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ПОЛІТИЧНІ ПРОБЛЕМИ МІЖНАРОДНИХ ВІДНОСИН

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ESTABLISHING AND CONTROLLING A STABLE MORAL AND PSYCHOLOGICAL CLIMATE IN FOREIGN DIPLOMATIC INSTITUTIONS AS A KEY SECURITY COMPONENT

ФОРМУВАННЯ І КОНТРОЛЬ СТІЙКОЇ МОРАЛЬНО-ПСИХОЛОГІЧНОЇ АТМОСФЕРИ У КОЛЕКТИВАХ ЗАКОРДОННИХ ДИПЛОМАТИЧНИХ УСТАНОВ ЯК СКЛАДОВОЇ ЇХ БЕЗПЕКИ

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Abstract. *This article addresses the issues of forming and controlling a stable moral and psychological atmosphere in the foreign diplomatic institutions (FDI) of Ukraine, as well as preventing and localizing potential negative markers in FDI and their impact on security. The role of management and security officers (FDI SO) is emphasized.*

Modern negative global trends such as increased competition for natural resources, sustained tension in certain states and regions, acceleration of the arms race, manifestations of terrorism, organized crime, smuggling, drug and arms trafficking, illegal migration, human trafficking, the threat of escalation of frozen conflicts, and the emergence of new sources of international tension, including the undeclared aggressive hybrid war by the Russian Federation against Ukraine and the activation of its intelligence services, impose on Ukraine's special bodies the task of most effectively ensuring the national security of the state, including the security of Ukrainian foreign diplomatic institutions, their staff, and family members, as well as Ukrainian state secret holders sent abroad.

The comprehensive nature of addressing security issues in FDI, especially the potential impact of negative signs within diplomatic teams on their security, necessitates thorough scientific analysis. The results of such work will serve as a foundation for further improvement of state political and legal acts, departmental orders, instructions, and relevant practical recommendations for leadership and FDI SO for the proper fulfilment of their duties.

Keywords: *moral and psychological climate of FDI, state of security, safety of FDI personnel, security officers.*

Анотація. *Стаття присвячена розгляду проблем формування і контролю стійкої морально-психологічної атмосфери у колективах закордонних дипломатичних установах*

(ЗДУ) України, попередження й локалізації можливих негативних проявів у ЗДУ, їх впливу на стан забезпечення безпеки, ролі керівництва й офіцерів безпеки (ОБ ЗДУ).

Сучасні негативні тенденції світового розвитку як посилення боротьби за природні ресурси, збереження напруженості в окремих державах і регіонах, прискорення гонки озброєнь, прояви тероризму, організованої злочинності, контрабанди, розповсюдження наркотичних засобів і зброї, нелегальна міграція, торгівля людьми, збереження загрози ескалації заморожених конфліктів і поява нових джерел міжнародної напруженості, зокрема, неоголошене ведення щодо України агресивно-гібридної війни РФ та активізація розвідувальної підривної діяльності її спецслужб, покладають на спеціальні органи України завдання найефективніше забезпечувати національну безпеку держави, зокрема українських закордонних дипломатичних установ, їх співробітників і членів сімей, а також відряджених за кордон українських володільців державної таємниці.

Саме комплексний характер вирішення проблем забезпечення безпеки ЗДУ, передусім можливого впливу негативних проявів у дипломатичних колективах на стан їхньої безпеки, диктує необхідність їх глибокого наукового опрацювання. Результати такого роду роботи стануть підґрунтям для подальшого вдосконалення державних політико-правових актів, відомчих наказів, вказівок, інструкцій та відповідних практичних рекомендацій керівництву й ОБ ЗДУ для належного виконання ними своїх службових обов'язків.

***Ключові слова:** морально-психологічний клімат ЗДУ, стан безпеки, безпека персоналу ЗДУ, офіцери безпеки.*

Introduction. Modern negative global trends such as increased competition for natural resources, sustained tension in certain states and regions, acceleration of the arms race, manifestations of terrorism, organized crime, smuggling, drug and arms trafficking, illegal migration, human trafficking, the threat of escalation of frozen conflicts, and the emergence of new sources of international tension, including the undeclared aggressive hybrid war by the Russian Federation against Ukraine and the activation of its intelligence services, impose on Ukraine's special bodies the task of most effectively ensuring the national security of the state, including the security of Ukrainian foreign diplomatic institutions, their staff, and family members, as well as Ukrainian state secret holders sent abroad.

The comprehensive nature of addressing security issues in FDI, especially the potential impact of negative signs within diplomatic teams on their security, necessitates thorough scientific analysis. The results of such work will serve as a foundation for further improvement of state political and legal acts, departmental orders, instructions, and relevant practical recommendations for leadership and FDI SO for the proper fulfilment of their duties.

The purpose of this article is to study the problems of establishing and controlling the moral and psychological atmosphere in the foreign diplomatic institutions of Ukraine and preventing and localizing potential negative signs in FDI and their negative impact on security.

To achieve this goal, the following **tasks** were formulated and solved:

to analyse scientific approaches to defining the subject of research and its characteristics;

to summarize the causes of negative displays in FDI and their impact on security;

to analyse the organizational actions of FDI management and security officers and their role in ensuring comprehensive security.

Literature review. Recently, Ukrainian scientists have paid adequate attention to the issues of establishing and controlling a stable moral and psychological atmosphere in the institutions and departments of Ukraine. However, this issue has not received adequate attention from departmental researchers (Decision of the Collegium of the Foreign Intelligence Service of Ukraine, 2021). The theoretical basis for this scientific study of potential negative signs in the Ukraine's FDI and their impact on security includes legislative and regulatory acts, scientific works of domestic and foreign authors related to the analysis and assessments of the security situation in accreditation countries, including Ukrainian diplomatic missions abroad, and the role of FDI management and security officers in identifying, preventing, and localizing of negative displays.

Main results of the research.. The nature of the moral and psychological microclimate in diplomatic institutions abroad largely depends on the level of group development. There is a systemic positive relationship between the state of the climate in a developed team and the effectiveness of the public activities of its members and their cohesion. *Relevant management of the activities and climate of the collective requires special knowledge and skills, including those of the management of diplomatic missions and their security officers* (Decision of the Collegium of the Foreign Intelligence Service of Ukraine, 2021).

To address the problems of forming the moral and psychological climate in the FDI, it is important to consider the factors that influence it. By identifying such factors, we can regulate their markers and impacts (*National Security Strategy 2022*). These factors can be divided into *macroenvironmental and microenvironmental factors*.

The macroenvironment refers to the social space in which the institution operates. The microenvironment refers to the social space in which an individual operates.

What circumstances or conditions of daily life shape the worldview and mood of the personnel, and the moral and psychological climate in the team?

Several factors influence this. Notably, the organization of work, such as shifts, rhythm, degree of employee interchangeability, level of autonomy, etc., and sanitary and hygienic working conditions, such as temperature, humidity, lighting, noise, etc., play significant roles (Trukhin, 2005).

Another division of factors influencing the activity of an organization is the consideration of its *dependence on external and internal environments*.

The *internal environment* of the organization is determined by internal variables, i.e., situational factors within FDI. The main internal variables in the institution are goals, structure, tasks, technology, and people.

Regarding the *external environment*, scientific thought recognized the importance of considering its influence on the activities of institutions as early as the late 1950s. This became one of the most important contributions of the systems approach to management science, as it necessitates that the management of FDI view their organization composed of interrelated parts, which are also linked to the outside world. The external world is variable, impacting the institution, which depends on the external world for resources, energy, and personnel supplies.

Thus, it is necessary to identify existing factors around FDI that influence the institution and propose ways to respond to their external impacts (National Security Strategy 2022). Accounting for all such factors would be a waste of time. FDI management should prioritize those factors that decisively determine the overall success of organizational activities.

Ukrainian scientists divide *external environment factors* (Ishmuratov, 1996) into two groups:

direct action factors, which directly influence the institution's activities and depend on these activities (suppliers, materials, capital, labour resources, consumers, legislative acts, state bodies);

indirect action factors, which influence through certain mechanisms and relationships (technology, economic conditions, socio-cultural circumstances: attitudes, life values, traditions, political conditions, international environment, etc.). Indirect action factors objectively influence through direct action factors.

The social and psychological climate in the collective is a stable psychological mood inherent in each collective, significantly affecting people's relationships, their attitude to work, and the surrounding environment (Matsko, Pryshchak, & Pervushyna, 2016).

Therefore, *the social and psychological climate* is the result of people's joint activities and their interpersonal relationships. It is represented as group effects such as general mood and collective opinion, individual well-being within the frame of a team, etc. These effects are reflected in relationships related to the production process and the resolution of the team's general tasks (Ishmuratov, 1996).

The moral and psychological climate, as a state of group psyche and a set of attitudes of staff members towards the conditions and nature of joint activities, colleagues, and management, is a *qualitative aspect of interpersonal relationships* represented as a set of psychological conditions

that contribute to or hinder joint productive activities and the comprehensive development of individuals in the group (Trukhin, 2005).

According to the authors' generalizations, the problem of achieving cohesion in a diplomatic collective is complicated by the conditions of personnel staying abroad. These conditions are *characterized by crucial circumstances and factors* (Balitskyi, 2021):

separation from the Homeland and everything familiar, including various family concerns (school-aged children, elderly parents left at home, family traditions, etc.);

some employees of Ukrainian diplomatic missions seek communication with foreigners, often colleagues from partner diplomatic missions accredited in the host country, finding a kind of "consolation" after daily routine, sometimes sharing their problems, troubles, and possible difficulties, characterizing their colleagues in the process;

local population often significantly differs from our compatriots in faith, national traditions, and mentality. Therefore, Ukrainian diplomats, from the very beginning of their long-term missions abroad, find themselves in an entirely unfamiliar environment, prolonging their adaptation process to new conditions;

limited freedom of movement both within the country of accreditation and beyond;

employment issues for the wives and adult family members of FDI employees, especially those with higher education who worked in prestigious institutions and high positions in Ukraine;

increased negative environmental influence due to potential exacerbation of internal political situations in the host country or the activation of criminal elements or groups, especially international terrorist and organized crime structures;

presence of intrigants, gossipers, provocateurs, and others among FDI personnel or family members of employees.

Instances of criminal acts by our fellow citizens (theft of items and products in supermarkets, etc.) occur. Some FDI employees, sometimes on their own initiative, cooperate with local or other foreign intelligence services. Timely prevention and avoidance of negative manifestations undoubtedly contribute to strengthening the moral and psychological atmosphere and ensuring collective and personal safety of the personnel of Ukraine's diplomatic missions abroad (Balitskyi, 2021).

The most important signs of a stable social and psychological atmosphere in FDI are (Balitskyi, 2021):

objective:

high performance indicators;

low staff turnover;

high labour discipline;

lack of tension and conflict in the collective;

subjective:

trust and high demands among collective members, assertive and businesslike criticism;

free expression of opinions when discussing issues concerning the entire FDI collective;

lack of pressure from management on subordinates and recognition of their right to make significant decisions;

adequate awareness of staff members about tasks and current affairs;

satisfaction of each FDI member with their teamwork and environment;

high degree of emotional involvement and mutual assistance in situations causing frustration for any staff member;

taking responsibility for the staff situation by each member.

The character of the moral and psychological climate in the collectives of FDI depends on the level of group development. There is a systematic positive correlation between the state of the psychological climate of staff and the effectiveness of the social activities of its members, as well as their cohesion. *Optimal management of the activities and climate of the staff requires special knowledge and skills from the management and security officer of FDIs* (Decision of the Collegium of the Foreign Intelligence Service of Ukraine, 2021).

Special measures recommended by scientists for FDIs include:

scientifically grounded selection, training, and re-certification of the management;

formation of primary diplomatic collectives and subsequent rotation of personnel taking into account psychological compatibility;

application of socio-psychological methods that promote the development of effective mutual understanding and interaction skills among the members of the staff.

The moral and psychological climate in FDIs also depends on the management style. To improve and optimize it, the leadership of FDIs should rely on the most active, conscious, and authoritative members of the collective (Decision of the Collegium of the Foreign Intelligence Service of Ukraine, 2021).

As a vivid demonstration of the importance of the moral and psychological atmosphere in FDI, it is appropriate to cite an example that occurred over a long period in the Embassy of Ukraine in one of the European countries (Balitskyi, 2021).

Almost the entire staff of the specified diplomatic mission was divided into three groups due to objective reasons: the first group supported the Ambassador, the second supported the head of the trade and economic mission, and the third tried to gain personal benefits by playing on their contradictions, siding with one or the other depending on the situation. The reason for such a division was the attempt by the head of the trade and economic mission, after the next rotation of the Ambassador, to take up this position, but eventually, another person was appointed to it. This personnel move by the Ministry of Foreign Affairs of Ukraine was perceived by the head of the trade and economic mission as a personal insult. He began to do everything possible to prove the professional incompetence and incapability of the newly appointed ambassador.

