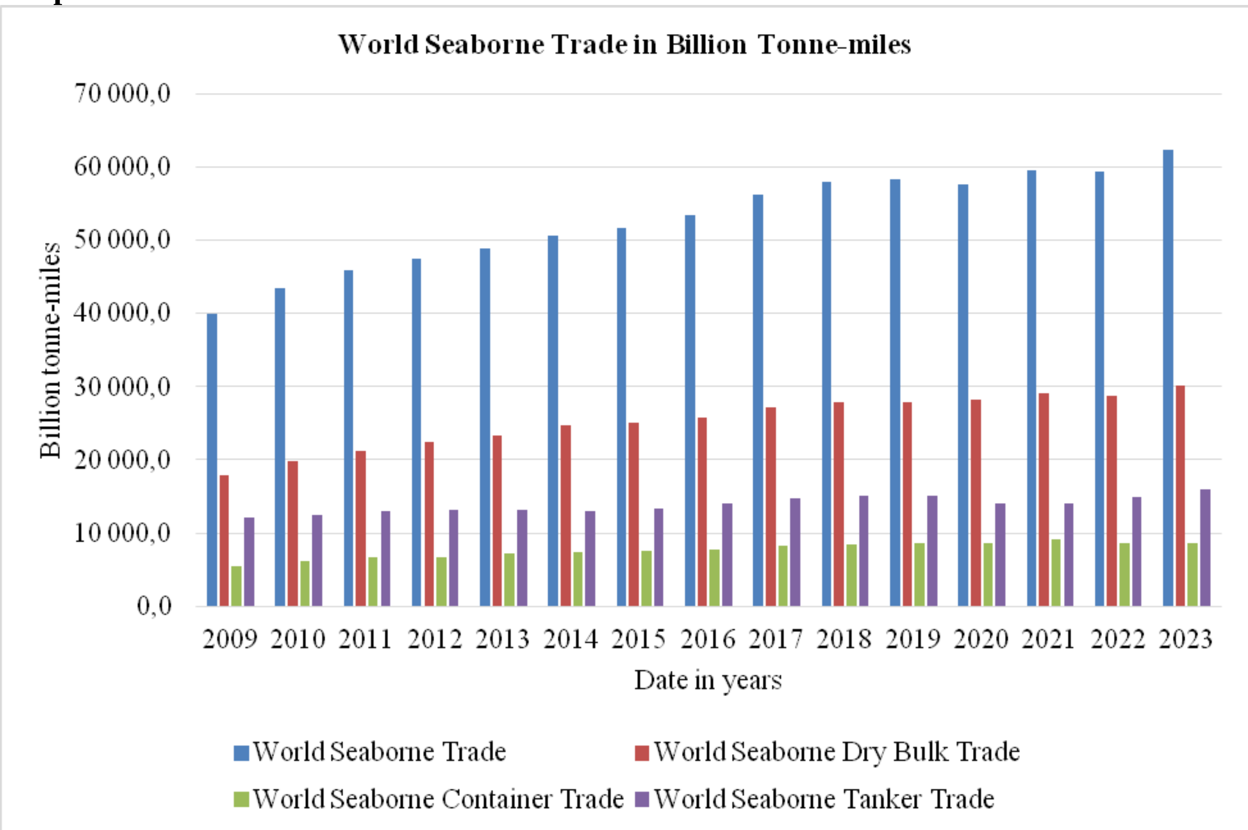
Source: compiled by author on data retrieved by the Clarksons SIN.

Interestingly, that if we employ a different approach to numerically assess the general shipping market – from the perspective of the seaborne trade volume measured in billion tonne-miles, most of above observations will remain actual, however, some differences are still worth mentioning. As opposed to the million tonnes measurement, the dry bulk seaborne trade measured in tonne-miles was under negative growth regime only once in 2022, which means that 2020 slowdown in tonnage of dry bulk trade was compensated by increased milage. Translating years into events, we may suggest that the covid-19 pandemic outbreak (2020) was less notable external shock for the dry bulk trade than the Ukrainian war (2022).

Apparently, the reasoning behind this fact is the leading role Ukraine occupied in the grain exporters ranking, accounting for 10% of the world grain export by 2022 (UNCTAD, 2022). Port closures caused by the Ukrainian war outbreak were mitigated by the launch of the Black Sea initiative and recommencement of grain shipments from Ukraine, although volumes were still considerably lower than pre-war. Some grain-importing countries (including African) had to rely on alternative exports, like the USA, Brazil or Argentina, which required longer hauls. To quote from the Review of Maritime Transport (UNCTAD, 2023), vessels transporting grains covered longer distances in 2023 than any other year on record.

At the same time the volumes of coal shipped out of the Russian Federation were not affected – 13% of global amount. In general, dry bulk tonne-milage demonstrated high resilience and quick rebound after external shocks for the reason that large portion of dry bulk trade was aimed to be consumed in China, so apart from closely located exporters, commodities needed to also travel long hauls from Argentina, Brazil and the United States – South and North American countries experienced the highest uplift of share as dry bulk exporters.

Graph 2. World seaborne trade in billion tonne-miles from 2009 to 2023



Source: compiled by author on data retrieved by the Clarksons SIN.

The world seaborne container trade followed more obvious development trends, having performed similarly regardless of the measurement units (tonnes and tonne-miles), however, we omit TEU measurement which is normally more intrinsic to containerized trade in shipping but less relevant for the current research as the aim is to conduct consistent and comparative analysis of the major shipping segments.

So, the world container trade fell in 2020 and 2022 (as the world trade in general and the dry bulk trade) but experienced strong recovery in 2021 hitting all-period high by a significant margin. It was accompanied by unprecedented growth of containership charter rates along with surge of vessel assets cost. To exemplify the boom, the fast-paced growth of secondhand asset prices in the containership segment reached the turning point in July 2021 when the price of the 10yo containership of 2750 TEU capacity surpassed the price of newbuild containership of the same capacity – USD 38m vs. USD 36.5m! Moreover, the gap between these prices has increased for the following months (Clarksons SIN; Zaidman, Dominese, Yakubovskiy and Rodionova, 2021) – this clearly met the pre-requisites of stage 3 (peak) of the short shipping cycle, as per Stopford.

The Review of Maritime Transport (UNCTAD, 2022) suggests the reasons for this may lay in changes instigated by the covid pandemic which resulted in a boom of e-commerce for consumer goods mainly carried in containers, however, this does not exhaustively explain the unprecedented and sharp growth. The swift increase of containership charter rates could not have a basic demand-related justification, as the volume of containerized trade was relatively stable and no major port's throughput indicator (Singapore, Hong Kong, Los Angeles) appeared to have an effect on containership charter rate. US industrial production, Maersk market capitalization and steel price were named as factors potentially causing that unique spike (Zaidman, Dominese, Yakubovskiy and Rodionova, 2021).

In respect of regional characteristics of containerized trade, UNCTAD (2023) underscores the predominance of intra-Asian containerized trade flows which in turn reflects global manufacturing trends with China and neighboring East Asian countries remaining on top of the world manufacturing. The involvement of several East Asian countries in regional and global supply chains permanently increase, and the expansion of intra-Asian trade volumes underlies the shorter distances container cargo travel. This is opposite to what we observe in the other two considered segments and since dry bulk and tanker trades are more massive than container trade volume wise, the global seaborne trade does not follow container trade path in this aspect.

Another difference revealed by the comparison between approaches as to how to access seaborne trade volume pertains to the tanker trade. If measured in tonnes, it dropped both in 2019 and 2020, however, if measured in tonne-miles, it declined on a year-by-year basis throughout three consecutive years – 2019, 2020, 2021. Clearly, in 2019 and 2020 the world wet bulk and especially oil market collapsed with almost two times reduction of oil price in 2020 compared to 2018 (USD 41.96 per barrel of Brent crude oil vs USD 71.34). It recovered in 2021 back to 2018 level (Statista, 2024), however, the world oil and chemical seaborne trade still decreased in billion tonne-miles.

Oil and product tankers are normally employed as oil storage platforms during low oil prices and subsequently low freight rates – something which was observed during the 1990s oil crisis (Stopford, 2009) and later during the coronavirus crisis (Michail and Melas, 2020b). This explains both the decrease of the world oil seaborne trade in 2019 and 2020, however, not the drop of tonne-miles trade in 2021. This observation is worth expanding on and exploring: the tonne-milage of tanker trade dropped in 2021, however, the tonnage of tanker trade increased within the same period. Maths-driven explanation suggests that in this case milage decreased which means that oil and oil products stored in tanker vessels in 2019-2020 when oil price plummeted appeared to be located rather close to ultimate consumption markets, so the vessels did not need to cover high distances to reach the cargo buyers further in 2021. From the geopolitics perspective, this might be explained by the US easing sanctions against Iran during nuclear negotiations (Bard, n.d.) which allowed Iranian oil to travel shorted distances to reach consumers in Europe and China.

After the disruption, the world oil trade was permanently growing, having reached all-period high in tonne-miles in 2023 while in tonnes the all-period high level was retained by 2018. As UNCTAD (2023) points out, in 2023 surged oil cargo distances were mainly driven by disruptions caused by the Ukrainian war, since Europe turned to alternative than Russia energy suppliers while the Russian Federation itself sought new export market for its crude oil and refined products. Clarksons (2024) called this a helpful 'distance kicker' as 7% of oil and 10% of oil products tonne-mile growth predetermined the biggest world trade tonne-mile increase since 2017 (5% in 2023 on year-on-year basis).

To assess the significance and the role of different shipping segments, we calculated the share of each segment (dry bulk, tanker and container trade) in the world seaborne trade and evaluated their dynamics retrospectively. This was again performed twice for seaborne trade data measured both in million tonnes and billion tonne-miles. The analysis suggests that the trends are typical regardless of the units of measurements.

The dry bulk sector accounts for almost half of the shipping industry and it expanded over the last 15 years – from 41% in tonnes and 45% in tonne-miles to 45% and 48% respectively. The role of the containerized trade remains steady – around 15% of the world seaborne trade in both units. The wet bulk trade's share fell over the period under consideration – from 36% in tonnes and 30% in tonne-miles to 28% and 26% respectively.