The head of the trade and economic mission incited the Embassy staff against the newly appointed Ambassador. Then, taking advantage of the fact that he had been working in the host country for several years and was acquainted with many foreign diplomats by virtue of his position, he began spreading various rumors among the foreign diplomatic corps. Instead of reporting the situation to the Ministry of Foreign Affairs of Ukraine, the Ambassador decided to restore order in the diplomatic mission on his own. However, all his attempts to rectify the situation gradually turned into an exact copy of the actions of the head of the trade and economic mission.

The result of such competitive confrontation, according to the authors' research (Balitskyi, 2021), *was that the employees of the Embassy of Ukraine in this country could not properly perform their official duties, constantly receiving personal insistent requests from one side or the other. Foreign partners also began to use the internal embassy contradictions for their own benefit. At the same time, rumors about the incompetence and unprofessionalism not only of these officials but also of the diplomatic staff and the Ministry of Foreign Affairs of Ukraine, which failed to timely control the work of its foreign mission, spread among the entire foreign diplomatic corps.*

This situation was resolved only due to the planned rotation of the head of the trade and economic mission. The security officer of the diplomatic mission took the necessary measures to regulate the interpersonal relations of these diplomats, based on the primary need to preserve Ukraine's image. After unsuccessful attempts, the entire history of this conflict was reported to the leadership of the Ministry of Foreign Affairs of Ukraine, emphasizing the need to make an administrative decision to minimize the negative consequences in the work of this Ukrainian Embassy in a foreign country. However, timely warnings and recommendations from partners were ignored by the state's foreign policy management (Trukhin, 2005).

In another case, a young Ukrainian diplomat, while on a business trip in a foreign country without her family, entered an intimate relationship with an accredited diplomat of a foreign state who turned out to be an intelligence officer (Balitskyi, 2021)].

The wife of one of the Ukrainian diplomat "D", while being in the country of accreditation, committed theft in a supermarket. The law enforcement agencies of the host country initiated a criminal case against her. Despite having a diplomatic passport, the local police insistently demanded that she appear for interrogation. Only due to the decisive actions of the security officer was it possible to urgently send the diplomat's wife back to Ukraine (Balitskyi, 2021).

As we can see, there are many factors negatively affecting diplomatic teams, and there are no ready-made recipes for their correction. It is quite evident that timely organizational and managerial, preventive measures can minimize possible negative signs in diplomatic institutions and significantly improve the moral and psychological atmosphere and microclimate in the Ukraine's FDI abroad (Trukhin, 2005)

In matters of adultery (violation of marital fidelity), if intimate relations with foreign citizens are established or if a serious scandal arises within the institution that threatens the overall FDI, the decision to terminate the secondment of such persons should be unequivocal. At the same time, there are cases when two people (a man and a woman) enter a fictitious marriage solely to go abroad, and then, after returning to their homeland, may get divorced. Sometimes, even while in a marriage, the couple no longer lives a real-family life, but they go abroad together to improve their financial situation, living separately (Djelali 2016).

The normalcy of the moral and psychological climate in a diplomatic institution directly depends on the work of the human relations department of the Ministry of Foreign Affairs of Ukraine at the stage of selecting and preparing employees for long-term foreign assignments. Based on the materials of personal files of candidates and the recommendations of the heads of relevant departments, the business and personal qualities of candidates for such tasks are determined. Family relationships, the ability of the candidate and family members to stay on long-term trips abroad, particularly in terms of health, are clarified. The readiness of the spouse (husband or wife) to work in the diplomatic institution in auxiliary non-diplomatic positions (cleaner, janitor, gardener, cook, duty commandant), actively participate in the life of the diplomatic collective, and provide necessary assistance if needed (preparing official receptions in the diplomatic institution, official celebrations, etc.) is also considered. It is necessary to foresee even the possibility of supporting family members by the diplomat, their employment abroad, continuing the education of children, and so on.

The main role in the process of establishing the moral and psychological climate in the FDI is generally played by the head of the diplomatic mission. Since ensuring the security of foreign institutions is one of the most important areas of activity not only of the Ministry of Foreign Affairs but also of Ukraine's intelligence agencies, security officers and other employees are obligated to assist the ambassador in maintaining a healthy moral and psychological microclimate in the diplomatic institution. All negative processes and phenomena occurring within the collective of fellow citizens abroad pose a real threat not only to the security of diplomatic institutions but also to the activities of foreign intelligence and, overall, to the foreign policy and national interests of our state (Balitskyi, 2021).

Therefore, preventive and prophylactic work in this direction should include measures to counter the efforts of foreign special services, international terrorism, and transnational organized criminal structures by monitoring processes occurring within the collectives of fellow citizens, identifying individual negative signs and their potential serious consequences to ensure the security and normal functioning of the FDI, conducting necessary operational and investigative measures of opposition, as well as continuous individual work, in which an important place is given to uniting the collective, creating a favourable microclimate of relationships, and a healthy moral and psychological atmosphere (Balitskyi, 2021).

The planning and implementation of a range of security measures in the countries of accreditation, the security of their employees and family members, and some other categories of Ukrainian citizens seconded abroad significantly impact the stable functioning of Ukraine's diplomatic institutions abroad. Effective functioning of each Ukrainian diplomatic institution abroad is possible only by forming a friendly atmosphere and establishing business interpersonal relationships among all members of the collective.

For achieving this task, the FDI urgently needs the timely creation and continuous maintenance and strengthening of a favourable moral and psychological microclimate (a system of relevant political, educational, and preventive work), as the specificity of FDI employees' work is their professional activity in a foreign environment, where the usual circle of communication is

significantly narrowed. Practically, employees of diplomatic institutions, considering their specific status, are forced to communicate primarily with their colleagues even after working hours, and hierarchical relationships remain between them even in informal environment after work. Therefore, official relationships often blend with personal ones, and the specific work rhythm and the need to adapt to new living conditions create certain preconditions for forming an unfavourable moral and psychological atmosphere (microclimate) in the diplomatic collectives of Ukraine's FDI.

Thus, it is essential to ensure that no factional groups or any kind of party activities, which inevitably turn into a struggle among representatives of different political forces, are created within diplomatic staff. During a long-term foreign assignment, all mission employees are required to suspend their membership in any party. This is customary worldwide. Serving only one "party" – the state – is considered legitimate. After returning to the homeland, every diplomat, official, or employee can return to the desired party activity (Balitskyi, 2021).

At the same time, according to the authors, it is quite evident that timely implementation of relevant organizational and managerial, political, educational, and preventive measures can minimize negative manifestations in the FDI and significantly improve the moral and psychological atmosphere and microclimate in the diplomatic collectives of Ukraine abroad, particularly concerning the fundamental strengthening of their comprehensive security.

Unfortunately, there are many factors negatively affecting the staff of the FDI and their security, as well as problematic issues regarding the establishing and maintenance of a stable moral and psychological atmosphere in the Ukraine's diplomatic institutions abroad in modern conditions (Balitskyi, 2021), and there are no ready-made recipes for timely resolution. Therefore, these issues require further scientific research.

Conclusions. The management of the FDI needs to constantly monitor signs of potential negative processes within the FDI, such as gossip or intrigue. As these phenomena develop, they begin to undermine the integrity and unity of the staff. It is advisable for the security officer to initiate preventive measures concerning such individuals and inform the entire team, clearly and convincingly arguing the grounds for even a possible early termination of their foreign assignment.

As is known, nothing unites a team more than children. Therefore, it is important to frequently organize children's events, competitive activities, and festive evenings in the FDI, inviting all fellow citizens, including the management and diplomatic staff of the institution, and to aid in arranging children in kindergartens, educational institutions, and clubs.

Special attention should be paid to the families of diplomats, especially wives, who, in most cases, do not work in the host country and are solely engaged in household management. Such women can unbalance or even dismantle a cohesive collective. This issue can be partially or entirely resolved if they are employed, even in auxiliary positions.

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THE ISLAMIC FACTOR IN INTERNATIONAL RELATIONS IN THE MIDDLE EAST

ІСЛАМСЬКИЙ ФАКТОР В МІЖНАРОДНИХ ВІДНОСИНАХ НА БЛИЗЬКОМУ СХОДІ

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Abstract. *The article analyzes the growing influence of the religious factor as a historical phenomenon of the return of religion to the theory and practice of international relations. The main characteristics of the temporal and spatial dynamics of the influence of the religious factor on international relations both within the framework of universal laws and the specifics of Islam are determined, and the consequences of this influence are clarified. Both general trends (transnationalization, deterritorialization, decentralization of religions) and specific features of the influence of the Islamic factor are identified and characterized. In the context of the changing nature of international actors, it is determined that at the present stage, religious systems are emerging on the world stage in the form of a system of transnational relations between states, religious enclaves within the borders of other states, individual groups and transnational religious movements that are established across national borders, forming an additional transnational system of interactions.*

Key words: *religious discourse, Islamic factor, international relations, world politics, Middle East region, Islamism, Sunniism, Shiism.*

Анотація. *У статті аргументовано посилення впливу релігійного чинника як історичного явища повернення релігії в теорію та практику міжнародних відносин. Узагальнено основні характеристики часової та просторової динаміки впливу релігійного чинника на міжнародні відносини як у рамках універсальних закономірностей, так і специфіки ісламу, з'ясовано наслідки цього впливу. Виявлено та охарактеризовано як загальні тенденції цього явища - транснаціоналізація, детериторіалізація, децентралізація релігій, так і специфічні риси впливу ісламського чинника. У контексті зміни характеру міжнародних акторів визначено, що на сучасному етапі на світовій арені виникають*

релігійні системи у вигляді системи транснаціональних зв'язків між державами, релігійними анклавом в межах кордонів інших держав, окремими особами, групи та транснаціональні релігійні рухи, які створюються через національні кордони, утворюючи додаткову транснаціональну систему взаємодій.

Ключові слова: *релігійний дискурс, ісламський фактор, міжнародні відносини, міжнародна політика, ближньосхідний регіон, ісламізм, суніїзм, шиїзм.*

Introduction. The relevance of the study is caused by the growing role of the religious, primarily Islamic factor in international relations and significant changes in the system of scientific views on the role of religious discourse in international political studies. An important megatrend of the last quarter of the twentieth and early twenty-first century is desecularization, the increasing role of religious consciousness and the intensification of religious movements, and the growing influence of the religious factor on world politics (Arjomand, 2004). Within this megatrend, there are some trends that deserve special attention, including the growing role of the Islamic factor in global and regional international relations.

It should be noted that the religious factor in international relations is understood as the influence of a set of religious values that are in close and constant interaction with the specific historical, political, economic, socio-cultural practices of peoples. That is why the religious factor has always been characteristic of any era, state, and international system, the difference being manifested only to the extent to which it influenced social and political life. It is impossible to study the Islamic factor without taking into account its growing influence on the nature and character of modern international relations (Ansari, 2019).

The purpose of the article is to define and analyze the theoretical and practical aspects of the influence of the Islamic factor on the nature and character of modern international relations. In this context, the author identifies the main characteristics of the temporal and spatial dynamics of the religious factor's influence on international relations both within the framework of universal laws and the specifics of Islam, the main directions and trends of the Islamic factor's influence on modern international relations, and the consequences of this influence for the global international political situation.

Literature review. Since desecularization as the return of religion to the theory and practice of international relations is an important characteristic of the current stage of global development, a special layer of literature is being formed in which this process is considered as an important global megatrend. These problems are analyzed by philosophers and sociologists, including P. Berger, D. Grace, T. Lukman, D. Martin, C. Taylor, J. Habermas, and others. The works of H.A. Agram, P. Gorski, K. Lechman, M. Albright, S. Scott, J. Snyder, R. Stark, P. Ferrara, S. Hunter, E. Hurd, S. Huntington and others study the role of the religious factor in international relations, in particular in the context of changing the nature of international actors. Particularly noteworthy is the approach to the consideration of Islam as a transnational or supranational actor in world politics in the works of H. Casanova, S. H. Rudolph and others.

Since the growing role of the religious factor in international relations is most often associated with the phenomenon of the "Islamic revival," a wide range of studies is devoted to this issue. Their main directions are determining the impact of the Islamic factor on international security (D. Esposito, G. Fuller, I. Lesser, F. Halliday), studying the activities of individual religious movements under Islamic slogans (D. Donahue, O. Roy, etc.) and analyzing this phenomenon as a global problem of our time (D. Johnson, S. Sampson, etc.). From a methodological point of view, such an analytical separation is acceptable and makes it possible to identify the essential features and characteristics of this phenomenon. However, this approach somewhat simplifies the analysis of the impact of the trend of desecularization on international relations, not focusing on inter-Islamic interactions and interactions between Islam and other faiths. Almost beyond the attention of researchers is the definition of the functions of religious discourse in world politics within the framework of an interdisciplinary synthesis of international political science and religious studies.