Table 1. Share of each segment (dry bulk, container trade, tanker) in the world seaborne trade

Year	Share of seaborne dry bulk trade		Share of seaborne container trade		Share of seaborne tanker trade	
	In tonnes	In tonne-miles	In tonnes	In tonne-miles	In tonnes	In tonne-miles
2009	41%	45%	13%	14%	36%	30%
2023	45%	48%	15%	14%	28%	26%

Source: calculated by author on data retrieved by the Clarksons SIN.

Having analysed development of seaborne trade as a whole and of particular types of cargo, for the sake of further critical comparison of the bulk, tanker and liner shipping segments, this paper suggests considering the dynamics of development of world fleet as a whole and of particular vessel types. Again, two units of measurement are utilized as we examine world fleet development in (a) deadweight and (b) number of ships. The shares of each vessel type (bulk carrier, containership and tanker) in the overall world fleet are calculated for 2009 and 2023 and summarized in Table 2.

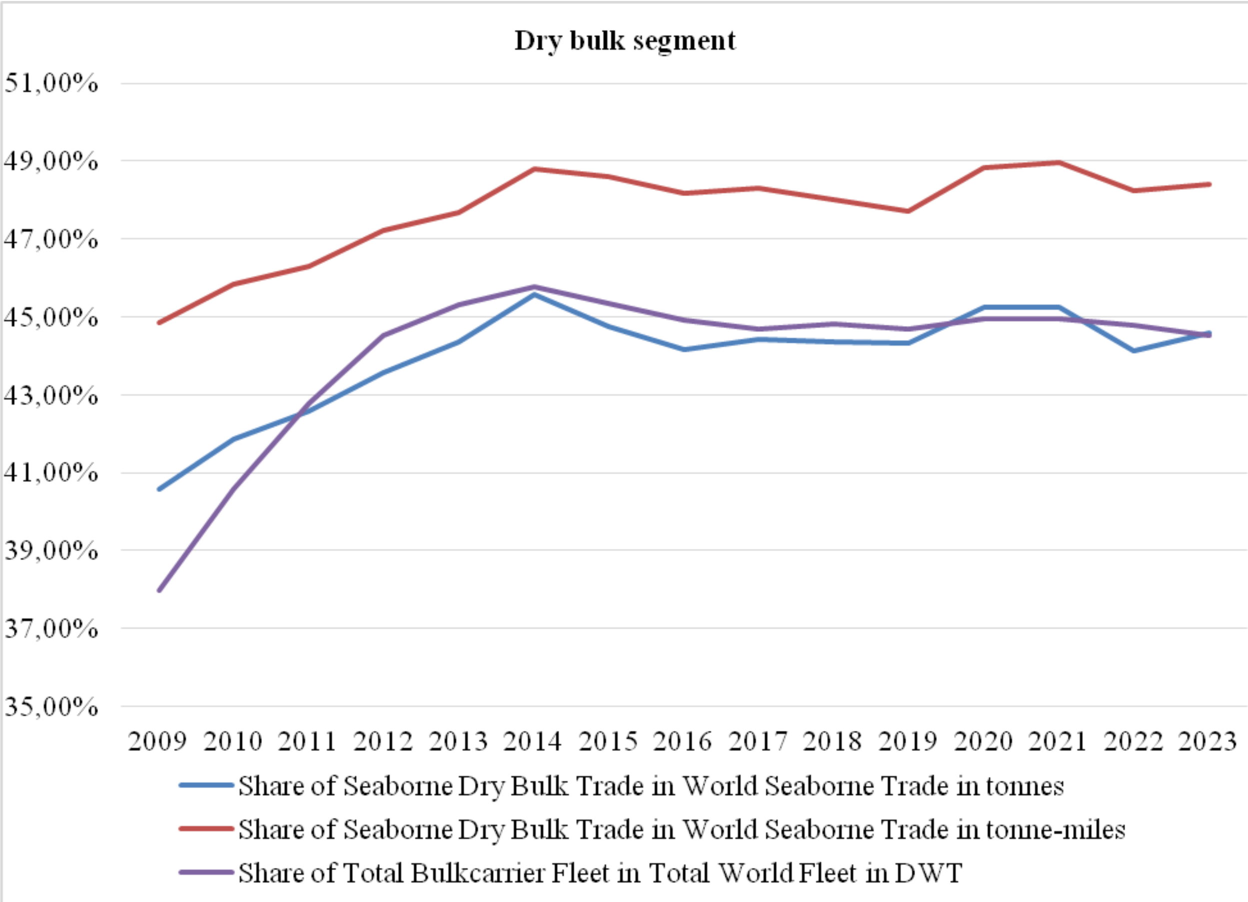
Table 2. Shares of each vessel type (bulk carrier, containership, tanker) in the overall world fleet in 2009 and 2023

Year	Share of dry bulk carriers in world fleet		Share of containerships in world fleet		Share of tankers in world fleet	
	In deadweight	In numbers	In deadweight	In numbers	In deadweight	In numbers
2009	38%	16%	14%	10%	37%	26%
2023	45%	20%	15%	9%	32%	25%

Source: calculated by author on data retrieved by the Clarksons SIN.

Comparison between calculations outcome presented in Tables 1 and 2 suggests that regardless of how we measure the market, the share of each segment is identical either in terms of fleet deadweight or in terms of seaborne trade. As for the end of 2023, dry bulk sector occupies around 45-48% of the shipping industry, containership segment – approximately 15%, and wet bulk (tanker) sector – around 26-30%. Graphs 3-5 are constructed separately for each segment to illustrate the pace of development of its share in the global shipping over the period of 2009-2023, however, shares of vessel types in numbers are made redundant from the graphs being irrelevant for the subject as above analysis confirms.

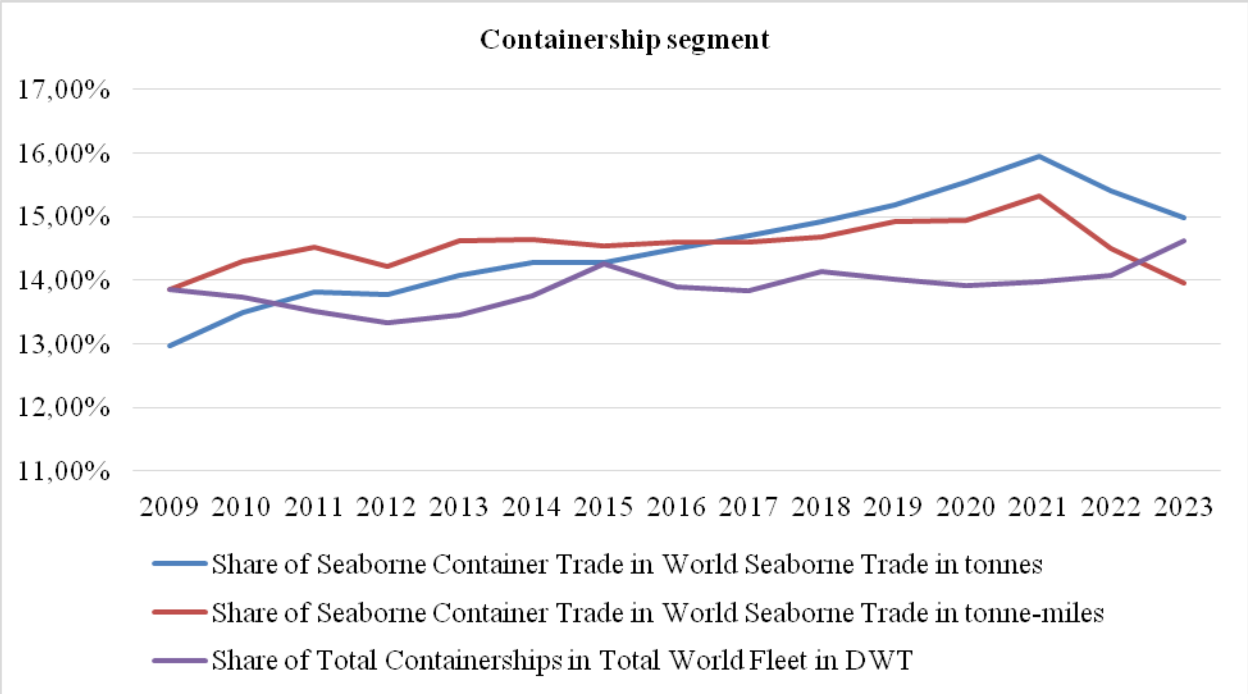
Graph 3. Dry bulk segment: share of dry bulk trade in world seaborne trade and share of bulk carriers in world fleet



Source: calculated and compiled by author on data retrieved by the Clarksons SIN.

As seen, dry bulk carriers account for 20% of the world cargo fleet in number of vessels and for 45% of the world cargo fleet in terms of cargo carrying capacity. Clearly, the share of dry bulk carriers in the world fleet significantly expanded in the last 15 years. Dry bulk fleet is the only vessel segment which demonstrated positive dynamics share wise over the considered period which emphasizes the growing demand in transportation of dry bulk commodities. Major dry bulk cargoes (iron ore, coal and grain) are predominantly consumed by construction of buildings and machinery as well as bakery and factory farming (Stopford, 2009) – in fact pillars of modern consumption.

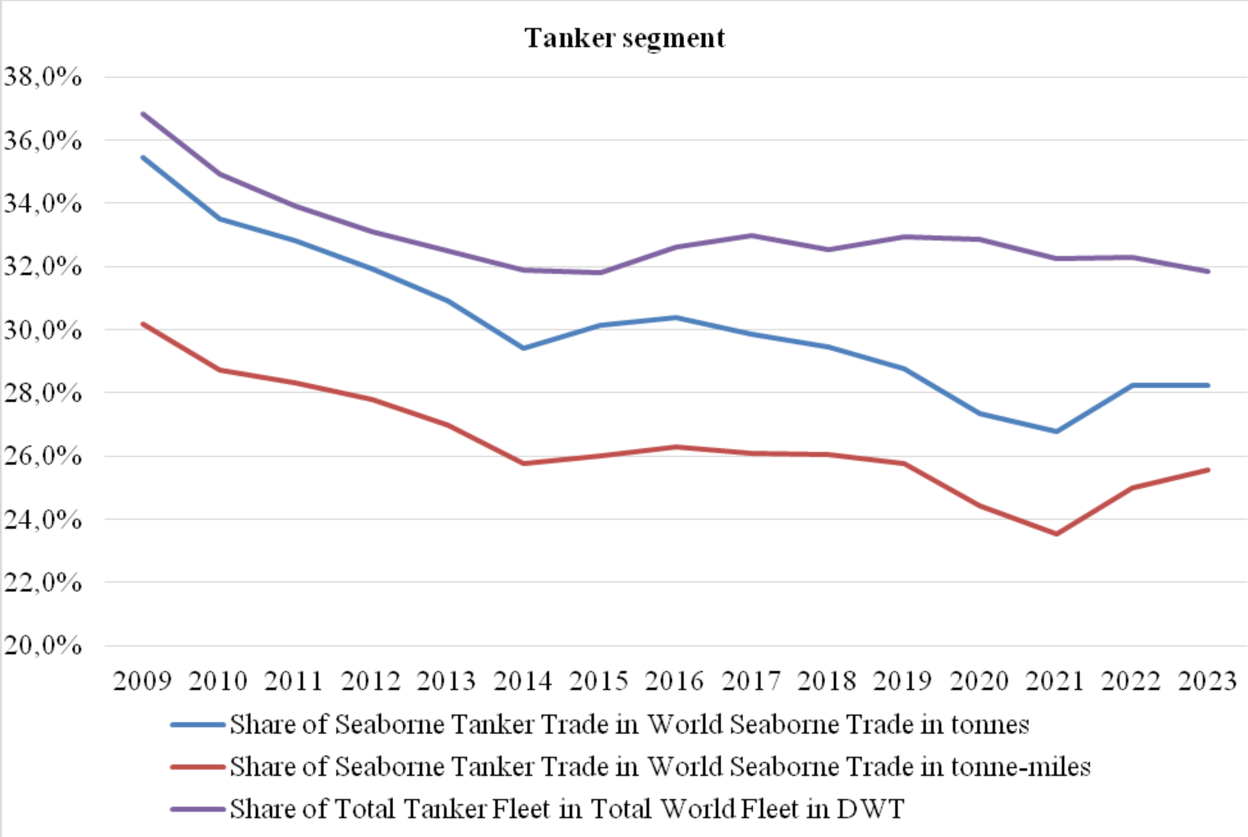
Graph 4. Containership segment: share of seaborne container trade in world seaborne trade and share of containerships in world fleet



Source: calculated and compiled by author on data retrieved by the Clarksons SIN.

In turn, containerships were firm in respect of their weight in the world fleet – in 2023 they occupied 15% of the cargo fleet in deadweight terms and 9% if counted in vessel units. As soon as number of containerships had decreased since 2009 while cumulative containership deadweight capacity had increased, the conclusion can be made that there is an overall upward trend of the average size of containership during the period under examination. This trend indicates that economies of scale principle is still actual for shipping and container trade in particular. The demand for gigantic containerships is proven by figures: as of start of 2024, almost 80% of the containership orderbook was for neopanamax tonnage and larger (8000 TEUs +) (Clarksons SIN).

Graph 5. Tanker segment: share of seaborne tanker trade in world seaborne trade and share of tankers in world fleet



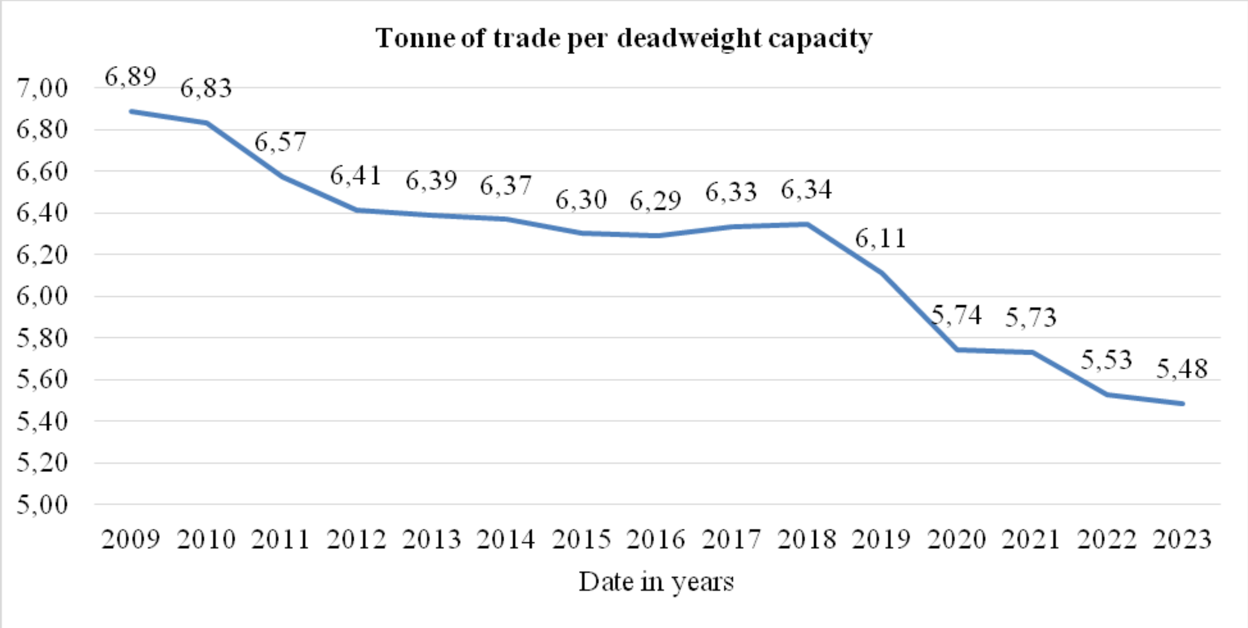
Source: calculated and compiled by author on data retrieved by the Clarksons SIN.

Shrinking share of tankers in the world fleet has been observed – tankers occupy 32% of the world fleet in deadweight and 25% in vessel numbers. Since 2009 tankers have lost 5% of deadweight and 1% of vessel units which underlines that the trend is towards reduction of the average size of tankers. Wet bulk cargoes transportation gained lower significance for the shipping industry and the world economy mainly due to decarbonization which is one of two primary mega-trends stipulating the changes of the world of today (the second one is digitalisation).

With the fourth propulsion revolution on the march and development of future alternative low- or zero-carbon fuels, such as LNG, ammonia, hydrogen, biofuels and electrofuels consumed by and far beyond the maritime sector (DNV, 2022), the need in transportation of conventional oil fuels gradually goes down. Furthermore, renewable energy derived from natural resources gains momentum in various fields by substituting non-renewable fossil fuels. These are solar, ocean, geothermal, wind energy and hydropower utilized for multiple industrial and household purposes (United Nations, n.d.). Although full transition to ‘green’ and decarbonization to net zero cannot happen overnight, above is in line with the global environmental regulatory framework and aimed at hitting targets set up by the Kyoto Protocol (1998), the Paris Agreement (2015) (international treaties covering climate change mitigation) and the Sustainable Development Goals established by the United Nations (United Nations Development Program, n.d.).

As time passes, the power of environmental regulations and decarbonization initiatives towards how modern shipping exists and develops will only grow. And it should be taken into serious consideration not only by industry practitioners from a business perspective but also by maritime economists examining seaborne trade. We observed that the growth rate of the seaborne trade in tonnes was behind the growth rate of the world fleet. To expand on this issue, we divided the annual volumes of global seaborne trade by the annual world fleet carrying capacity and the outcome of the calculation is presented on graph 6.

Graph 6. Tonne of global seaborne trade per world fleet deadweight capacity from 2009 to 2023



Source: calculated and compiled by author on data retrieved by the Clarksons SIN.

Clearly, there is a downward trend signifying that vessel's space is as if utilized less 'efficient' since it carries lower amount of cargo. In fact, this is true mathematics wise, however, we may name two major factors practically driving this. The first one is reduction of vessels' speed which is dictated by emission control rules entering in force and becoming more stringent literally every year. The other factor is the increase of average haul. Average haul stands for the distance travelled by cargo and is calculated by dividing world seaborne trade in million tonne-miles by world seaborne capesize trade in million tonnes). Its increase is caused mainly by a shift of trade patterns – obvious impact of the onset of the war in Ukraine. Graph 6 illustrates that tonne of trade per vessels' deadweight had not been increasing within 2009-2018, however, the downfall which started in 2019 was incomparably sharper.

Another finding from the analysis is that three lines on each graph 3-5 follow the same trend making all three indicators (share of fleet in deadweight tonnes, percentage of trade both in tonnes and tonne-miles) equally valid to assess each market. It is especially valuable finding since, as far as different cargoes have different stowage factors, meaning the same weight of different cargoes requires different amount of space to be stored in, it is commonly accepted by maritime economists that the most correct way is to measure demand for maritime transportation in tonne-miles, while the total tonnage of cargoes that demand transportation is just one of the factors that constitute the transportation demand. The performed research reveals that for the segments under examination and during the period under examination both methods of seaborne trade volumes evaluation are valid and could equally truly describe the share of each market in the shipping industry. It is recommended for future research that this observation is further monitored and examined against its persistence during forthcoming periods and for those shipping segments which were left out of scope of the current paper.

Conclusions. This paper examined the dynamics and structural changes of the world seaborne trade for the period of 2009-2023 with special attention to the major segments of the shipping industry – dry bulk trade, containerized trade and tanker trade which account for almost 90% of the world seaborne trade. Impact of two recent external shocks – covid-19 pandemic and the war in Ukraine – were specifically discussed. The research is of a descriptive and explanatory nature and the following quantitative analysis techniques are employed: graphs, charts, descriptive statistics, as well as comparative analysis.