A separate group of informational sources consists of studies of international relations in the Middle East and the area of spread of Islam. It is worth noting the studies of Adib A., Amar Sohal, Andrzej A. Piwko A. Sawicka Z., Arjoman SA, Glenn E. Robinson, Mattila R., Illman R., Hamid Ansari, Samiei M. and Samih Salah.

Main results of the research. To achieve this goal and objectives, international processes are viewed through the prism of a systematic approach. The constructivist approach within the framework of the study made it possible to determine the influence of the Islamic factor on the formation of the global social context. The civilizational approach provided an opportunity to find out the influence of traditional values on the peculiarities of foreign policy of countries. With the help of comparative and critical analysis, the prospects for the influence of the Islamic factor on international relations were determined. The comprehensive use of a wide range of methodological approaches ensured a holistic perception of the object of study in the entire system of its interconnections and interdependencies and the corresponding analysis.

From the point of view of the systemic approach, the authors consider religion as a complex systemic phenomenon, characterized by structural and hierarchical interconnected elements. This system consists of separate subsystems - specific religions, religious movements, trends, sects, each of which has its own place in the structure, is characterized by its integrity, from which, depending on factors of both internal and external nature, in particular the international political situation, certain components are distinguished.

As the study of religious heritage in international relations shows, religious actors have always been active in the international arena to varying degrees. Gradually, specific complexes of social interactions, such as "state and religion" and "state and civilization," emerged in pre-Westphalian international systems and later gained a strong development, which began to have an increasingly significant impact on international relations (Sohal, 2023).

At the final stage of the development of interconnected international systems (5th - 4th centuries BC - mid-5th century AD), the so-called "Age of Giants", international relations were dominated by large imperial-type state formations, and each of the empires united and structured its own international system. Imperial power found support in monotheism, resulting in the emergence of four cultural worlds - the West, the Islamic world, India and the Far East.

In Europe, the end of the Thirty Years' War marked the beginning of a new Westphalian system of international relations, a system of states respecting each other's sovereignty and generally equal to each other, with its inherent features of tolerance to the internal organization of its systemic elements. An undoubted advantage of the Westphalian model was that it was not built on value-based guidelines, including religion, as this was always the most difficult issue to reach compromises on. This made it possible for this model to be adopted as a global model in the future (Samiei, 2010).

Since the nineteenth and early twentieth centuries, Europe has seen a trend toward a declining role for the religious factor in international relations. Religion was replaced by nationalism as an all-encompassing worldview, turning into a special "religion" that, although it did not imply belief in the supernatural, attached sacred significance to the nation-state and its symbols (Mattila, & Illman, 2018).

After the end of the Cold War, the collapse of the USSR and the destruction of the Yalta-Potsdam system, the classical political structure of the world, which was formed after the signing of the Peace of Westphalia in 1648 and was based on the institution of the state as the main structural unit, is changing. This is due to the emergence of new transnational actors on the political scene (Nye, 2002). Religion is beginning to act as an independent and powerful political force in society, and as a new, transnational actor in international relations.

With the collapse of the Yalta-Potsdam system, an active change in the architecture of international relations began, as well as significant changes in the global geopolitical situation, which are now entering their decisive phase. The evolution of the global international system after the end of the bipolar confrontation has released the system-forming potential of the regional level of international relations, which is strengthening as an independent, self-sufficient in all processes

related to global segmentation and development of regional interaction, which allows us to state the tendency to restore, in contrast to the vertical horizontal structure of the organization of international political space, when the system characteristics of regional subsystems influence the system of global The Westphalian world political model, the modern international system and international order, political systems of individual countries and regions of the world.

In the context of the crisis of the Westphalian world-political model, the importance of the religious, especially Islamic, factor in international relations is growing. Globalization, with its unevenness and ambiguous consequences, has led to the growth of non-state consciousness, and has made the problem of values, norms, ideas, ideals, and identities - that is, the very problems that are central to religion - extremely relevant. The study of the role of the religious factor in contemporary international relations allows us to identify and characterize both general trends and specific features of the growing influence of the Islamic factor. The general trends include transnationalization (J. Casanova, S. H. Rudolph), deterritorialization (J. Casanova, O. Roy) and decentralization of religions (Casanova, 1997).

The decentralization of religions leads to the formation of transnational religious communities, the emergence of new religious movements with qualitatively new globally organized subcultures that do not associate themselves with belonging to a specific territory, as their main goal is to realize a certain goal on a global scale (the Islamic dual model of world order) (Abid, 2018). The consequence of deterritorialization is a change in the intra-religious landscape and geopolitics of world religions, an increase in the number of adherents of certain religions in both the East and the West. In particular, there is a deterritorialization of Islam, which is currently the most dynamic of all world religions, and an increase in the number of its adherents in the Global South and the Political West, in Europe and the United States. Deterritorialization is closely related to transnationalization, which is characterized by the growing role of transnational actors capable of acting by mobilizing religious identity and using the religious factor to realize their own interests (Piwko, & Sawichka, 2021).

The consequence of desecularization is a revision of the role of the Islamic factor in international relations. In the twenty-first century, the Islamic factor is firmly entrenched in political discourse, appearing on the world stage in the form of a system of transnational relations between states, transnational religious movements, individual political movements, and ethno-religious conflicts. Islam is becoming a political phenomenon, being included in the circle of politically significant factors, being perceived in the mass consciousness as a religious ideology or "political religion," i.e., as a special form of religion that justifies mass political action (Hall, & Paul, 1999). This trend is intensified by the development of global mass communication.

Since the beginning of the twenty-first century, religion has been firmly entrenched in the political discourse of states, including global ones. In particular, in 2013, the Office of Religion and Global Affairs was established at the U.S. Department of State. In his article "Religion and Diplomacy," Secretary of State John Kerry explained that Washington needed to take into account religious dynamics and engage religious actors (Kerry, 2015).

It should be recalled that professional orientalists have traditionally viewed Islam as an organizing factor in the history of the East, the core and motivating force of Islamic civilization (Said, 2007). Speaking of the "clash of civilizations," S. Huntington meant religions, among which he names Islam as the core and motivating force of Islamic civilization.

Researchers were faced with the need to make adjustments to both their Islamic concepts and recommendations for official bodies involved in the direct implementation of foreign policy. This necessitated a scientific analysis of the causes, essence, social basis, political orientation and prospects of the "Islamic revival", which initially meant the growth of political activity under the slogans of Islam by both governments of Muslim countries and international Muslim organizations, as well as opposition groups within countries, and later to attempts to define the Islamic world as a single collective transnational subject of international relations. In particular, H. Kissinger draws attention to the fact that Ayatollah Khomeini stated that the map of the Middle East of the twentieth century was a false and un-Islamic creation of "imperialists" and "tyrannical self-serving rulers"

who separated different segments of the Islamic Ummah from each other and artificially created separate nations, so all political institutions existing there are illegitimate (Kissinger, 2017).

In this context, it should be recalled that the ideas of a religious and political union of Muslim peoples were formulated in the 70s of the nineteenth century in Pan-Islamism, a religious and political ideology and movement for the unification of all peoples professing Islam, the spread of which was a reaction to the political and economic expansion of European states in the Muslim world. It is based on the thesis of the governing role of Islam in the spiritual and secular life of society, unity and solidarity of all members of the Muslim community regardless of state, race, nationality or social affiliation, and the need to unite all Muslims within a single state. Pan-Islamism became the official doctrine of the Ottoman Empire, which sought to maintain its hegemony in the Muslim world with its help. Turkish expansion in the Arab territories under the slogans of pan-Islamism led to a decline in its popularity and the spread of pan-Arabism there. The history of the twentieth century is the history of the struggle between two ideologies - pan-Islamism with the idea of the global Islamic Ummah as a transnational community of lay people and pan-Arabism. We are currently witnessing the replacement of the pan-Arabism ideology with the Islamist paradigm. The slogans of pan-Islamism are again being used in the foreign policy of modern Turkey, which is especially noticeable after the escalation of the situation in the Middle East in October 2023 and Israel's war against Hamas in the Gaza Strip (Salah, 2024).

The alternative Western Islamic concept of world order - the dualistic concept of Dar al-Islam (the territory of Islam) and Dar al-Harb (the territory of war) and jihad as a strategy to achieve this universal system - denies the Westphalian state-centered order. This concept is the official state doctrine of the Islamic Republic of Iran, the ideology of terrorist organizations, and the slogan of armed minorities in many states of the Middle East region and beyond.

Since the problem of Islam's "subjectivity" in the modern system of international relations remains controversial, the existing approaches to it are summarized as follows. The first approach considers the Islamic world as a single collective entity, which implies the presence of one or more counter-actors, in particular the West (the antithesis of the West-Islamic world (Robinson, 2020)). The second approach distinguishes individual states and transnational structures as independent actors. The third approach considers Islam as a transnational political actor and is based on the ideas of Islam's extraterritoriality and the concept of the formation of a "transnational Islamic Ummah" (O. Roy) - a Muslim community in which there are no territorial, interethnic or interstate barriers.

Conclusions. Desecularization as a historical phenomenon of the return of religion to the theory and practice of international relations has a significant impact on contemporary world politics, qualitatively changing the concept of religion and non-state actors in international political studies. The impact of desecularization on the nature and character of international relations occurs at the global, regional, interstate, national and transnational levels. Religion becomes an instrument of political mobilization, a factor of political identification and political catalysis.

The influence of the religious factor on international relations in the context of their systemic evolution is permanent, but at certain historical stages it manifests itself with different strengths, demonstrating the systemic logic of alternating periods of growth or decline.

Noting the existence of common patterns in the dynamics of the role of the religious factor, we note that individual confessions have influenced international relations in different ways and with different intensity. As for Islam, it acts as an organizing factor in the history of the East, the core and motivating force of Islamic civilization, has an increased ability to mobilize large masses of people, and is currently the most dynamic of all world religions, which gives grounds for forecasts that by the middle of the twenty-first century it will become the first largest world religion, ahead of Christianity. The global role of Islam is supported, in particular, by its deterritorialization. Despite the large number of states, the Islamic world can act as a global geopolitical actor.

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INTERNATIONAL SECURITY ORGANIZATIONS IN THE FACE OF TRANSFORMATION OF THE INTERNATIONAL SECURITY SYSTEM

МІЖНАРОДНІ БЕЗПЕКОВІ ОРГАНІЗАЦІЇ В УМОВАХ ТРАНСФОРМАЦІЇ СИСТЕМИ МІЖНАРОДНОЇ БЕЗПЕКИ

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Abstract. *This paper examines the activities of international security organisations such as NATO and the OSCE, as well as the cooperation within the EU and NATO to ensure security in Europe. Also, the authors analyse the Strategic Concepts of NATO's 2010 and 2022, and reviews changes in the main objectives of security institutions that have been reflected since Russia's large-scale invasion in Ukraine.*

The review of the activities of international security organizations demonstrates that the issue of their adaptation to current challenges and threats is crucial for the further preserving of the democratic order in the world.

Simultaneously, the article emphasizes that due to the increasing number of military threats, there is a need to develop effective mechanisms for reforming security organizations to further preserve the international security system in general.

Keywords: *international security organisations, international security, transformation, threats, defence, Russian invasion.*

Анотація. *У даному дослідженні розкрито діяльність міжнародних безпекових організацій таких як НАТО, ОБСЄ, співпраця в рамках ЄС-НАТО із забезпечення безпеки в Європі, в умовах широкомасштабного військового вторгнення росії на територію України.*

У статті здійснено порівняння ключових завдань Стратегічних концепцій НАТО 2010 та 2022 років. Крім цього, проаналізовано пріоритети міжнародних інституцій у реалізації своїх безпекових обов'язків до та після початку російсько-української війни.

Аналіз діяльності міжнародних безпекових організацій доводить, що питання їх адаптації до сучасних викликів та загроз має важливе значення для подальшого збереження домінування демократичного устрою у світі.

Водночас, зростаюча кількість загроз воєнного характеру зумовлює необхідність розробки дієвих механізмів у реформуванні безпекових організацій з метою посилення системи міжнародної безпеки в цілому.

***Ключові слова:** міжнародні організації з безпеки, міжнародна безпека, трансформація, загрози, захист, російське вторгнення.*

Introduction. Nowadays, the world is facing a crisis of international institutions created and shaped during the Cold War. The Russian war in Ukraine has triggered radical changes in the system of international relations and the international security environment.

The role of international organizations is weakened, and their control over world processes creates conditions for the emergence and spread of new global threats, such as mass migration, the generation of local conflicts, international terrorism, and uncontrolled arms circulation. The world community has yet to find an effective response to the challenges that violate the basic principles of international and European security.

Hence, with the beginning of Russia's large-scale invasion of the territory of Ukraine, the crisis of the international system has reached a qualitatively new level. It has undermined the stability of European and global security systems and has revealed the vulnerability of the existing system of international relations.

The purpose of this article is to explore the activities of key international security organizations, such as NATO, the EU, OSCE in the context of the Russian-Ukrainian war as a transformational force for the international security system.