For the sake of deep analysis from several angles, the volumes of seaborne trade within 2019-2023 were considered in tonnes and tonne-miles, the latter unit of measurement being the most respected inside the community of maritime economists as it represents demand for maritime transportation in the most appropriate fashion. The research suggested that whatever approach was adopted with the aim to numerically assess the global seaborne trade, most of observations in respect of behavior of the considered indicators persisted. Over the period under examination the volume of the world seaborne trade demonstrated a general upward trend, except for 2020 and 2022 when it fell on a year-on-year basis. Dry bulk and container seaborne trades demonstrated the same behavioral pattern, while the world oil and chemical seaborne trade experienced two consequent drops earlier – in 2019 and 2020, after which the volume of tanker trade increased, although still has not reached the all-period maximum observed in 2018.

As opposed to tonnes measurement, the dry bulk seaborne trade measured in tonne-miles was under negative growth regime only once in 2022. As to tanker trade, it dropped both in 2019 and 2020 if measured in tonnes, while when in tonne-miles, it declined on a year-by-year basis throughout three consecutive years – 2019, 2020, 2021.

Despite above observations, the conclusion should be made that volume wise the global seaborne trade demonstrated healthy rebound from covid-19 and relatively quick adjustment to the new geopolitical challenge posed by the outbreak of the Ukrainian war, i.e. high resilience and low vulnerability (from 1 to 2 years max) of the global seaborne trade should be noted. The world seaborne trade volumes have not, so far, been significantly affected by the war in Ukraine – just shifts of trade patterns were observed.

Dry bulk trade appeared to demonstrate more sensitivity to the outbreak of the war in Ukraine compared to the pandemic, mainly due to the role of Ukraine on the grain exports map. However, the consumers of dry bulk cargoes (including the leading ones) managed to shift towards alternative suppliers having improved the exporting positions of South and North American countries while volumes of coal exported out of Russia remained stable.

Containerized trade reacted totally differently to both external shocks. While covid-19, after a short-term slowdown, pushed the containership trade to unprecedented highs, the Ukrainian war did not impact it much. Regionalization of containership activity and dominating role of intra-Asian containerized trade predefined this. In container segment China and East Asian countries prevail as players.

Tanker trade was affected by both external shocks. It clearly collapsed in 2019 and 2020. Once oil prices regained 'usual' value, the world oil trade permanently normalized. Disruptions caused by the Ukrainian war prompted European consumers to turn to alternative than Russia energy suppliers while the Russian Federation itself sought new export market for its crude oil and oil products. Tanker hauls increased, and as such, tanker trade measured in tonne-miles reached its all-period high in 2023.

In addition, tonne of global seaborne trade per world fleet deadweight capacity was calculated for the period under examination and this indicator followed the downward trend. We identified two reasons behind that – emission compliance-driven decrease of vessels' speed and increase of average haul caused by trade patterns modifications, especially the most recent.

Furthermore, the dynamics of development of the world fleet of particular vessel types was assessed and compared with the dynamics of development of seaborne trade of particular types of cargo. The share of each segment (dry bulk, container trade and tanker) in the world seaborne trade and the percentage of each vessel type (dry bulk carriers, containerships and tankers) in the overall world fleet for the period of 2009-2023 was calculated and analyzed retrospectively. It was ascertained that within the considered period the role of containership segment remained stable, the role of dry bulk segment permanently increased while of tanker segment decreased.

It was confirmed that regardless of how the market was measured, the share of each segment was identical. While the percentage of fleet in number of ships was not representative, the percentage of fleet in deadweight tonnes, as well as the percentage of trade in tonnes and tonne-miles could equally truly describe the share of each market in the shipping industry. As for the end of 2023, dry bulk sector occupied around 45-48% of the shipping industry, containership segment – approximately 15%, and wet bulk (tanker) sector – around 26-30%. Interestingly, after sharp growth (1975-2007), since 2009 the share of containerships in total world fleet deadweight remained steady. Dry bulk segment relentlessly improved its role in the global shipping over the period under consideration while tanker sector shrank not least because of global attempts to decarbonize the society and explore the alternative energy sources.

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УДК 339.9

STRATEGIES FOR UKRAINE'S ADAPTATION TO THE FREE MOVEMENT FOR WORKERS IN THE EUROPEAN UNION: ANALYSIS AND PROSPECTS

СТРАТЕГІЇ АДАПТАЦІЇ УКРАЇНИ ДО ВІЛЬНОГО РУХУ ПРАЦІВНИКІВ В ЄВРОПЕЙСЬКОМУ СОЮЗІ: АНАЛІЗ ТА ПЕРСПЕКТИВИ

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Abstract. *The article considers the problems related to the access of Ukrainian workers to the labour market in the context of Ukraine's accession to the EU. The authors identify potential risks and issues that may arise during the negotiation process, including concerns about labour market competition, the impact of migration on domestic employment, and the need to harmonize labour laws and standards. It is also emphasized on the importance of addressing these issues in a proactive and strategic manner to ensure that Ukrainian workers can fully enjoy the benefits of EU membership. The paper argues that this can be achieved through measures such as the establishment of transitional measures, the implementation of targeted policies to support labour market integration and the adoption of mutually beneficial agreements on labour mobility.*

Key words: *migration policy, free movement for workers, labour market, European integration, accession of Ukraine to the EU, labour mobility.*

Анотація. *У статті розглядаються проблеми, пов'язані питанням доступу українських працівників до ринку праці в контексті переговорів України про вступ до ЄС. Авторами визначені потенційні ризики та проблемні питання, які можуть виникнути під час переговорного процесу, включаючи занепокоєння щодо конкуренції на ринку праці, впливу міграції на внутрішню зайнятість, а також необхідності гармонізації трудового законодавства та стандартів. Також наголошується на важливості вирішення цих проблем у проактивний та стратегічний спосіб, щоб гарантувати, що українські працівники зможуть повною мірою скористатися перевагами членства в ЄС. У статті стверджується, що цього можна досягти за допомогою таких заходів, як встановлення перехідних заходів, впровадження цільової політики для підтримки інтеграції ринку праці та прийняття взаємовигідних угод щодо мобільності робочої сили.*

Ключові слова: *міграційна політика, вільний рух працівників, ринок праці, європейська інтеграція, вступ України до ЄС, мобільність робочої сили.*

Introduction. The issue of Ukrainian workers' access to the labour market in the context of Ukraine's negotiations on joining the EU within the framework of free movement is a complex and multifaceted issue. It is of critical importance to identify and address the risks and challenges that may arise during the negotiation phase. These include concerns about labour competition, the impact of market migration on domestic employment, and the need to harmonise labour laws and standards. It is of the utmost importance to address these issues proactively and strategically in order to ensure that Ukrainian workers are able to fully benefit from EU membership. The potential implementation of transitional measures, the formulation of targeted policies to facilitate labour integration, and the conclusion of mutually beneficial agreements on labour mobility may become pivotal in the context of the market negotiations on Chapter 2 'Free Movement for Workers'.

It is of the utmost importance to undertake a meticulous and methodical approach to ensure that Ukraine is adequately prepared to navigate the intricate and often challenging process of negotiating access to the EU labour market. By proactively addressing potential challenges and complex issues, Ukraine can enhance its relationship with the EU and establish mutually beneficial ties that align with the interests of both parties.

The purpose of the article. The objective of this article is to examine the potential strategies that Ukraine could employ to effectively adapt to the free movement for workers within the European Union. This includes an analysis of the current state, identification of challenges and opportunities that emerge from the process, and consideration of prospects for further development. It is important to consider a number of key aspects, including legislative and regulatory aspects, economic and socio-cultural research, opportunities for market integration and civil society development. The objective is to provide the government with specific recommendations to ensure successful adaptation to new conditions, maintain competitiveness and ensure sustainable development of the country.

Literature review. In the context of considering Ukraine's adaptation strategies to the free movement for workers in the European Union, a range of aspects of this issue were considered using a variety of sources. The official information on the policy of free movement for workers in the EU was analysed from sources from the European Commission (2020).

Kahanec and Zimmermann (2011) examined the relationship between international migration, ethnic differences, and economic development, which is important for understanding the consequences of migration for Ukraine and other countries. Lavenex and Uçarer (2004) represent a significant contribution to the comprehension of external influences on European integration, including migration processes and their investigation in member and candidate countries, including Ukraine. Finally, OECD (2019) asserts the impact of migration on workers' skills, which is crucial for the development of adaptation strategies for Ukraine in the context of the free movement for workers within the EU.

For greater context, the migration situation in Ukraine was also analysed, as well as the factors that influence the decision of Ukrainian citizens to return from abroad. Predicting the percentage of those who will return, as well as intentions, is quite difficult, as the situation changes almost daily. The structure of refugees also remains an open question. At the same time, recent works by Sologub (2024) and Hrushetskyi (2024), as well as the analysis by Visit Ukraine, are worthy of note.

Main results of the research. Prior to the full-scale military invasion of Ukraine by Russia, there were already numerous Ukrainian workers in the European Union. Many Ukrainians migrate to EU countries in search of better economic opportunities, higher wages, and improved living standards. According to various studies, Ukrainian migrants in Europe are often highly skilled and well-educated, and they contribute significantly to the economies of their host countries. The study of Ukrainian labour migration to Europe is an important area of research for understanding the dynamics of migration and its impact on both sending and receiving countries. In 2021, citizens of

Ukraine received the highest number of first residence permits (875,782, or 29,7%), ahead of citizens of Morocco (150,100, or 5%) and Belarus (149,000, or 5%). Further detailed information is provided in Table 1.

Table 1

First residence permits issued in 2021

Country	**First residence permits issued**	**First residence permits issued, by reason of employment (% of total permits issued)**	**Amount of non-EU citizens in comparing with population of the country, %**
Austria	47 892	8,2	0,5
Belgium	63 504	9,8	0,5
Bulgaria	11 784	21,3	0,2
Croatia	33 580	89,5	0,9
Cyprus	22 190	44,2	2,5
Czech Republic	74 395	55,9	0,7
Denmark	28 149	40,4	0,5
Estonia	6 549	35,0	0,5
Finland	57 334	41,2	1,0
France	285 190	13,3	0,4
Germany	185 213	9,9	0,2
Greece	22 905	9,6	0,2
Hungary	58 115	67,0	0,6
Ireland	34 935	22,9	0,7
Italy	274 095	18,5	0,5
Latvia	8 183	45,3	0,4
Lithuania	20 977	76,0	0,7
Luxembourg	7 076	27,1	1,1
Malta	14 358	56,1	2,8
Netherlands	103 580	20,1	0,6
Poland	967 345	81,7	2,6
Portugal	84 805	45,6	0,8
Romania	28 250	63,8	0,1
Slovakia	29 067	75,2	1,4
Slovenia	27 099	66,2	0,5
Spain	371 778	23,7	0,8
Sweden	84 033	24,7	0,8
Total *in particular – Ukrainians*	2 952 336 875 782	45 % 87,9 %	0,7 % 0,2 %

Source: authors' calculations based on Eurostat (2022, 2023)

Since the commencement of Russia's comprehensive military incursion into Ukraine, Ukraine has been confronted with a profound crisis of internal displacement. According to the United Nations High Commissioner for Refugees, as of April 2023, 8 million Ukrainian citizens had left Ukraine, of whom almost 5 million were currently registered in various protection programmes in Europe. Poland accounts for approximately one-third of Ukrainian citizens registered in such programmes. Conversely, the methodology assumes that the actual numbers may be lower. The data is presented in greater detail in Table 2 below. As evidenced by the data presented in Table 2, the proportion of refugees from Ukraine in relation to the local population is considerable.

Table 2

Data related to refugees from Ukraine registered for Temporary Protection or similar national protection schemes

Country	Data Date	Refugees from Ukraine registered for Temporary Protection or similar national protection schemes	Share in total amount of refugees from Ukraine registered for Temporary Protection or similar national protection schemes, %	Share of refugees from Ukraine in population of the country (adjusted for the number of refugees), %
Austria	17.04.2023	95 993	1,9	1,1
Belgium	11.04.2023	70 157	1,4	0,6
Bulgaria	18.04.2023	156 208	3,1	2,2
Croatia	07.04.2023	21 640	0,4	0,6
Cyprus	12.03.2023	21 842	0,4	2,4
Czech Republic	02.04.2023	504 107	10,0	4,6
Denmark	10.04.2023	39 479	0,8	0,7
Estonia	10.04.2023	44 739	0,9	3,3
Finland	10.04.2023	53 318	1,1	1,0
France	31.10.2022	118 994	2,4	0,2
Germany	25.03.2023	922 657	18,3	1,1
Greece	31.03.2023	22 704	0,5	0,2
Hungary	18.04.2023	35 030	0,7	0,4
Ireland	09.04.2023	80 085	1,6	1,6
Italy	17.03.2023	173 213	3,4	0,3
Latvia	11.04.2023	47 080	0,9	2,4
Lithuania	11.04.2023	76 540	1,5	2,7
Luxembourg	25.10.2022	6 756	0,1	1,0
Malta	19.02.2023	1 744	0,0	0,3
Netherlands	10.02.2023	89 730	1,8	0,5
Poland	16.04.2023	1 583 563	31,4	4,0
Portugal	26.02.2023	58 242	1,2	0,6
Romania	16.04.2023	126 711	2,5	0,7
Slovakia	16.04.2023	114 192	2,3	5,1
Slovenia	11.04.2023	9 038	0,2	0,2
Spain	16.04.2023	173 829	3,4	0,4
Sweden	05.04.2023	53 957	1,1	0,5

Source: authors' calculations based on United Nations High Commissioner for Refugees (2023), Eurostat (2023), V. Botelho, H. Hägele (2023) (European Central Bank)

Concurrently, the issue of internally displaced persons remains a pressing concern. As of the beginning of March 2023, the total number of internally displaced persons (IDPs) registered in Ukraine was almost 5 million. Of these, almost 3.5 million were registered after 24 February 2022. Concurrently, the International Organization for Migration has estimated that the actual number of IDPs in Ukraine may reach 7.1 million. The majority of IDPs require assistance with housing, employment, and social protection issues. According to the International Organisation for Migration, as of the end of 2022, the majority of IDPs (approximately 55%) were women. Additionally, one in four IDP families had individuals with disabilities, almost one in five families had children aged one to five, and approximately 70% of IDPs were currently unemployed. The majority of IDPs (57.4%) are aged between 18 and 59. Of these, 32% are women and 25.4% are men.

The issue of forecasting migration processes and their impact on the economy is a highly sensitive one. This pertains to the potential intensification of migration processes following the conclusion of a comprehensive conflict. It is not possible to make a definitive assertion that the outflow of people will be insignificant, given that Ukraine is subjected to a terrorist attack on a daily basis. Even under the most optimistic scenario, whereby the outflow of people is deemed to be insignificant, the active phase of the war will result in a shrinking economy and reduced consumer demand.

The aforementioned factors have collectively resulted in an imbalance between supply and demand in the labour market, as well as significant demographic challenges that had been on the rise even prior to the full-scale invasion. However, the invasion has precipitated a dramatic deterioration in these challenges, with a significant proportion of jobs being physically destroyed because of the destruction or temporary occupation of production facilities. Concurrently, as of April 2023, there has been a partial recovery in the labour market, with the emergence of new vacancies. Nevertheless, this recovery, while giving rise to cautiously optimistic forecasts, does not remove from the agenda the issues of further development of the labour market, its structure, and, in fact, the demographic picture of the population.

It is crucial to acknowledge that at the outset of the full-scale invasion, the EU took a hitherto unprecedented step to address this issue. In its Communication ‘European solidarity with refugees and those fleeing war in Ukraine’ of 8 March 2022, the Commission outlined the substantial support that the EU had made available to assist individuals fleeing Russia’s invasion of Ukraine, as well as the Member States receiving them. This encompasses direct humanitarian assistance, emergency civil protection support, assistance at the border, and a clear legal status that allows those fleeing the war to receive immediate protection within the EU. In its communication, entitled ‘Welcoming those fleeing war in Ukraine’, in its Communication ‘Readying Europe to meet the needs of 23 March 2022’, the Commission outlines measures to assist individuals fleeing Russia’s invasion of Ukraine and to guarantee their effective access to their rights. The measures encompass not only immediate measures to provide shelter, humanitarian aid, and access to healthcare, but also actions to ensure that individuals are smoothly integrated into the host countries and have access to education, housing, and employment.

Council Implementing Decision (EU) 2022/382, which activated the temporary protection mechanism set out in the Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof (hereinafter – Directive 2001/55/EC), provides people fleeing Russia’s invasion of Ukraine with a clear legal status as soon as they arrive in the European Union. The initial period of temporary protection will last for one year, with the possibility of automatic renewal for a further six months on each occasion. Temporary protection encompasses a residence permit, welfare support, healthcare, and access to housing, education, and employment. Article 12 of the Directive 2001/55/EC stipulates that Member States must permit individuals in a state of temporary protection to engage in gainful employment or self-employment, provided that such activities are subject to the relevant professional regulations. Furthermore, the Directive permits individuals in a state of temporary protection to pursue educational opportunities for adults, vocational training, and practical workplace experience.

It is important to highlight that the right to access the labour market is a fundamental aspect of temporary protection. It has been demonstrated that non-EU nationals, and in particular refugees, frequently occupy positions below their level of qualification. The provision of a straightforward and expeditious recognition mechanism plays a pivotal role in ensuring that individuals in receipt of temporary protection are able to engage in employment commensurate with their qualifications. This facilitates their integration and leads to the optimal utilisation of their skills, benefiting both the individual and the host community. Furthermore, it ensures that individuals gain relevant experience and skills during their period of temporary protection, which adds value to their qualifications when they return to their home country. Considering the aforementioned circumstances, the European Commission has adopted Recommendation No 2022/554 of 5 April 2022 on the recognition of qualifications for individuals fleeing the invasion of Ukraine by Russia.

Furthermore, the EU introduced the EU Talent Fund pilot project, which has become a widely implemented initiative. Ukraine is profoundly grateful to the partner countries for their support in this regard. This has facilitated the employment of Ukrainians and, to a certain extent, their financial self-sufficiency. A considerable number of Ukrainian nationals have established businesses and are paying taxes in host countries. Furthermore, it is important to acknowledge that a significant number of businesses have relocated abroad. It is also important to note that partial integration of Ukrainian workers and businesses has already taken place, although it is currently temporary. This is in accordance with the provisions of Directive 2001/55/EC. It is important to note that this directive is not the sole source of integration of Ukrainians into the EU labour market. For instance, Article 26 of the Directive 2011/95/EU of the European Parliament and of the Council of 13 December 2011 on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection, and for the content of the protection granted (recast) requires Member States to permit beneficiaries of international protection to engage in employed or self-employed activities under the same rules that apply to nationals. Furthermore, Member States are obliged to provide educational opportunities, vocational training, practical workplace experience, and counselling services to these individuals on an equivalent basis to that afforded to nationals. Furthermore, the article stipulates that Member States should endeavour to facilitate full access to these activities. Finally, the legislation in force in the Member States regarding remuneration, social security systems, and other employment conditions must be applied to beneficiaries of international protection.

It is important to note that despite the lack of comprehensive data on Ukrainian employment in all EU Member States in 2022, it is clear that a significant proportion of refugees are economically active. A survey of adult respondents conducted by the United Nations High Commissioner for Refugees between October 2022 and February 2023 revealed that 86% of respondents were women, the majority of whom had children. A total of 20,009 respondents were included in the survey, corresponding to 47,502 household members. Seventy-nine percent of respondents had completed higher education, while sixty percent were employed or self-employed at the time of leaving Ukraine. Currently, thirty-six percent of respondents are employed in the host country or work remotely or are self-employed. A total of 52% of respondents were aged between 18 and 59, with 42% being women and 10% being men. This indicates that most respondents were in the economically active age group.