Literature review. Nowadays, research in the field of international security is very relevant and widespread, as there is a need to address several pressing issues. In Ukraine, this issue is analyzed to a certain extent within the framework of international and European security by I. Khraban, O. Senchenko, H. Perepelytsia,

V. Holovko, and V. Horbulin. An exciting assumption is made by O. Kuchyk, according to which international institutions of multilateral cooperation do not comply with the existing international order. The prospect of reforming/adapting international organizations is possible only through bringing the existing international institutions to modern international relations' structure, content and quality (*Kuchyk, O., 2022*).

Ms. Pogorska, in the article, analyzes the conceptual approaches to international security. It is argued that global processes and the scale of security threats give sense to global security discussions. Since alliances are the main actors in the international security system, these are closely related to state or national security (*Pogorska, I., 2012*).

However, the current range of challenges in the international security system is extensive. The prominent role is occupied by Russia's aggression and violation of all possible norms of international law. Therefore, this article is based on the assessment of the activities of major international security organizations in opposing the aggressor — to explore the actions of organizations that form the security architecture at both the regional and global levels.

The research results. Nowadays, the Eurasian continent is the largest theatre of geopolitical struggle for dominance at the regional level. Due to various circumstances, the interests of global centres of influence clash simultaneously, such as the EU, China, Russia, and the United States of America.

Pursuing somewhat different policy goals, these international actors focus their attention on the security sphere, which has become extremely sensitive to various claims to regional and global leadership. In particular, Russia, which aims to realize imperial ambitions by conquering territory and reorganizing the world order, reduces the sphere of influence of the West. The presence of the Russian factor is a common feature of several armed conflicts in the states of the former Soviet Union. Usually, it involves direct military involvement and presence.

Therefore, the crisis of international institutions has become global with the beginning of Russia's large-scale invasion of the territory of Ukraine. This, in turn, actualizes the need to analyze

the effectiveness of NATO, the OSCE, the UN, and the European Union. These organizations form the European security system in the context of the Russian-Ukrainian war.

To begin with, the purpose of the mentioned international organizations is to maintain international peace and security among states, despite the fact that most armed conflicts are not international in nature but internal, eventually growing from a local to a regional scale. Russia's armed conflict against Ukraine is of particular importance. Military aggression and occupation of a part of our country's sovereign territory have revealed the weakness of international organizations in responding to the aggressor.

Of course, it is indisputable that Ukraine has received extensive political, military, technical and international humanitarian assistance. In addition, the UN and the OSCE have adopted several international legal documents condemning Russia's actions. However, these international institutions still need enforcement instruments, which creates the need to find ways to adapt international institutions to modern conditions. After all, it is not easy to imagine a member state of an international organization that is still in the governing bodies of this structure and violates the principles of the organization's activities.

NATO's changing priorities in the context of the Russian-Ukrainian war

In the European security system, it is customary to believe that their security is guaranteed by the structures of the North Atlantic Alliance and that European member states are reliably protected by Art. 5 of the NATO Charter. However, with the end of the Cold War, NATO members gradually began to exclude armed threats as a priority from their strategic documents. Russia's war against Ukraine, which in its hybrid manifestation began even before 2014, makes it relevant to compare the Strategic Concepts of NATO's 2010 and 2022 to reveal the critical areas of the organization's activities in these periods.

The fundamental and permanent objective of the Strategic Concept 2010 was to ensure the freedom and security of all its members through political and military means. To achieve these goals, three main tasks, collective security, crisis management, and cooperative security, were formulated (*Strategic Concept, 2010*).

The security approach was defined based on the territory defense of the member states against attack by deterrence by all possible measures (conventional and nuclear weapons). In addition, the need to be prepared for potential threats was also noted. However, it was not strictly defined in the Strategic Concept 2010. "New or relatively new types of threats include international terrorism, extremism, weapons of mass destruction, access of terrorist groups to nuclear, chemical, and biological weapons, and cyber-attacks, the targets of which are modern communication systems. Besides, sabotage activities that disrupt strategic power supply facilities; maritime piracy; the threat of a missile strike; environmental problems and climate change" (*Martyniuk, O., 2020*).

At the same time, the Strategic Concept 2010 highlighted the following four main tasks:

- the Alliance must maintain its ability to deter and defend against any threat or aggression regardless of the place of origin;
- NATO have to contribute to the security of the entire Euro-Atlantic region as a defender of its interests and as a contributor to peacebuilding in all parts of the region, in close cooperation with other international organizations and partners;
- NATO must serve as a transatlantic platform for security consultations and crisis management;
- The Alliance should expand the scale of partnerships by increasing the number of member countries (*Strategic Concept, 2010*).

Regarding the cooperation between NATO and Russia, the Alliance aimed to promote stability and security to develop a common space of peace, even though Russia had already announced its proposals for an alternative security order in Europe, which aimed to limit NATO's activities. As for the Alliance, they continued to deep bilateral cooperation, the aim of which was to avoid any mutual confrontations to build partnership relations based on the "Fundamental Act on Mutual Relations, Cooperation and Security between the Russian Federation and the North Atlantic Treaty Organization" and the "Rome Declaration".

In addition, the Strategic Concept 2010 did not revise Ukraine-NATO relations. It was about “to continue and develop the partnership with Ukraine and Georgia within the framework of the Ukraine-NATO and Georgia-NATO Commissions, based on the NATO decision adopted at the Bucharest Summit in 2008 and to take to attention Euro-Atlantic orientation or aspirations of each country” (*Strategic Concept, 2022*).

The Strategic Concept 2022 defines that the threats facing the Alliance “are global in nature and are interconnected” (*Strategic Concept, 2022*). According to this Concept, Russia has been identified as a significant and direct threat, aiming to establish spheres of influence and direct control through coercion, sabotage, aggression and annexation. Furthermore, the following threats from Russia are also taken into account: undermining the world order based on the rules of international law; pressure with threats of using nuclear weapons; destabilizing the situation in the Alliance's neighbouring states to the east and south; using the Far North as a no-go/no-access zone (*Strategic Concept, 2022*).

In addition, the Alliance has finally recognized that Russian aggression is not limited to Ukraine. It is directed against democratic, open societies, their way of life and the idea of free existence. Considerable attention is paid to the issue of cyber security, as “the number of devices in the world connected to the global network has increased from approximately 7 billion to 50 billion” (*Izhak, O., 2022*).

Considering that Russia uses the entire range of hybrid warfare tools, which complicates the process of determining the criteria for attacking Western countries, Article 5 of the Washington Treaty is supplemented by the fact that threats in cyberspace may, at a certain level, be criteria for activating this article. This means that the Alliance does not limit itself to response tools in the event of a non-direct military attack on member states.

At the same time, it is noticeable that China is defined as a strategic competitor in the Strategic Concept 2022. Moreover, in the US Strategy of the Foreign Policy 2022, China recognizes as “the only state that has the potential to change the international order, and Russia, which is a direct threat to the free and open international system” (*Orlyk, V., Hrytsenko, A., 2022*).

According to Article 4 of the Strategic Concept 2010, “NATO will continue to fulfil its three fundamental tasks”, but they have changed the new concept. “Deterrence and Defense” (Deterrence and Defense), as opposed to collective defense, is defined “as a priority task in the Strategic Concept 2010”. That is, the critical approach of the NATO concept has changed from “deterrence through retaliation” to “deterrence through avoidance” (*Strategic Concept, 2010*).

According to the NATO definition, “Deterrence is convincing a potential aggressor that the consequences of coercion or armed conflict will outweigh the potential benefits. It requires the maintenance of credible military capabilities and a strategy with a clear political will to act” (*NATO Glossary, 2021*).

The focus on deterrence and defense is reflected in the strengthening of European capabilities (*NATO Glossary, 2021*) through the growth of joint military expenditures, the number of combat-ready forces, the organization of joint military exercises, and the strengthening of NATO's eastern flank. This is all about increasing military contingents and developing a new defense strategy.

The Baltic countries play a unique role in strengthening the eastern borders of the Alliance. Russia's large-scale invasion of Ukraine has forced NATO to reassess the security risks to Latvia, Lithuania and Estonia. The critical aspects of ensuring the security of the Eastern flank are the following decisions: the increase to the size of brigades of NATO battalion tactical groups located in the territory of Latvia and Lithuania, which are part of the multinational corps “Northern East”, the headquarters of which is located in Poland. In addition, there are four additional multinational battle groups in Bulgaria, Hungary, Romania and Slovakia.

In addition, it is planned to conduct multinational exercises to practice joint actions of the units of the armed forces of the member countries of the Alliance. For example, “Steadfast Defender-2024” is a multinational exercise that ended on May 30, 2024. More than 90,000 military personnel from 32 NATO countries participated in the exercise: 50 ships, more than 80 aircraft, and

more than 1,100 combat vehicles. The exercise was designed to test the readiness of all member countries of the defense alliance to respond to military threats from the strategic to the tactical level.

Considering the above, it can be concluded that NATO's desire to increase its military presence is objective. This is a confirmation of the readiness of the Alliance to respond to a direct threat to the security of the member states of the Alliance and peace and stability in the Euro-Atlantic area. While NATO's Strategic Concept 2022 clearly emphasizes that the Alliance will implement “all elements of strategic risk reduction, including measures to build trust and predictability through dialogue, increased understanding, and effective crisis prevention and management mechanisms” (*Strategic Concept, 2022*), thus combining the three main tasks with one common goal.

Attention must be paid to the activities of an organization like the OSCE before proceeding to the issue of the European system of defense against military threats and cooperation within the NATO-EU framework. This will help us understand the future conclusions.

OSCE activities in the framework of the Russian-Ukrainian war

According to the official website, the Organization for Security and Cooperation in Europe (from now on — OSCE) serves as a forum for political dialogue on various security issues and joint activities to improve people's and societies' lives. OSCE is based on the principles recorded in the Helsinki Final Act of 1975 and the trust that all participating countries will fulfil them and resolve disputed issues through dialogue.

The OSCE helps to reduce tensions between conflicting parties by building trust and cooperation between and within states. Where situations are complex, the OSCE is involved in crisis management and post-conflict rehabilitation. Such situations are resolved by monitoring and controlling the observance of fundamental rights and freedoms, established agreements, signed disarmament documents, etc. To understand the issues related to this organization's activities, it is proposed to consider the OSCE's Special Monitoring Mission (from now on — SMM) activities in Ukraine.

Established before the outbreak of armed hostilities in mid-April 2014, the OSCE SMM in Ukraine is the only group of international observers permanently deployed in the conflict zone in eastern Ukraine. It has exclusive but limited access to areas controlled by the Ukrainian government and separatists (*Pysarenko et al., 2021*). According to the Mission's original mandate, which remained in force until early 2021, the SMM's goal is to “Contribute to... reducing tensions and ensuring peace, stability and security, and to monitor and support the implementation of all OSCE principles and commitments” (*OSCE Deployment, 2017*).

The main objectives defined on March 21, 2014, were to monitor and analyze the situation in the designated areas, report on incidents identified with possible violations of obligations, establish contacts with the local population, authorities, etc. Also, “to coordinate its actions with the OSCE executive structures, including the High Commissioner on National Minorities, the OSCE Office for Democratic Institutions and Human Rights and the OSCE Representative on the Media. To support them in their work in full respect of their mandates, and to cooperate with the United Nations, the Council of Europe and other actors of the international community”. (*OSCE Deployment, 2017*).

First of all, this mission differs from any other format of OSCE missions because the SMM in Ukraine monitored not a frozen conflict but a high-intensity conflict with a transition to a low-intensity one, with daily shelling, destruction and violations of agreements by the Russian side. Another feature of the SMM's activities was that its staff included representatives of the Russian Federation. On the one hand, this allowed the mission to be present in the occupied territories of eastern Ukraine, as they did not pose a threat in the eyes of the pro-Russian “separatists”.

On the other hand, with a mandate and no military component, the organization was vulnerable and dependent on the external influence of one of the parties to the conflict. This raised the question of why such a large-scale and influential security organization, knowing the parties to the conflict and understanding the depth of the problem, allows Russia, as a direct participant in the armed conflict, to join the mission.

At the same time, the consensus nature of decision-making in the OSCE did not allow for timely and necessary decisions to resolve the conflict. Hence, the SMM was not present in the Crimean Peninsula, which Russia annexed.

According to the OSCE, the main tasks of the SMM were to “impartially and objectively observe and report on the situation in Ukraine and to facilitate dialogue between all parties to the conflict” (*Pysarenko et al., 2021*). The question arises as to the extent to which the SMM's activities in Ukraine from 2014 to 2022 were objective and impartial.

All of the above suggests only means that the OSCE SMM has been compromised, and the Russian citizens involved in the mission are suspected of espionage and are connected to Russian special services.

In view of the increased attention and to ensure a more broadly informed assessment of the OSCE's activities in the entire Eurasian region, a warning was even issued that “all discussions about OSCE peacekeeping operations should not be considered through the prism of Eastern Ukraine” (*Kemp, W., 2016*).

However, this thesis makes it clear that the crisis of international security institutions has already occurred, and Russia has significantly interfered with the European security system through the internal policies of the organization's member states that have fallen under the aggressor's influence.

This has revealed the vulnerability of the sustainable structure of international relations and the principles underlying it. Due to the weak will to make decisions and the inadequacy of existing norms to the current state of challenges and threats, the OSCE remains captive to the intergovernmental political system and consensus decision-making. This organization's weaknesses were manifested in the Russian-Ukrainian war and Transnistria, Abkhazia, South Ossetia, and Georgia.

Given the above, the OSCE, as an integral part of regional European security, needs reform and modernization to continue fulfilling its purpose. Scenarios for reorganizing the OSCE have been discussed at all international and expert levels. At this stage, the following issues in the reorganization are being debated.

First, it should improve decision-making mechanisms by replacing the consensus principle with a qualitatively and quantitatively qualified majority. At the same time, it may be possible to consider restrictions on voting rights for countries affected by the decision or participating in the conflict. Another popular solution is to exclude countries that threaten the democratic world from the Organization. In this case, it would be helpful to determine a certain period after which to audit the situation in the world/region and, accordingly, to make the necessary changes to the membership of the Organization and its further functioning.

Of course, expert groups should be created/involved in reorganizing such an institution, which will be formed from elected representatives from among the participating countries in the relevant areas. At the same time, it is necessary to focus initially on resolving regional and ethnic conflicts. The goal should be not mediation, but conflict resolution/overcoming as a necessary element in ensuring stability in the international security system. Identify threats such as cybersecurity, counterterrorism, environmental, energy and technological security, and overcoming the consequences of armed conflicts as among the most pressing challenges of our time.

Therefore, the scale of dissatisfaction has indeed increased with the activities of both the OSCE and some other security organizations. At the same time, the issue of ensuring the European security system remains relevant and unresolved. In this context, it is essential to consider another area of cooperation, such as NATO-EU. Namely, the following two questions: why are these relations important? What are these relations based on?

NATO-EU Partnership in the framework of ensuring the security of the Western World

To begin with, the EU has focused on soft security issues in implementing its defense system and policy in general. Such issues include social problems, migration, environmental disasters, terrorism, etc. Besides, an essential component is ensuring economic stability on the borders, which is vital for the EU. The EU has often relied on various UN and OSCE security missions to resolve

armed conflicts. Only Russia's military aggression has forced the European world to reconsider its priorities and principles in implementing its security policy. After all, with such an enemy as Russia, soft power and security can no longer guarantee success in ensuring further independent existence.

“Unarmed or lightly armed missions with limited mandates have little or no effect on peacekeeping” (*NATO Glossary, 2021*). The situation in Georgia, Transnistria, and Ukraine confirms this. In turn, this makes it clear that the EU-based system of European security has not been formed against military threats yet. Therefore, the most correct suggestion today is that the NATO remains not the primary, but rather the only security guarantor in all of Europe for the EU.

Nowadays, their cooperation is parallel. This is most evident in resisting Russia as an aggressor in the democratic world. The EU has an advantage in terms of civilian capabilities, which include economic sanctions, resilience in areas such as energy and cybersecurity, countering disinformation, humanitarian aid, and transport infrastructure (*Papaioannou, A., 2019*). Meanwhile, NATO deals with military deterrence and defense. It is undoubtedly true that the EU has relied primarily on intergovernmental cooperation in its policy, as only 4 EU countries are not NATO members.

However, the current situation has revealed a difference of opinion within the EU on how to secure its own interests. This has significantly affected the countries of Eastern Europe, where the threat of invasion is the greatest and the vulnerability the highest. Obviously, the EU has launched a number of initiatives aimed at maintaining and ensuring its own security since Russia's large-scale invasion of Ukraine. For example, such initiatives include the revitalization of PESCO or the creation of coalitions for the manufacture and supply of weapons and military equipment.

Nevertheless, the question of whether this will help to protect Europe in the event of a military invasion from NATO's eastern flank is crucial. Consequently, the issue of developing and ensuring the European security system requires further research.

Conclusions. In the face of a large-scale war, a broad-based struggle for the values of the entire democratic world and its national identity, Ukraine appreciates and supports all the assistance provided by Western countries. However, these days it is about the need for real action.

The actions that should be of a military nature and, accordingly, the instruments for their implementation. Obviously, the existing international organizations responsible for ensuring security in the world are not able to deal with this. Meanwhile, the question of attacking a NATO country already does not seem so unrealistic.

A common tactic of action in response to military threats has to include, first and foremost, the establishment of interoperability in the use and deployment of weapons. Ukraine's experience in this regard is an invaluable one. Because, for example, it was able to use different air defense systems simultaneously and complementarily in the face of continuous attacks and hostilities.

There is no more space for soft power and the policy to exist as a stand-alone element. There is no place for condemnation and expressions of concern. Modern international security organizations must develop the instruments that will protect them in the event of an actual military invasion by an enemy.

It is necessary to accept that the stage of the arms race is being transformed into the stage of the possibility of their use. This threat is fundamental in the war for the redistribution of spheres of influence in the world. Democratic countries should prepare their security organizations to respond to the current challenges.

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ПУБЛІЧНА ДИПЛОМАТІЯ УКРАЇНИ В УМОВАХ ВОЄННОГО СТАНУ

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Abstract. *The article describes the political-diplomatic, economic-investment, cultural-artistic and educational, as well as public and media instruments used by the state and civic institutions of Ukraine in public diplomacy during 2022-2023. It was established that the instruments made it possible to ensure the refutation of false information about Ukraine and relevant events, as well as encourage the unification of international efforts to provide comprehensive assistance to the state and its citizens. The strengthening of the economic, cultural, and educational component of foreign policy activity, which will be implemented both under the ongoing state of war and post-war peacebuilding, can become promising directions of Ukraine's public diplomacy. At the same time, Ukraine's trauma-informed public diplomacy will focus on disseminating information about the nation's achievements and spiritual values, restoring cultural stability, overcoming existential anxieties, and providing assistance to other countries.*

Key words: *public diplomacy, martial law, Ukraine.*

Анотація. *У статті охарактеризовано політико-дипломатичні, економічно-інвестиційні, культурно-мистецькі і просвітницькі, а також громадські та медійні інструменти, що використовувалися державними і громадськими інституціями України у сфері публічної дипломатії упродовж 2022-2023 рр. Встановлено, що інструменти, залучені для публічного інформування, дозволили забезпечити спростування неправдивої інформації про Україну і дотичні події, а також спонукати до об'єднання міжнародних зусиль для надання різнобічної допомоги державі та її громадянам. Перспективними напрямками публічної дипломатії України може стати посилення економічної, культурної та просвітницької складової зовнішньополітичної роботи, що буде реалізовуватись як ще в умовах триваючого воєнного стану, так післявоєнного миробудівництва. При цьому травмоінформована публічна дипломатія України буде зосереджуватись на поширенні інформації про досягнення та духовні цінності нації, відновлення культурної стійкості, подолання екзистенціальних тривог, а також надання допомоги іншим країнам.*

Ключові слова: *публічна дипломатія, воєнний стан, Україна.*

Introduction. The practical implementation of projects in the field of international promotion of Ukraine took place in several stages, starting from 1991: the first stage until 2005 was carried out through informational and educational projects, which were characterized by inconsistency due to the lack of national image programs; the second stage until 2010 was marked by the appearance of state image and tourism projects aimed at changing the perception of Ukraine in the world and integration into the European and Euro-Atlantic community; the third stage until 2013 was characterized by the development of the 'Ukraine' brand book and the implementation of image-investment, sports and cultural projects [Pipchenko, Ryzhkov: 2019]; the fourth stage from 2014 to the beginning of 2022 focused on updating the national approach to Ukraine's promotion in the international arena and using social media to support the national interests of the state, as well as the introduction of the Public Diplomacy Strategy of Ukraine and the Communication Strategy of Ukraine; the fifth stage from 2022 was marked by a full-scale Russian invasion of Ukraine and the expansion of the state's international public positioning instruments to protect its national interests.

The purpose of the study is to determine the direction of public diplomacy of Ukraine under the Russian war against Ukraine and outline the prospects for improving the instruments of public diplomacy.

Literature review. Studies of public diplomacy of Ukraine, which were carried out until 2022, focused on the development of proposals for improving the country's positioning abroad using cultural, media and investment projects (I. Makarenko, O. Shevchenko, O. Kuchmii, O. Frolova) (*Communication trends in international relations: 2016*). In the course of 2022-2023, the implementation of educational, defence-security, humanitarian and economic projects was observed with the strengthening of international media representation (*Sheiko: 2022, 2023, Walker: 2022*).

Main results of research. Ukraine's public diplomacy under martial law was focused on the use of information and communication tools with the involvement of state and non-state actors to ensure an adequate level of informing the international community about events in the state. The updated and improved information and communication projects of the central apparatus of the Ministry of Foreign Affairs of Ukraine were aimed at protecting the fundamental national values of the country and deepening the dialogue with partner countries regarding the protection and restoration of the territorial integrity of the state in internationally recognized borders.

The need to expand the thematic focus of activities in public diplomacy under martial law prompted Ukrainian diplomats to review the tools of interaction both with the external and internal public, as well as with leaders and political elites of various countries of the world. In particular, political-diplomatic, economic-investment, cultural-artistic and educational, as well as public and media instruments were used for public information, refutation of false information about Ukraine and relevant events, as well as encouragement to combine international efforts to provide multifaceted assistance to the state and its citizens.

The political and diplomatic instruments used at the governmental level were aimed at bringing Russia to international legal responsibility for international crimes committed on the territory of Ukraine; deepening Ukraine's European integration aspirations after obtaining the status of a candidate for EU membership and the start of negotiations on EU membership; attracting the attention of the international community to the violation of human rights in the Autonomous Republic of Crimea; initiating a political and diplomatic dialogue regarding the strengthening of regional recognition of Ukraine in Africa, Asia, and Latin America; increasing the number of international actors who recognized the Holodomor of 1932-33 as genocide of the Ukrainian people.

In order to strengthen the efficiency of political and diplomatic work, relevant information and clarification campaigns were conducted under the hashtags #RussiaWarCrimes #RussiaIsATerroristState, #StandWithUkraine, #GloryToUkraine and #welcomEUkraine. In addition, narrowly themed campaigns were initiated that would draw the public's attention to the events in Ukraine. The project about the renaming streets near the Russian embassy to Ukraine street (uastreet.world) was initiated by Be-it Agency, part of One Philosophy consulting group within the We Are Ukraine platform, and supported by DForce IT company. As a result, nearly 10

European countries have already changed the Russian embassy's address line to Ukrainian. To remind the international community about the illegal occupation of Crimea, the campaigns #PeaceNotAppeasement, #RealPeaceNotAppeasement and #CrimeaIsUkraine were initiated in the context of strengthening Russian repressive policy towards the Crimean Tatars and the need to protect their rights. The #WhatWeAreFightingFor campaign (*Ministry of Foreign Affairs: 2023a*) was held on the anniversary of Russia's full-scale invasion of Ukraine and explained why Ukraine's freedom and territorial integrity can't be negotiated under any circumstances and how Ukrainians have become stronger and are fighting for peace around the world.

Among the economic and investment instruments, it is possible to single out the expansion of sanctions against Russia by EU member states, the USA, the UK, Canada, Switzerland, Australia, Japan, New Zealand, and other partner countries that became one of the effective tools of influencing the aggressor country from the international community. It was also important to initiate and implement opportunities to export agricultural products from Ukraine during 2022-2023 that made it possible to restore the grain corridor despite Russian terrorist actions. In particular, it was possible to export agricultural products worth 21,4 billion dollars in 2022, and 22,9 billion dollars in 2023 (*Ministry of Foreign Affairs: 2023b*). The communication campaigns #GrainFromUkraine and #HungerGames contributed to the dissemination of information about the Grain Deal and the formed Black Sea grain corridor for the export of Ukrainian agricultural products to 45 countries (*Ministry of Foreign Affairs: 2024a*). The creation of the Nazovni platform (nazovni.online) under the auspices of the Department of Exporters Support under the Ministry of Foreign Affairs of Ukraine made it possible to initiate diplomatic maintenance for Ukrainian exporters who wish to work in foreign markets. Drawing international attention to the ecological consequences of the Russian invasion of Ukraine was realized through the #StopEcocideUkraine campaign, which is designed to present the war's impact on nature and highlight the well-known biodiversity objects of Ukraine, which may be or have been affected as a result of the war [*Resilient Ukraine: 2024*].