It is estimated that Ukraine will require approximately 4.5 million additional workers to achieve an annual growth rate of 7% during the post-war reconstruction period. The following assumptions are made for this model: annual productivity growth of 2.7%, annual labour force decline of 1.6%, unemployment rate of approximately 18% in 2022 and 5-8% in 2032; the number of returning refugees is approximately 2 million. Consequently, Ukraine is experiencing a severe shortage of human resources. Considering the potential labour shortage, it can be concluded that Ukraine's domestic resources are insufficient to overcome this challenge. To achieve the GDP growth targets, it is necessary to utilise both domestic and external labour resources. The policy should concentrate on the retention and development of the Ukrainian population, the return of those Ukrainians who have remained abroad, and the attraction of foreign labour. Furthermore, government policy should facilitate the enhancement of the efficiency and productivity of the talent attracted.

It is important to acknowledge that the proportion of Ukrainians who will never return home is contingent upon the duration of the hostilities and the extent to which our refugees perceive the possibility of recovery. Nevertheless, Ukraine's candidacy for membership in the European Union serves as a clear indication to Ukrainians regarding the viability of returning home. Furthermore, the actions of the government in terms of post-war reconstruction, housing, and job creation will also play a significant role in determining the extent to which those who have been displaced choose to return home. The government, in collaboration with other branches of government and international partners, is engaged in a systematic effort to demonstrate a prospective vision to Ukrainians. The government, in collaboration with other branches of government and international partners, is already engaged in efforts to ensure that Ukrainian citizens will have adequate living conditions upon their return to their homeland.

The potential for all Ukrainians to work in the EU without bureaucratic impediments could provide refugees with the assurance that, should they choose to return to Ukraine, they will be able to return to the EU later should they so desire. This will result in refugees who may be reluctant to return to Ukraine due to uncertainty about their prospects in Ukraine and concerns that they will not be able to return after leaving the EU, as well as concerns about losing their status in the EU, being more inclined to return to Ukraine, as they can always return if they do not like life in Ukraine. It should be noted that this return will be within the framework of the free movement for workers, rather than in the context of refugee and temporary protection.

Despite millions of refugees from Ukraine the overall unemployment in the EU (percentage of population in the labour force) decreased from 6.9% in 2021 to 6.0 in 2022 and 5.8 in 2023 according to Eurostat (2024). But since the refugees were unevenly distributed in the Member States, it is necessary to calculate the correlation between the change in unemployment (in 20021-2022 and 2022-2023) and the share of refugees from Ukraine in population of a Member State (as noted in Table 2). The correlation in 2022 was weak positive (0.23), i.e., larger number of refugees was associated with smaller decrease in unemployment. But in 2023 it the correlation became even weaker (0.15). And both correlations are insignificant, therefore we do not find sufficient evidence that Ukrainian refugees negatively affected employment in the EU by substituting local staff. This may be a reason in favour of avoiding imposing transition period before the EU market is opened for the Ukrainian citizen after its potential accession, as it was practiced during the previous accession of less developed new member states.

It is evident that Ukraine is confronted with considerable challenges and tasks on the path to reconstruction and the return of its citizens. The extraordinary assistance provided by our partner countries, international organisations and the measures taken by the Government of Ukraine to support citizens affected by Russia's military aggression have made it possible to support Ukrainian citizens and provide them with all the most necessary things today.

It is the responsibility of the Government of Ukraine to ensure the preservation of these individuals within the context of Ukrainian society and to facilitate their return. This necessitates the implementation of a multifaceted approach, encompassing measures to guarantee security and stimulate economic growth, as well as the reconstruction and further integration of Ukraine into the European Union and other leading global institutions. These efforts are being pursued in collaboration with relevant stakeholders.

The negotiation process for Ukraine's accession to the European Union is a complex and multifaceted process that requires careful consideration and planning. The shaping of Ukraine's negotiating position represents a pivotal stage in this process, as it entails the identification of the country's priorities, the establishment of realistic objectives, and the formulation of strategies for their attainment. This section will examine the key factors that must be considered when shaping Ukraine's negotiating position. These include the country's economic, political, and social context, as well as the EU's priorities and expectations. Furthermore, this section will examine the various strategies that Ukraine can adopt to enhance its negotiating leverage and achieve its long-term objectives. By understanding these factors and developing a well-considered negotiating position, Ukraine can enhance its prospects of successful accession to the European Union and achieve mutual benefits.

As previously stated, Ukraine should be aware that there may be some reservations about the opening of labour markets in EU Member States. Nevertheless, Ukraine can present several arguments to demonstrate that opening the labour markets in the context of free movement for workers of EU Member States would be mutually beneficial:

1) The Treaty of Accession of Denmark, Ireland and the United Kingdom (1972), the Treaty of Accession of Greece (1979), the Treaty of Accession of Spain and Portugal (1985), the Treaty of Accession of Austria, Finland and Sweden (1994), the Treaty of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia (2003 the Treaty of Accession of the Republic of Bulgaria and Romania (2005), the Treaty of Accession of Croatia (2012), and the experience of EU enlargements in the context of freedom of movement for workers, it can be reasonably assumed that the reservations made to a number of countries to which the transition period was applied are not entirely relevant in the case of Ukraine. In previous EU enlargements, several countries were considered to have a high migration potential. However, the effects of European integration have shown that the warnings were in fact in vain, and there was no catastrophe on national labour markets. Instead, after the end of the transition periods, the countries became more closely integrated. The impact of enlargement and increased inflows of workers on destination countries has been overwhelmingly positive for the economy and did not have serious negative side effects on the labour market, according to two reports from the European Commission. The free movement for workers is contributing to the eradication of undeclared work. Empirical studies have demonstrated that east-west intra-EU labour mobility has had a negligible or positive impact on local workers' wages and employment. However, the global economic crisis that began in 2008 resulted in a reduction in the number of workers from recently acceded countries entering the EU-15 countries. This was due to a decline in labour demand, and even to some return migration. The impact of increased workers' mobility on origin countries is complex. While there has been a reduction in unemployment, there has also been an increased risk of brain drain and skill shortages in specific sectors. Nevertheless, younger migrants may not permanently relocate, but rather temporarily. Upon returning home, they are able to utilise their acquired language skills to pursue more internationally oriented employment opportunities. Furthermore, Ukrainians and their work culture are already well-known to EU Member States, and in some sectors of the EU Member States' economies, labour from Ukraine constitutes a significant factor. The question remains as to what will happen after the Temporary Protection Directive expires, given that a significant proportion of Ukrainian refugees have already been integrated into the labour markets of EU Member States.

2) The second argument for opening the labour markets of EU Member States is based on the observation that the prototype of free movement has partially worked. This has led to the EU Member States attracting Ukrainian workers, integrating them into their societies, and so on. In other words, prior to the expiration of Directive 2001/55/EC, Ukrainians have already begun to participate in the labour markets of EU Member States, which is beneficial for both parties. The EU receives workers, while Ukraine receives support from these workers, who either remit funds to their relatives who remain in Ukraine or donate to the Ukrainian army and post-war reconstruction of Ukraine, or act as Ukraine's soft power. Consequently, as Ukrainians become increasingly familiar with the labour markets of EU Member States, Europeans are also becoming accustomed to Ukrainians. Integration at this level has already occurred to a certain extent due to the large number of Ukrainian refugees in Europe. This is because Ukrainians regularly travelled to EU Member States for employment before the full-scale war.

3) Ukraine has the potential for significant economic growth, and free access to the EU labour market could contribute to the development and increase of employment. This could result in increased production and incomes, which in turn could expand the market for EU products and services.

4) Free access to the EU labour market can facilitate the acquisition of new knowledge and skills among Ukrainians, particularly in the field of technology and innovation. This will serve as an additional resource for Ukraine's post-war recovery. A prosperous Ukraine is beneficial to the EU, and the growth of its potential is therefore a positive development for the EU as well.

5) Opening the labour market to Ukrainians could facilitate cultural exchange between Ukraine and the EU. Such an initiative could facilitate mutual understanding between peoples, encourage intercultural dialogue, and contribute to the construction of a unified European community.

6) The potential for Ukrainian citizens to work in the EU without encountering significant bureaucratic and legal obstacles could provide refugees with the assurance that, should they choose to return to Ukraine, they would be able to re-enter the EU should they so desire. This will result in refugees who may be reluctant to return to Ukraine due to uncertainty about their prospects in Ukraine and concerns that they will not be able to return after leaving the EU, as well as concerns about losing their status in the EU, being more inclined to return to Ukraine, as they can always return if they do not like life in Ukraine. It should be noted that this will be a return within the framework of the free movement for workers, rather than in the context of refugee and temporary protection. Furthermore, the European Union's fundamental principle of a common labour market necessitates that Ukraine's integration into the EU will eventually require the integration of its labour market.

The opening of the EU labour market to Ukrainians has the potential to yield numerous benefits for both parties, including economic growth and enhanced international security. Nevertheless, it is of the utmost importance to ensure that Ukrainian workers are adequately trained and that their rights are protected in EU countries. This is necessary to guarantee the success of this process and to conduct appropriate outreach to the societies of EU Member States. Ukraine should be aware that some EU Member States may require transitional periods and other adjustments, but it is prepared for the possibility that some countries, those with robust trade unions, may prefer a gradual opening of their labour markets to prevent social dumping. Concurrently, Ukraine can advocate for the pursuit of non-standard solutions that may extend beyond the standard timeframe, such as the establishment of circular migration models. The implementation of circular migration models could prove beneficial in the context of Ukraine's efforts to engage its citizens in post-war reconstruction, given the country's current shortage of labour. It is imperative that Ukraine cooperate with its European partners to facilitate the return of its citizens after the war. Should Ukrainian refugees remain abroad, the Ukrainian economy will suffer significant losses. In essence, assisting Ukraine in the repatriation of its citizens who have sought refuge abroad will be a significant boon to the country. While European countries will directly benefit from the economic benefits of Ukrainians remaining abroad, there will be indirect benefits for Europe if they return home. The return of refugees will reinforce Ukraine's economy and permit it to direct more resources towards security and reconstruction.