Cultural, artistic, and educational instruments for the protection of Ukrainian national heritage and its promotion in the international community have been improved at the level of the Ukrainian Institute at the Ministry of Foreign Affairs of Ukraine. In particular, the representative offices of the Institute were opened in Germany and France in 2023, which contribute to the activation of bilateral and multilateral artistic contacts and the deepening of knowledge about the country, society, culture, and history. The launch of the interactive platform Insight UA by the Ukrainian Institute for the Independence Day of Ukraine allowed us to discover Ukrainian culture, personalities, and awe-inspiring events and cover various cultural topics, from music and literature to analytical reports. The online platform (insight.ui.org.ua) permitted the interested audience to get to know the culture of Ukraine, get acquainted with the history of Crimea and the Crimean Tatars, immerse themselves in modern Ukrainian music, and understand the latest developments in Ukrainian cinematography. Digitalisation of the cultural heritage of Ukraine facilitates preserving cultural objects for future generations because during the Russian war against Ukraine, according to the Ministry of Culture and Information Policy of Ukraine, 872 cultural heritage sites have been destroyed or damaged. Among them, 120 are of national importance, 682 are of local importance, and 70 are newly discovered sites (*Ministry of Culture and Information Policy: 2024*).

Separately, we can note the implementation of the idea of adding Christmas traditions to the National List of Intangible Cultural Heritage of Ukraine and holding Christmas events in diplomatic missions of Ukraine in 2023 to popularize Ukrainian traditions (*Ukrainian Center for Cultural Research: 2024*). The Ministry of Foreign Affairs of Ukraine also initiated the inclusion of 'Schedryk' (Carol of the Bells) in the UNESCO List of Intangible Cultural Heritage. Among the enlightenment tools, the #BoycottRussianSport campaign can also be highlighted, which is aimed at preventing Russian and Belarusian athletes from participating in international sports competitions considering the full-scale invasion of Russia into the territory of Ukraine.

The Ukrainian Cultural Fund and Ukrainian Book Institute have also contributed to enhancing the cultural and artistic component of Ukraine's public diplomacy during martial law. The Ukrainian Cultural Fund (ucf.in.ua), in particular, aids in the renewal of the contemporary cultural landscape

and the establishment of cross- sectoral alliances based on a common set of values. The Ukrainian Book Institute promotes the translation of Ukrainian literature into foreign languages and the activation of international exhibition activities in book publishing. In 2022, the Ukrainian Book Institute, operating under the Ministry of Culture and Information Policy of Ukraine, contributed to the implementation of such international projects as the ‘Suitcase with Books’, within which 574 cities in Germany and 13 libraries in other countries received 20,000 books from more than 20 Ukrainian publishing houses; the ‘Better Time Stories’ project, aimed at distributing sets of five bilingual books in the Dutch, German, and Ukrainian languages in five EU countries and implemented under the patronage of the first ladies of Ukraine, Germany, Austria, and the princess of the Netherlands; the ‘Ukrainian bookshelf’ project, which is designed to equip foreign libraries with books for Ukrainian refugees and replenish the funds of national libraries with the best Ukrainian publications (*Ukrainian Book Institute: 2022*).

Among the important public tools, we note the intensification of activities aimed at protecting the rights of children under martial law and their illegal removal outside Ukraine, which prompted the creation in December 2023 of the Council on Human Rights, Gender Equality and Diversity at the Ministry of Foreign Affairs of Ukraine. The priorities of the Council's work became the protection of fundamental human rights in all territories of Ukraine temporarily occupied by Russia; the protection of the rights of Ukrainian children illegally deported and forcibly relocated to the territory of Russia, as well as the return of civilian hostages and prisoners of war (*Ministry of Foreign Affairs: 2024b*).

The activities of the Council were supported by the previously launched public projects #FreeUkrainians and Prisoner's Voice from the Center for Civil Liberties, aimed at the implementation of measures to release all Ukrainian political prisoners in Russia, Crimea and Donbas, as well as civilian prisoners because of the large-scale Russian war against of Ukraine (*Center for Civil Liberties: 2024*). The Bring Kids Back platform (bringkidsback.org.ua), implemented at the initiative of the Ukrainian government, partner countries and international organizations, is also intended to draw the public attention to the issue of the return of Ukrainian children who were forcibly deported from Ukraine. Within the DECIDE initiative, in partnership with the Office of the Commissioner of the Verkhovna Rada of Ukraine for Human Rights, the Ministry of Education and Science of Ukraine, the Ministry of Development of Communities, Territories and Infrastructure of Ukraine, the implementation of the initiative ‘We are becoming stronger together!’ (together.decide.in.ua), aimed at assisting children affected by the war. The project provides advisory support to teachers, communities, and children with special educational needs under martial law, raising awareness among educators and children in the field of human rights, creating a safe educational space in educational institutions, as well as forming the skills of first psychological aid.

Considering the deep public support for Ukraine’s international promotion measures, in 2023 there was an award from the Ministry of Foreign Affairs for the contribution of Ukrainian diplomacy to those citizens of Ukraine and foreigners who made a significant political, economic and cultural impact on the formation of a positive international image of Ukraine; contributed to wide positive publicity about Ukraine; caused noticeable changes in the attitude towards the state and influenced decision-making in favour of Ukraine; contributed to the protection of the rights of Ukrainian citizens and the national interests of Ukraine; significantly helped to build the state’s capacity in public diplomacy (*Ministry of Foreign Affairs: 2023c*). Consequently, the Ministry of Foreign Affairs acknowledged the exceptional assistance rendered by both Ukrainian citizens and foreigners, who collaborated with the Ministry on innovative and security initiatives, as well as crafted communication materials.

Separately, it is necessary to note the activity of the Media Center of the State Enterprise ‘Directorate-General for Rendering Services to Diplomatic Missions’ (gdip.com.ua) aimed at the exchange of experience and the formation of networking during 2022-2023 in public diplomacy. The Media Center became a platform for consolidating the efforts of state employees, public and educational institutions to spread awareness about Ukraine among the domestic and foreign public,

necessary for the implementation of public diplomacy projects and deepening knowledge about the peculiarities of the country's European integration progress.

Under martial law, media tools have also become an integral part of Ukraine's diplomatic efforts. In particular, Ukrainian government accounts have become the multilingual media agencies that cover not only news, but also national defence strategies, visits by high-ranking officials, and bilateral and multilateral support for Ukraine at both the official and public levels. Starting from May 2022, the official fundraising platform United24 (u24.gov.ua) was launched in cooperation with charitable foundations, partners, donors, and public people who wish to support Ukraine in defence, humanitarian, medical, educational, and scientific areas, as well as allocate funds for the demining of territories or the reconstruction of Ukraine. More than 600 million dollars were collected in January 2024, mostly used to purchase medical gear, automobiles, or the repair of damaged infrastructure.

In June 2023, the Ministry of Foreign Affairs and the WhiteBIT crypto exchange launched a chatbot to enhance consular work, processing more than 26,000 inquiries from Ukrainians from 72 countries for the first six months. Thus, obtaining the necessary data was made easier for Ukrainian citizens who were compelled to leave the country due to the war. Several topics, such as consular services for Ukrainians who are abroad or planning a trip, entry rules and assistance to temporarily displaced citizens of Ukraine, as well as registration of temporary protection and social security, became popular (*Ministry of Foreign Affairs: 2023d*). Drawing attention to the Russian war against Ukraine also took place through the holding of the longest charitable marathon organized by Nova Poshta to support those who protected, rescued, healed, and brought victory to Ukraine, or the performance of the national anthem of Ukraine by the Minister of Foreign Affairs D. Kuleba together with foreign colleagues in the microblog X.

At the beginning of 2021, the Ministry of Foreign Affairs of Ukraine launched the information platform Ukraine.ua, which united official channels on various topics to create a positive image of the state. With the beginning of martial law, the platform is used for spreading the truth about the full-scale invasion of Russia, war crimes and the struggle of the Ukrainian people. The civic organization Brand Ukraine and the Ministry initiated additional media support campaigns for the state's national aspirations during 2022-2023. In particular, 'What We Are Fighting For 2.0: Thanksgiving Day Campaign', 'What We Are Fighting For', #FreetheLeopards, 'Russia's Famine Games', 'Campaign To Counter Disinformation', 'Russia's War Crimes', 'War.Ukraine.Ua' and 'Cities of Ukrainian freedom' are the primary international communication campaigns that show the actual value of aid to Ukraine, tell reasons why Ukrainian continue to fight for freedom and peace, advocate for the supply of weapons, identify the truth about Ukraine's food supplies in the wartime, discover Ukraine's fight against disinformation in distant regions, create online archive and website about the war with verified information for foreign audience. Information is available in English, French, Spanish, Arabic, Chinese, Russian, German, and Thai (*Brand Ukraine: 2024*).

The work within the information space in wartime should be done carefully to minimize the negative consequences and ensure maximum results from information and outreach activities as Ukraine, Europe, and the world are in an unbalanced media space that exists in the misinformation era. T Disinformation and incompetent dissemination of information have contributed to the dominance of permissiveness in the media, which requires not only regular technical assistance for accounts but also strict regulation regarding administrative and criminal responsibility for spreading false information.

Separately, it is possible to highlight the promising technological advancements in the diplomatic field, which will facilitate a more efficient application of public diplomacy tools and AI, as well as bolster the cyber security of Ukraine's vital infrastructure. With this in mind, the National Hackathon on Cyber Security was held in November 2023, organized by the State Special Intelligence Service together with the Center for Strategic Communications with the support of the Government Office for European and Euro-Atlantic Integration, the US Embassy in Ukraine, the Project on knowledge exchange NATO-Ukraine C4 and USAID Cybersecurity for Critical Infrastructure in Ukraine. Future initiatives related to the creation of prototypes of programs and no-

code solutions to support and promote human rights, equality, diversity, and tolerance using artificial intelligence. It is planned that promising projects will receive the support of international organizations and the possibility of their implementation at the national and global levels (*Government Portal: 2023a*).

Strengthening the cyber security and civilian cyber potential of Ukraine, as well as supporting the long-term needs of the state in cyber resilience, is planned to be implemented within the Tallinn Cyber Security Mechanism. In particular, the ministries of foreign affairs of Ukraine, the UK, Denmark, Estonia, Canada, the Netherlands, Germany, Poland, the USA, France, and Sweden will coordinate efforts to mobilize additional support for the needs of specialized institutions in cyber security and will closely cooperate with the EU and NATO on increasing own cyber potential and deepening digital development [*Government Portal: 2023b*]. The described initiatives were continued in the draft law of the President of Ukraine on amendments to the law 'On Diplomatic Service', registered in December 2023, which, among other things, talks about improving activities in cyber diplomacy for the promotion and protection of national interests, implementation of Ukraine's foreign policy goals in cyberspace, and the assistance of international cooperation in the field of innovative technologies (*Verkhovna Rada of Ukraine: 2023*).

Reinforcing the economic, cultural, and educational components of foreign policy work, which will be implemented both under the ongoing state of war and post-war peacebuilding, can be a promising direction for Ukraine's public diplomacy. Ukraine's trauma-informed public diplomacy will focus on disseminating information about the nation's achievements and spiritual values, restoring cultural resilience, overcoming existential anxieties, and aiding other countries.

Conclusions. Under martial law, Ukraine's public diplomacy became more active, which manifested in the achievement of Western solidarity regarding the protection of Ukraine and the restoration of the territorial integrity of the state within internationally recognized borders, the start of negotiations on joining the EU, the outline of actions aimed at deepening Euro-Atlantic integration and strengthening sanctions measures. As a result of the approval of the Public Diplomacy Strategy of Ukraine and the Communication Strategy of Ukraine in 2021, it was possible to effectively establish communication with international partners and adapt diplomatic work to current challenges and threats. The augmentation of interaction among state authorities, local self-government, private enterprises, and civic organizations resulted in better coordination of efforts to inform internal and external audiences about the Russian war against Ukraine, countering Russian propaganda and disinformation, and constructing authentic narratives about Ukraine. It has been established that the interest of international actors in Ukraine is determined by the internal and external factors that significantly affect the perception of the Ukrainian state, among them, we could divide political confidence, economic status, and national identity.

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УДК 327

UKRAINIAN-BRITISH RELATIONS AFTER BREXIT: BILATERAL COOPERATION AND EUROPEAN INTEGRATION OF UKRAINE

УКРАЇНСЬКО-БРИТАНСЬКІ ВІДНОСИНИ ПІСЛЯ BREXIT: ДВОСТОРОННЯ СПІВПРАЦЯ ТА ЄВРОПЕЙСЬКА ІНТЕГРАЦІЯ УКРАЇНИ

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Abstract. *The article examines the development of relations between Ukraine and the United Kingdom after the latter's withdrawal from the European Union. Expert assessments of the consequences of Brexit on Ukrainian-British relations, as well as the analysis of joint documents signed between Ukraine and the United Kingdom in the post-Brexit period, are taken into account. It turns out that, despite the decision to leave the integration association and its influence on political processes within the European community (loss of contributions to the common budget, lack of state representatives in key European institutions, strengthening of Eurosceptic tendencies in the rest of the EU member states), the United Kingdom remained an important international partner of Ukraine in bilateral relations and did not change its favorable attitude to Ukraine's European integration, guided primarily by foreign policy and security interests, but has lost access within the EU to levers of influence on positive decisions regarding Ukraine in this direction. The strategic level of partnership is laid down in the Trade and Cooperation Agreement of 2020, and later strengthened – already during the hot phase of the Russian-Ukrainian war – by additions to this agreement in terms of trade liberalization with Ukraine, as well as by the later agreement on security cooperation in 2024, which became the first such precedent in a number of bilateral security agreements between Ukraine and other partner countries. Since 2022, the United Kingdom has been actively providing the armed support necessary to repel the Russian invaders, which consists in the transfer of various types of weapons and the training of the Ukrainian military. In the end, the Ukrainian issue became a point of contact in European-British relations, guided by the common interest of protecting the region from escalation by Russia and preventing it from undermining the fundamental principles of the international order.*

Key words: *Great Britain, Ukraine, EU, Brexit, Ukrainian-British relations, European integration, full-scale war against Ukraine, security agreements.*

Анотація. У статті проаналізовано розвиток відносин між Україною та Великою Британією після виходу останньої з Європейського Союзу. До уваги беруться експертні оцінки щодо наслідків Brexit на українсько-британські відносини, а також аналіз спільних документів, підписаних між Україною та Сполученим Королівством у період після Brexit. З'ясовується, що, попри рішення залишити інтеграційне об'єднання і його вплив на політичні процеси всередині європейської спільноти (втрата внесків до спільного бюджету, відсутність представників держави у ключових європейських інституціях, зміцнення євроскептичних тенденцій у решті держав-членів ЄС), Велика Британія залишилася важливим міжнародним партнером України у двосторонніх відносинах і не змінила свого прихильного ставлення до європейської інтеграції України, керуючись передусім власними зовнішньополітичними та безпековими інтересами, проте втратила доступ у межах ЄС до важелів впливу на позитивні рішення стосовно України на цьому напрямку. Стратегічний рівень партнерства закладено в Угоді про торгівлю та співробітництво 2020 року, а пізніше посилено – вже під час гарячої фази російсько-української війни – доповненнями до цієї угоди в частині лібералізації торгівлі з Україною, а також пізнішою угодою про співробітництво у сфері безпеки 2024 року, яка стала першим подібним прецедентом у низці двосторонніх безпекових угод між Україною та іншими державами-партнерами. Сполучене Королівство, починаючи з 2022 року, активно надає збройну підтримку, необхідну для відсічі російським загарбникам, що полягає в передачі різного асортименту озброєння та навчанні українських військових. Зрештою, українське питання стало точкою дотику в європейсько-британських відносинах, керуючись спільним інтересом захистити регіон від ескалації з боку Росії та не дати їй змогу підважити фундаментальні принципи міжнародного порядку.

Ключові слова: *Велика Британія, Україна, ЄС, Brexit, українсько-британські відносини, європейська інтеграція, повномасштабна війна проти України, безпекові угоди.*

Introduction. Ukrainian-British relations were established in 1991-1992, when the United Kingdom recognized the independence of Ukraine, and later established diplomatic relations (date of establishment – January 10, 1992). In the following years, the dynamics of such relations were influenced by increasingly important socio-political processes in Ukraine, such as the Orange Revolution and the Revolution of Dignity. During the presidency of Viktor Yushchenko, the strategic nature of Ukrainian-British relations was first declared (in May 2008, following a visit to London and a meeting with the then Prime Minister Gordon Brown), and since 2014, the United Kingdom has been systematically condemning Russian aggression against Ukraine on international platforms, starting with the initiation of international sanctions for the illegal annexation of Crimea; it also trains the Ukrainian military and provides military assistance (although at first it was non-lethal assistance). The post-Brexit period marked a qualitatively new stage in the formation of Ukrainian-British relations: The United Kingdom has concluded a number of agreements with Ukraine, comprehensively covering issues in the field of political, economic and security cooperation; the bilateral Agreement on Political Cooperation, Free Trade and Strategic Partnership (2020, with amendments) and the Agreement on Security Cooperation (2024) became important milestones. Even though the British side left the European Union after voting for it in a referendum in 2016, official London remained committed to Ukraine's European integration, seeing it as a guarantee of the development of a capable state – in the political, economic and military spheres – even despite the current war with an external aggressor. The issues of internal disagreements in British-European relations, which, in particular, led to Brexit (regarding migration, trade, distribution of powers between national and supranational institutions, etc.), practically did not affect the aspect of supporting Ukraine as one of the democracies in the post-Soviet space, which are still in the process of their formation and at the same time are subject to significant security

threats, which also affect the European continent as a whole. After the start of full-scale aggression in 2022, there is a tendency to find a common denominator in relations between Britain and the EU in matters related to the protection of Ukraine and the deterrence of the Russian Federation.

The purpose of the article is to explore the consequences of Brexit for bilateral Ukrainian-British cooperation and for Ukraine's European integration, the dynamics of changes in these two aspects after the start of Russia's full-scale invasion of Ukraine, as well as the aspect of the UK-EU relations amidst war.

Literature review. The foundations of the phenomenon of British Euroscepticism and its impact on European policy are analyzed in the works of (*Krushynskiy V., 2003; Yakovenko N., 2003; Sørensen C., 2004; Baker D. et al., 2008; Spivak I., 2016; Taggart, P. & Szczerbiak, A., 2018; Hissa-Ivanovych O. & Kybich, Y., 2020*); the problems of the UK's exit from the EU and the impact on further European integration processes were studied by I. Spivak and O. Sharov, focusing on the consequences of Brexit for global markets, geoeconomics, and relations with Britain's main economic partners (*Spivak I., 2016; Sharov O., 2019*), T. Neprytska, who focused more on the political aspect of integration and the development of British-European relations after Brexit (*Neprytska T., 2017*). Previous periods of the development of Ukrainian-British relations (from 1991 to 2004) were considered in his scientific works by researcher A. Hrubinko (*Hrubinko A., 2005*), who also analyzed in detail the participation of the United Kingdom in the formation of the EU's foreign and security policy during 1991-2016 (*Hrubinko A., 2017*), and later, together with A. Martynov, published a monograph on the consequences of Brexit for the European Union and forecasts for the future of integration (*Hrubinko A., Martynov A., 2021*), which, in addition to the forecasts themselves, also contained a historiographical overview of the problems of EU development and an analysis of the impact of Brexit on European security. After the start of the full-scale invasion, A. Hrubinko analyzes the bilateral, global, regional and domestic aspects of the role of Great Britain in the conditions of the Russian-Ukrainian war, and N. Yakovenko focused on diplomatic relations between Ukraine and the United Kingdom during the hot phase of the war (*Hrubinko A., 2022; Yakovenko N., 2023*). O. Cherevko analyzed the evolution of Ukrainian-British relations in the context of the full-scale war of the Russian Federation against Ukraine, in chronological order listing the key events that took place in Ukrainian-British relations after February 24, 2022 and briefly about the key milestones in cooperation between the two countries before the full-scale aggression of the Russian Federation (*Cherevko O., 2023*). The military aspect of such cooperation in the first year of the invasion (military aid, training of Ukrainian soldiers, institutional support for the Armed Forces of Ukraine) is the focus of Y. Stuzhuk (*Stuzhuk Y., 2022*). However, it should be noted that the topical issues of relations in the Ukraine-UK-EU triangle (and Ukrainian-British relations proper) are still rather understudied: this publication proposes to extend the time frame of the study (until the beginning of 2024 – the moment of adoption of the Agreement on Security and Cooperation between Ukraine and the United Kingdom), as well as taking into account the broader context of relations in the Ukraine-EU-UK triangle, which partly determines the strategic nature of bilateral Ukrainian-British relations, which are connected not only by interstate interests, but also constitute an important component of the UK's European policy in the post-Brexit period, which was briefly marked by a shift in British foreign policy orientations towards wider cooperation with non-European actors, in particular in the Indo-Pacific region, but after the large-scale Russian invasion of Ukraine, received a new impetus for development. There is a lack of a strategic analysis of Ukrainian-British relations that would complement the chronology of events within them.

Main results of the research. The results of the referendum on June 23, 2016, in which 51.89% of British citizens voted for the termination of EU membership, came as a surprise to the European community and even to British society itself. For example, C. Adebahr, a fellow of the European Carnegie Endowment, in a column for Global Policy, described the results of the Brexit vote as "the beginning of a new era, an era of great uncertainty for all Europeans" (*Adebahr C., 2016*), showing the possibility of a reverse process of disintegration within the European community. The consequences of Britain's exit from the EU were as follows: the composition of the

European Parliament changed (instead of 751 MEPs, 705 remained, some of the former seats of British MEPs were distributed among the rest of the EU member states), as well as the structure of contributions to the EU's joint budget: Britain ranked third in terms of its share in it (*European Commission, 2021*). 66 million people in the United Kingdom (out of a population of 500 million in the EU) remained outside the Common Market.

However, the then British government, headed by D. Cameron, accepted the results of the referendum, being its initiator at the beginning: then the government officials resigned (D. Cameron himself was in favor of keeping the UK in the EU). After the expression of will, the United Kingdom and the European Union had no choice but to form a new architecture of political and economic relations as separate entities. But Britain has also been an important partner in supporting Ukraine on its path to European integration, having leverage in European institutions – despite all the internal arguments against the United Kingdom's own EU membership. In view of Brexit, Britain has lost its representation in the EU institutions and, accordingly, the opportunity to participate in the decision-making process regarding Ukraine.

Already on February 5, 2020 (a week after Britain's final official exit from the EU), the European Commission, taking advantage of the proposals of French President Emmanuel Macron, who then opposed the EU's eastward enlargement, published new approaches to the enlargement policy, which increased the requirements for candidate countries, in particular in terms of putting forward reforms as a prerequisite for opening negotiations and monitoring the progress of reforms by European experts on the ground (*European Commission, 2020*). This was a concession on the part of the EU for France, which received a reformed accession process for new EU members, including the possibility of postponing or completely stopping negotiations with countries that had not reached the reform process: this option existed before, but was practically not used (*Riegert B., 2020*). This is an illustration of how France, together with Germany, began to play a leading role in shaping the EU's foreign and security policy after Brexit. Given the context of Ukraine, which was just beginning to carry out European integration reforms (in particular, anti-corruption), despite the military conflict with Russia and the constant threat from it, such a policy posed serious security risks. At that time, the leadership of the EU leaders (E. Macron on the French side, A. Merkel and later O. Scholz on the German side) demonstrated loyalty to the Russian leadership: France and Germany were participants in the Normandy format, and Berlin also cooperated with Moscow on the construction of a new gas pipeline "Nord Stream 2" and the then German authorities lobbied for this project (*Saure H., 2024*). First, it has led to a delay in deepening Ukraine's European integration; secondly, it actually became an invitation for Russia to a new phase of the armed conflict, which has been going on since 2014 and entered a full-scale stage on February 24, 2022.

Both Ukrainian and British diplomats unanimously insisted on the preservation of the strategic nature of cooperation between Kyiv and London. In 2017, Secretary of State for Europe and America of the Foreign and Commonwealth Office of the United Kingdom A. Duncan stated that EU membership is not a determining factor in the policy of cooperation with Ukraine (*Ukrinform, 2017*); Former Ambassador of Ukraine to Britain N. Halibarenko noted Ukraine's interest in a "strong Britain" and the EU in the impetus for its reform against the backdrop of Brexit (*Halibarenko N., 2016*).

Working consultations on a new basic cooperation agreement between Ukraine and the United Kingdom began on January 14, 2020, 2 weeks before the official exit of Britain from the EU. Until the end of 2020, there was still a transition period, when the provisions of the Association Agreement between Ukraine and the EU, as well as, ultimately, all European trade legislation, remained in force with respect to Britain. There was a risk of termination of the preferential trade regime from January 1, 2021: access of Ukrainian goods to the British market would be carried out on worse terms.

N. Halibarenko noted in January 2020 that at the end of the previous year, the countries had reached an agreement in principle on most of the provisions of the trade component of the agreement, including trade in goods and services, e-commerce, and capital flows (*Ministerstvo zakordonnykh sprav Ukrainy, 2020*).

The preamble to the text of the Agreement on Political Cooperation, Free Trade and Strategic Partnership between Ukraine and the United Kingdom of Great Britain and Northern Ireland, concluded in October 2020 (signed by Volodymyr Zelensky and Boris Johnson, the then Prime Minister of the UK), contains emphasis on the development of strategic partnership (this level of relations is established by Article 1 of the Agreement), the UK's recognition of reforms in the security and defense sector, its confirmation of political, socio-economic, legal and institutional reforms in Ukraine (*Verkhovna Rada Ukrainy, 2020*).

Among the basic provisions are the non-proliferation of weapons of mass destruction (Article 10), arms control (Article 11), the rule of law (Article 13), the protection of personal data (Article 14), the fight against illegal migration (Article 15), terrorism (Articles 19 and 22), crime and corruption (Article 21).

The largest section of the agreement concerns the development of trade and investment, the promotion of competition (Section V). It regulates market access, trade remedies, technical barriers, customs, business, e-commerce, capital flows, public procurement, protection of intellectual property rights, and sustainable development.