Conclusions. The accession of Ukraine to the EU common labour market may be regarded as a strategic interest, in accordance with the principles of European integration. This will facilitate Ukraine's ability to attract additional labour, which is essential for post-war recovery and economic growth. The establishment of a common labour market will create a favourable business climate for all parties involved, particularly during the post-war recovery period. Furthermore, it will permit investors to attract the labour they require without restriction. The opening of the EU labour market to Ukrainians could have a multitude of positive consequences for both parties, but it is of the utmost importance to ensure that Ukrainian workers' rights are protected in EU countries and that they are adequately trained. Additionally, Ukraine should consider adopting non-traditional solutions, such as circular migration models, to facilitate the return of Ukrainian refugees following the conflict. In conclusion, assisting Ukraine in the repatriation of refugees following the conflict will be a significant benefit to Ukraine and Europe. It will reinforce Ukraine's economy and facilitate greater investment in security and reconstruction.

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TRANSFORMATION OF BANKING ACTIVITIES IN SWITZERLAND: THE INFLUENCE OF NEO-BANKS AND PROSPECTS FOR THE DEVELOPMENT OF THE FINANCIAL SECTOR

ТРАНСФОРМАЦІЯ БАНКІВСЬКОЇ ДІЯЛЬНОСТІ В ШВЕЙЦАРІЇ: ВПЛИВ НЕОБАНКІВ ТА ПЕРСПЕКТИВИ РОЗВИТКУ ФІНАНСОВОГО СЕКТОРУ

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Abstract. *Neobanks are dominant in the development of the financial sector of the leading countries of the world, the financial sector of Switzerland is no exception. The purpose of the article is a comprehensive study of the ways in which neo-banks change the Swiss banking sphere, namely the influence of neo-banks on the competitive environment and the behavior of Swiss consumers of banking services. The article examines the dynamic neobank market in Switzerland, analyzing data from the Statista and Swiss Payment Monitor platforms. A significant growth potential of this segment has been revealed, with an expected increase in the value of transactions to 109.7 billion USD by 2028. The article reveals the main areas of use of neobank services by the Swiss, including online payments, cash withdrawals, P2P transfers, bank transfers, cryptocurrency exchange , budgeting, donations and insurance. A comparative analysis of neobanks Neon, Revolut, Yuh, CSX, Wise, Yapeal, Zak based on data from the Moneyland.ch analytical platform revealed the most favorable offers for cards, interest rates and accounts. Investigated the cost of cash withdrawals and payments in different currencies, identifying Neon and Revolut as key options for users of neobank services in Switzerland. The article outlines the prospects for the development of neobanks in Switzerland, emphasizing the importance of technological innovation, focus on customer experience and competitive advantage. At the same time, challenges related to regulatory requirements, competition and the need to strengthen customer trust are noted. Overall, the study confirms that non-banks are playing an increasingly important role in the Swiss financial sector, offering innovative solutions and contributing to the development of the digital economy. The proposed article can be useful to professional researchers and analysts, banking institutions, business associations, regulators, international financial organizations. Further research in this area is expected in the direction of studying the specifics of the impact of regulation on the development prospects of neobanks in Switzerland.*

Key words*:* *neobanks, Switzerland, transformation of the financial sector, innovation, regulation, user behavior.*

Анотація. *Необанки є домінантою розвитку фінансового сектору провідних країн світу, не є виключенням фінансовий сектор Швейцарії. Метою статті є комплексному вивченню напрямків, як необанки змінюють банківську сферу Швейцарії, а саме впливу необанків на конкурентне середовище та поведінку швейцарських споживачів банківських послуг. Стаття досліджує динамічний ринок необанків у Швейцарії, аналізуючи дані платформ Statista та Swiss Payment Monitor. Виявлено значний потенціал зростання цього сегмента, з очікуваним збільшенням вартості транзакцій до 109,7 млрд дол США до 2028 р.. Стаття розкриває основні напрямки використання сервісів необанків швейцарцями, включаючи онлайн-платежі, зняття готівки, P2P-перекази, банківські перекази, обмін криптовалют, бюджетування, пожертви та страхування. Порівняльний аналіз необанків Neon, Revolut, Yuh, CSX, Wise, Yapeal, Zak на основі даних аналітичної платформи Moneyland.ch виявив найвигідніші пропозиції щодо карток, процентних ставок та рахунків. Досліджено вартість зняття готівки та платежів у різних валютах, визначивши Neon та Revolut як ключових опцій для користувачів сервісів необанків в Швейцарії. Стаття окреслює перспективи розвитку необанків у Швейцарії, підкреслюючи важливість технологічних інновацій, фокусу на клієнтському досвіді та конкурентних переваг. Водночас, зазначаються виклики, пов'язані з регуляторними вимогами, конкуренцією та необхідністю зміцнення довіри клієнтів. Загалом, дослідження підтверджує, що необанки відіграють дедалі важливішу роль у фінансовому секторі Швейцарії, пропонуючи інноваційні рішення та сприяючи розвитку цифрової економіки. Запропонована стаття може бути корисною фаховим дослідникам і аналітикам, банківським установам, бізнес-асоціаціям, регуляторам, міжнародним фінансовим організаціям. Подальші дослідження в даній царині передбачаються в напрямку вивчення особливостей впливу регулювання на перспективи розвитку необанків в Швейцарії.*

Ключові слова: *необанки, Швейцарія, трансформація фінансового сектору, інновації, регулювання, поведінка користувача.*

Introduction. The modern Swiss financial market is undergoing significant transformations under the influence of the rapid development of neobanks. These online-only digital financial institutions offer innovative services and products, challenging traditional banking models. Neobanks, thanks to their flexibility, technological orientation and customer orientation, are gaining more and more popularity among Swiss users, especially among young people. Accordingly, it is important to investigate the transformation of banking in Switzerland under the influence of neobanks. In particular, it is important to analyze the impact of neobanks on the competitive environment, consumer behavior, innovation and regulatory aspects. In this context, the question of the competitive environment is key, namely how neobanks affect traditional banks and their business models. An important issue, among other things, is the strategies used by traditional banks to adapt to new conditions. In addition, consumer behavior is a key factor, namely what factors influence consumers' choice between traditional banks and non-banks. It is important to study the expectations and requirements of consumers for financial services. Another important question is what innovative products and services neobank offers, and how these innovations affect the development of the banking sector as a whole. All this determines the relevance of this study. The results of the study will allow a deeper understanding of the transformation of the Swiss banking sector under the influence of neobanks and formulate recommendations for banks, regulatory authorities and other stakeholders.

The purpose of the article is a comprehensive analysis of the transformation of banking activity in Switzerland under the influence of neobanks in terms of the influence of neobanks on the competitive environment and changes in the behavior of consumers of banking services of neobanks in Switzerland.

Literature review. Neobanks, which are essentially digital banks without physical branches, are rapidly gaining popularity in developed and transition economies, changing the traditional banking sector. In this context, Sardar & Anjaria (2023) consider non-banks as catalysts of change in the banking sector. The authors analyze in detail the advantages of neobanks, such as convenience, personalized approach and innovative technologies, which attract customers, especially the younger generation. The article also highlights the challenges that neobanks face, including regulatory issues and competition with traditional banks. Kusnawi et al. (2023) focus on the perception of neobanks in Indonesia using sentiment analysis based on support vector algorithm. The research reveals mostly positive feedback from customers regarding digital banking services, convenience and ease of use. However, some customers have expressed concerns about data security and privacy. Soumady (2022) examines the potential of neo-banks to transform India's banking landscape. The author notes that neo-banks, thanks to their flexibility and customer orientation, can win a significant share of the market, especially among the younger generation and poor segments of the population. However, the paper also notes that regulatory constraints and insufficient financial literacy may hinder the growth of neobanks. Neobanking, as a new direction of financial technologies, is attracting more and more attention from researchers and practitioners all over the world. This literature review examines three key works examining the concept, challenges and global practices of neobanking, as well as the current state of neobanking in the US and European countries, and the future of neobanking. Ziouache & Bouteraa (2023) provide a detailed description of the concept of neobanking, including its definition, key characteristics and differences from traditional banks. The authors also analyze the main challenges faced by neo-banks, such as regulatory restrictions, cyber security and competition with traditional banks. In addition, the article examines global practices of neobanking, including examples of successful neobanks from different countries of the world. Shuba & Lotkina (2022) focus on the current state of neobanking in the US and European countries. The authors analyze the specifics of the development of neobanking in these regions, including the regulatory framework, competitive environment and consumer preferences. The article also examines successful cases of neobanks in the USA and Europe and identifies the key factors of their success. Banga et al. (2023) provide an overview of the key growth drivers of neobanks in terms of the value proposition for the target audience. The authors examine factors contributing to the rapid growth of neobanks, such as digitalization, changing consumer preferences, and innovative technologies. The work also examines the potential directions of development of neobanks in the future, including the expansion of the range of services, partnerships with traditional banks and the use of artificial intelligence and blockchain. Aisyah, N.R. et al. (2023) conduct a user experience (UX) analysis of a neobank application using heart rates as indicators of users' emotional reactions. The authors found that indicators of the user's state (heart rate, etc.) can be used to assess user satisfaction, their engagement and the level of stress during interaction with the application. This study deepens the understanding of UX in financial technology. Rocchi, J.M. (2021) examines the strategic aspects of the creation and development of a successful neobank. The author outlines key success factors such as product differentiation, effective use of technology, customer focus, and building a strong brand identity. The author also emphasizes the importance of innovation and adaptation to the rapidly changing market of financial services.

However, the specifics of the development of neobanks and the resulting changes in the Swiss financial sector have not been sufficiently considered and require additional study.

Main results of research. Analysis of the Swiss banking services market and the role of neo-banks in the Swiss financial sector based on the data of the analytical platform Statista (2024) for 2024 with a forecast until 2028 demonstrates the significant growth potential of this innovative segment of the financial sector. According to forecasts, the value of transactions in 2024 will reach 63.94 billion US dollars, and by 2028 it is expected to increase to 109.71 billion US dollars. In terms of the average annual growth rate, this is growth at the level of 14.45%. This underlines the rapid development of neobanking and its growing role in the Swiss financial sector. The average transaction value per user in 2024 is USD 40.21 thousand, which indicates high involvement and activity of neobanking users in Switzerland. In addition, growth in the number of users of Swiss neobank services is expected at the level of 2.08 million people by 2028, which indicates the growing popularity and trust in digital banking solutions. The penetration of neobanking services among the Swiss population also shows positive dynamics - in 2024, the level of penetration of neobank services in Switzerland is 17.90%, and by 2028, the indicator is expected to grow to 22.88%. This confirms that more and more Swiss people are gravitating towards banking solutions based on the convenience, affordability and innovative features offered by non-banks.

Let's consider the main areas of use of the services of neobanks among the Swiss. Based on data from the Swiss Payment Monitor (2020), we will analyze how Swiss users use non-banks and which services are the most and least popular. The data show that the Swiss actively use non-banks for various financial transactions. Online payment (67% of respondents) is a key service of neobanks in Switzerland. Neobanks have become a convenient tool for everyday payments, both online and in retail networks. Cash withdrawal as a service of neobanks is noted by 38% of respondents – despite the digital nature of neobanks, cash withdrawal remains an important service for users. Fast and convenient P2P transfers transfers between users are one of the key advantages of neobanks (36% of respondents). Bank transfers of neobanks are used by every fifth (27% of respondents) according to the research. The growing interest in cryptocurrencies is reflected in the use of neobanks for their exchange (18% of respondents). Budgeting tools in non-banks have not become widespread with 9% of respondents noting the use of this tool. A small number of users (5% of respondents) use non-banks to make donations. Insurance services (3% of respondents) remain a niche service for neobanks. Data from the Swiss Payment Monitor (2020) demonstrate that non-banks have successfully integrated into the financial decisions of the Swiss. The services of neobanks in Switzerland are used for a wide range of operations, from daily payments to investments in cryptocurrencies. However, there is potential for further development, especially in the field of budgeting, insurance services and other niche offerings.

For comparison, the largest neo-banking market in the world – the United States – has a transaction value of USD 1,785 billion in 2024 (Swiss Payment Monitor, 2020). Although the Swiss neobanking market is much smaller in size, Swiss neobanking shows significant growth rates and development potential. The high average transaction cost per user and growing market penetration underscore the importance of the neobanking segment to the country's financial sector and its ability to meet the needs of today's financial service consumers. Given these trends, neobanks have the opportunity to become key players in the Swiss financial market, offering innovative solutions and contributing to the development of the digital economy.

Analytical platform moneyland.ch analyzed offers from Swiss neobanks. Neobanks Neon and Revolut received the highest marks for card usage. In terms of interest rates and accounts, neobank Yuh leads the way. Data from a moneyland.ch study showed that neobank cards are significantly cheaper than most credit cards from traditional banks when it comes to paying abroad.

The analytical platform Moneyland.ch (2023) compared the cost of cash withdrawals and payments in euros and US dollars in Switzerland and abroad. The non-banks CSX (Credit Suisse), Neon, Revolut, Wise, Yapeal, Yuh (Swissquote and Postfinance) and Zak (Bank Cler) participated in the comparison. The following user profile is created: annually the user of the profile makes payments in the amount of 10,000 Swiss francs in Switzerland using a non-bank card (usually a debit card), and also makes transactions during travel with the equivalent of 2,000 Swiss francs in transactions in the equivalent of euros, US dollars , and also withdraws cash from 6 ATMs abroad, including 1 ATM in Switzerland. The cheapest options are the Neon Free account from the Swiss neobank Neon and the Standard account from the international neobank Revolut. For consumers who fit the profile, the total cost of using neobank accounts is 57 Swiss francs. In addition, there is an account from the Swiss neobank Yapeal and the international neobank Wise; both have a total account usage fee of 69 Swiss francs. In terms of the studied user profile of neobanks in Switzerland, the most expensive neobank accounts are Zak Plus (318 Swiss francs) and CSX Black Debit Mastercard (264 Swiss francs).

In this context, we will present an analysis of the user profile of neobanking in Switzerland. The analytical platform Moneyland.ch (2023) used the following user profile to compare the cost of bank accounts and card transactions – the user uses his non-bank account to pay bills and receive wages. Every year, the user makes 50 outgoing and 20 incoming bank transfers through neobank services. They also have periodic rent payments that are paid monthly. The average balance in their personal account is 5 thousand Swiss francs. According to this profile, neobank Yuh is the most affordable, the total cost of use is 51 Swiss francs per year after interest. Neon ranks second with a total cost of CHF 57 per year. Yapeal ranks third with a total cost of CHF 111 per year. The two most expensive accounts are Credit Suisse CSX Black Debit Mastercard (CHF 264 per year) and Zak Plus (CHF 281 per year). Most of the neobanks presented in the comparison offer accounts without a basic account maintenance fee. All this points to the specifics of the demand for neobanking services in Switzerland and opportunities for further modeling of the neobank value proposition for the Swiss user.

We will highlight the main prospects for the development of neobanks in Switzerland and changes in the country's financial sector under the influence of technological development. Neobanks in Switzerland are developing rapidly, changing the traditional banking environment. Success is determined by several key factors and innovative directions of development. In particular, these changes are made possible by technological innovation and a focus on customer experience. Neobanks offer convenient mobile applications, use artificial intelligence for personalized financial advice and integrate with other financial services through open banking. Neobanks attract customers with simplicity, transparency and lower tariffs, offering a wide range of innovative products. The target audience includes young people, small and medium-sized enterprises, as well as international customers. Despite the significant potential for growth, Swiss non-banks face regulatory requirements and high competition. In order to succeed in the market, non-banks must overcome these challenges, strengthen customer trust and continue to innovate, adapting to the needs of the ever-changing market. Let's summarize the results of the analysis in Table. 1.

Table 1

The main directions of the development of the financial sector of Switzerland in the context of neobanks

Directions	Comments
Technological innovations as the main driver of the development of neobanks	
Mobile banking	Neobanks focus on convenient mobile applications that allow customers to manage their finances from anywhere.
Open Banking	Integration with other financial services and applications through APIs, which expands functionality and convenience for customers.
Blokchain	Neo-banks are considering solutions for using blockchain to improve the security and transparency of transactions.
AI	Using artificial intelligence for personalized financial advice, cost analysis and fraud detection.
Focus on customer experience as a competitive advantage of neobanks	
Simplicity and convenience	Intuitive interfaces, quick registration and easy access to all functions.
Personalization	Offers products and services that meet the individual needs of customers.
Round-the-clock support	Respond quickly to customer inquiries via chat, email or phone.
Competitive advantages of neobanks in Switzerland	
Lower tariffs	Due to the absence of physical branches and optimization of processes, non-banks can offer lower fees and interest rates.

Transparency	Clear information about tariffs and conditions without hidden fees.
Innovative products	In addition to basic banking services, neobanks offer investment accounts, cryptocurrency transactions, insurance and other financial products.
Target audiences of neobanks in Switzerland	
Young people	Young people who value technology, convenience and innovation will gravitate towards neobanks.
Small and medium business	Businesses looking for an alternative to traditional banks with more flexible terms and digital solutions.
International clients	People who often travel or work abroad and need convenient international transfers and multi-currency accounts.
Challenges and prospects of neobanks in Switzerland	
Regulatory requirements	Neobanks must adhere to strict financial norms and rules, which can complicate their operations.
Competition	The growing number of neobanks and traditional banks developing digital services creates high competition in the market.
Customer trust	Some customers still prefer traditional banks because of their reputation and physical presence.

Source: own analysis.

Swiss non-banks have significant potential for further growth. Through innovation, customer focus and competitive advantage, neobanks can attract new customer segments and change the banking industry. However, in order to develop successfully, they must overcome regulatory challenges, withstand competition and strengthen customer confidence.

Conclusions. A study of the Swiss banking services market revealed a significant growth potential of the neobank segment. According to forecasts, the value of transactions in this sector will increase from $63.94 billion. USA in 2024 to 109.70 billion dollars. USA in 2028, which confirms the growing popularity and trust in digital banking solutions. Analysis of the use of neobank services by the Swiss showed that they actively use them for a variety of financial transactions, including online payments, cash withdrawals, P2P transfers and cryptocurrency exchanges. This testifies to the successful integration of neobanks into the financial solutions of the Swiss and their ability to meet the diverse needs of users. A comparison of offers from Swiss neo-banks revealed that they offer competitive conditions in terms of card costs, interest rates and accounts. Some non-banks, such as Neon and Revolut, offer particularly favorable conditions for users who make payments abroad. Despite the relatively small size of the Swiss neobanking market compared to the US, it shows significant growth rates and potential for development. The high average transaction value per user and the growing market penetration underline the importance of the neo-banking segment to the Swiss financial sector. Prospects for the development of neobanks in Switzerland are related to technological innovation, focus on client experience and development of innovative products. Neo-banks are actively using mobile banking, open banking, blockchain and artificial intelligence to improve their services and attract new customers. However, Swiss neobanks face challenges such as regulatory requirements and high competition. To succeed in the marketplace, they must overcome these obstacles, build customer trust, and continue to innovate while adapting to the ever-changing market needs. Overall, the study found that the Swiss neobanking market has significant potential for further growth and development. Through innovation, customer focus and competitive advantage, neo-banks can attract new customer segments and transform the Swiss banking industry, contributing to the development of the country's digital economy.

Prospects for further research include the study of the specifics of the impact of regulation on the current state and prospects for the development of neobanks in Switzerland.

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ЗМІСТ

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ОСОБЛИВОСТІ РОЗВИТКУ СВІТОВОГО ГОСПОДАРСТВА ТА МЕВ

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