The advantage of the document for Ukraine was the expansion of the availability of its products on the British market by 98% while maintaining tariff quotas: the new agreement gave permission for an additional 2 thousand tons of Ukrainian exports to the UK. For Britain itself (as well as for Ukraine), the advantage was gaining access to Ukrainian food: the country depends on imports of such products. The relative cheapness of Ukrainian goods, as well as a wide range of products, became attractive (*Miroshnychenko V., 2020*). This was an indirect advantage of Brexit: without being bound by the conditions set within the EU, Britain was able to independently conclude more favorable agreements with various partners. The EU, on the other hand, is a food exporter, and therefore it is characterized by protectionist measures designed to protect local farmers (in particular, from France and Germany) from competition. Britain, on the other hand, got a way to meet its food security needs when the issue began to become part of the geopolitical agenda (*Toms B., 2020*). First, it is about preventing over-reliance on other countries and regions (China, India, the Middle East); secondly, the very possibility of exporting grain from Ukraine remains in question due to the full-scale invasion of the Russian Federation, which initially led to the blocking of the main routes for the export of agricultural products (through the Black Sea).

Other areas covered in the agreement include cooperation in the field of energy and energy security (Chapter 1 of Section V of the Agreement), environmental protection (Chapter 6), joint response to global and regional security threats, scientific and technical cooperation (Chapter 9), information society (Chapter 14), agriculture (Chapter 17), education and youth policy (Chapter 22), culture (Chapter 23), sports (Chapter 24).

Unlike the Association Agreement with the EU, it is not about the obligation to have a visa-free regime and access to employment in the UK for Ukrainian workers. Other differences noted in the analytical note of the National Institute for Strategic Studies are the abolition of import duties on products (Article 29 of the agreement with the EU, in contrast to the agreement with the UK, contains provisions on the abolition or reduction of import duties), assistance in the activities of diplomatic missions in both signatory countries of the agreement (Article 25), exemption of British technical and humanitarian aid from duties, fees, taxes and any other payments (Article 397) (*Us I., 2021*). However, it should be noted that the signed agreement is similar in content to the Association Agreement between Ukraine and the EU (even at the level of numbering sections and articles).

The text of the agreement separately states that "the United Kingdom recognises Ukraine's aspirations for EU membership and welcomes its European choice", recognises "the significant progress that Ukraine has made in carrying out reforms to this end". One of the goals of Article 1 of the treaty is to support membership not only in the EU, but also in NATO: both organizations are discussed in the context of supporting political, economic, security and defense reforms. However, there are no obligations of Ukraine in terms of adapting national legislation to the European one, which is part of the Association Agreement with the EU.

Since the agreement was concluded before the full-scale invasion, it contained an emphasis on the goal of promoting a peaceful settlement of the conflict in eastern Ukraine (Article 7). Britain reaffirmed its position on non-recognition of the annexation of part of the Ukrainian territories (Crimea and Sevastopol), which was carried out in 2014. According to the text of the document, the parties stressed the need to give priority to the issue of resolving the conflict between Ukraine and Russia peacefully, coordinating this with other international actors. The desire to achieve a settlement through further international pressure on Russia as an aggressor state and the application of sanctions against it was declared. However, as noted earlier, this did not cancel Britain's support for the Ukrainian defense sector, reforms in the army, and increasing Ukraine's defense capability.

Nevertheless, the provisions on foreign and security policy, in contrast to trade and economic issues, in the document were of a framework nature, not establishing, in particular, mechanisms for coordinating and approving sanctions against the Russian Federation.

The positive side of Brexit in the context of Ukraine already during the full-scale invasion was London's more flexible response compared to Brussels and EU member states to Russia's escalation, which manifested itself in the form of accelerating arms supplies, reducing duties and a principled position on abandoning Russian energy supplies. Following the United Kingdom, it reduced duties for Ukraine and the EU. On the other hand, London has been criticized for failing to create a system of assistance to Ukrainian refugees and slow progress in imposing sanctions on Russian oligarchs (*Casalicchio E., & Kijewski L., 2022*).

Provisions on a softer tariff policy were contained in one of the addenda to the Agreement on Political Cooperation, Free Trade and Strategic Partnership, which were signed in May and August 2022. The first meant the abolition of all tariffs and quotas in mutual trade, the second contained the simplification of mutual access to the public procurement market. The relevant changes were fixed in the basic agreement. Also in March 2023, changes were made due to the signing of the Digital Trade Agreement – for the first time in Ukrainian history. Ukraine became the second country in the world after Singapore to conclude a similar agreement with Britain. Among the key provisions are the promotion of reducing the cost of trade administration through the introduction of digital solutions and technologies, the joint recognition of electronic authentication and digital signatures, the use of digital signatures in full for international trade (together with electronic contracts and invoices), strengthening consumer protection in the online space, the implementation of legislation to prohibit misleading information, cybersecurity, protection of cryptographic data, artificial intelligence (AI), cooperation in the fields of legal technologies and the recognition of digital documents (*Verkhovna Rada Ukrainy, 2023; Ministerstvo ekonomiky Ukrainy, 2023*).

Since the beginning of 2022, even before the full-scale invasion, London has intensified the supply of weapons to Ukraine. Initially, light defensive weapons were provided in the form of thousands of small portable NLAW anti-tank systems. Then, after the start of the full-scale invasion, there were Harpoon anti-ship missile systems, heavy armored vehicles (such as Mastiff, Husky, and Wolfhound), air defense systems, and multiple rocket launchers (M270). In January 2023, Britain announced the provision of 14 Challenger 2 tanks to Ukraine, and in May of the same year, the transfer of long-range Storm Shadow missiles. Again, it is worth noting Britain's initiative in providing weapons to Ukraine to be able to defend itself from Russian aggression and gradually expand the range of supplies of weapons and military equipment. Britain's decision to provide tanks preceded Germany's agreement to provide Ukraine (after a long refusal) with its own Leopard tanks; on the issue of long-range missiles, the British were significantly ahead of the United States, which provided its own long-range ATACMS missiles to the HIMARS multiple launch rocket systems only in October 2023.

Together with Poland and the United States, Britain plays a leading role in coordinating international military assistance, as stated in the report of the House of Commons of the British Parliament on military aid to Ukraine since the beginning of the Russian full-scale invasion (*UK Parliament, 2024*). Britain is actively involved in the work of the Multilateral Donor Coordination Platform for Ukraine and the Ukraine Defense Contact Group (better known as the Ramstein

format), within which many coalitions have been created, among which the United Kingdom leads the coalition on maritime security.

Long-term military exercises for the Ukrainian Defense Forces (Operation Interflex) are being conducted. In November 2023, the goal of training 30 thousand Ukrainian soldiers (including recruits), set by the end of the same year, was achieved. By mid-2024, it was planned to train another 10 thousand military personnel (*UK Parliament, 2023*).

The United Kingdom also became the first country to formalize its long-term security commitments to Ukraine by signing a security agreement on January 12, 2024, between the President of Ukraine, Volodymyr Zelensky, and the UK's Prime Minister, Rishi Sunak. The agreement is concluded for 10 years, and the parties intend to maintain its validity as long as Ukraine "goes its way to membership in the Euro-Atlantic community." There are provisions to regulate the future status of the treaty – if Ukraine becomes a member of NATO before the expiration of the agreement.

The document significantly complemented the existing Agreement on Political Cooperation, Free Trade and Strategic Partnership in terms of security commitments. General considerations on cooperation in the field of defense and security are complemented by provisions on cooperation in the event of a future armed attack, protection of critical infrastructure, cooperation in the field of cybersecurity and information security, cooperation in the fight against dangerous organized crime, recovery and reconstruction of Ukraine, compensation for damage caused by Russian aggression. There is also an emphasis on supporting reforms, with provisions on access to the financial and technology sectors, the insurance industry, etc.

The goal is to "ensure sustainable forces capable of protecting Ukraine now and deterring Russian aggression in the future, through the continuous provision of security assistance and modern military equipment on land, in the air and at sea, in space and in the cyber domains, prioritizing air defense, artillery and long-range firepower, armored vehicles and other key assets if necessary, such as combat aircraft" (*Prezydent Ukrainy, 2024*). It provides support for the protection and defense of the border, its engineering and fortifications, observation and monitoring of the movement of enemy troops, post-war reconstruction of border infrastructure, demining and disposal of explosive ordnance; as well as support for medical training and prosthetics. A separate section of the agreement is devoted to cooperation in the defense industry.

There is a commitment on the part of the United Kingdom to provide long-term advice and support to defence management and policy to strengthen the institutional capacity of the Ministry of Defence of Ukraine. It is about reforming the Armed Forces of Ukraine with an emphasis on ensuring increasing interoperability with NATO, which contributes to the potential increase in the Alliance's armed forces.

Paragraph 2 of Part 8 of the agreement contains an obligation, in the event of an armed attack by Russia on the Ukraine, to hold consultations at the request of one of the parties to the agreement within 24 hours to determine the measures necessary to counter or deter aggression. The United Kingdom assured that it would provide Ukraine with "rapid and sustainable" security assistance, modern military equipment "in all necessary areas", as well as economic assistance, however, taking into account its legal and constitutional requirements.

In the context of the development of British-Ukrainian relations at the present stage, it is worth noting the strengthening of British-European ties on the basis of common interests in Ukraine. It is worth noting the change of tone towards European partners in the UK's 2023 Integrated Review, which, unlike a similar document adopted two years earlier, that declared the UK's desire to expand its own circle of international partnerships outside the EU and emphasized the opening of the opportunity to independently determine its own foreign policy priorities through Brexit, emphasized the strengthening of ties with European states, actualized by the need for to maintain the security of the region against the backdrop of Russian aggression against Ukraine, and envisaged deepening cooperation with the EU in various areas of common interest, noted close cooperation with France, Italy, Germany within the G7 on sanctions against the Russian Federation, as well as rapprochement in relations with Ukraine, Poland and the Baltic states, which are

susceptible to the Russian threat (*Government of the UK, 2021; Government of the UK, 2023*). The January 2024 report of the House of Lords' European Affairs Committee noted the "Ukraine effect" in strengthening the UK's relationship with the EU in the field of foreign policy, security and defence. The three areas of cooperation that have developed since the invasion are sanctions against Russia, British-European defence cooperation, and the reconstruction of Ukraine (*House of Lords, 2024*). The United Kingdom is already involved in reconstruction planning – in particular through the Inter-Agency Donor Coordination Platform – and has the experience it has to offer from previous reconstruction programmes. In 2023, Britain was the venue for the Ukraine Recovery Conference. In terms of collective security and defense, back in November 2022, the EU accepted the United Kingdom's request to join the Permanent Structured Cooperation (PESCO) military mobility project: Britain sees in it, first of all, a pragmatic value related to the need to coordinate efforts to support Ukraine in Russia's war against it, in particular in terms of providing rapid mechanisms for the transfer of necessary weapons and military equipment. It should be noted that military mobility is a common interest of the EU and NATO and fits into the UK's flexible approaches to defense cooperation with the EU, when it primarily supports those initiatives that complement the activities of the North Atlantic Alliance (*Antinozzi I., 2022*). However, at the time of writing the paper, Britain has not become a full member of PESCO. In addition, the conclusions of the House of Lords committee refer to restrictions on the part of the European Defense Fund with a budget of 8 billion euros for the purchase of weapons, which serve as an obstacle to cooperation with the fund of third countries, including Britain. Effective cooperation between Britain, the United States and the EU on the issue of sanctions policy was noted (in particular, the role of the G7 in coordinating sanctions is decisive, in the opinion of the committee). However, there are concerns about Russia's growing ability to circumvent sanctions through third countries and uninsured shadow tanker fleets. The committee also asked Foreign Secretary David Cameron to provide more details in the context of his statement that there is allegedly a legal way to use frozen Russian assets to rebuild Ukraine, despite the fact that there are also legal difficulties associated with the implementation of such a mechanism. At the same time, it is worth noting that Britain is generally a pioneer in the implementation of sanctions related to the unprovoked Russian full-scale invasion: we are talking about sanctions that were imposed in response to Vladimir Putin's decree recognizing the independence of the separatist formations "DPR" and "LPR" in eastern Ukraine, which was signed on February 22, 2022, two days before the full-scale war. The day before, the first sanctions were imposed by the EU. As of 2024, Britain has sanctioned more than 2000 Russian citizens and companies, depriving Russia of \$400 billion in assets and revenues, equivalent to 4 years of funding for the war in Ukraine. 29 banks, which account for more than 90% of the banking sector of the Russian Federation, more than 130 oligarchs and their family members with a total fortune of about 147 billion pounds at the time of the invasion were sanctioned. Imports to Britain from Russia fell by 99%, exports from Britain to Russia – by 73% (*Government of the UK, 2024*).

Conclusions. The UK's exit from the European Union not only caused a crisis within the integration association, which for the first time faced the voluntary secession of a sovereign state from its membership, but also raised the question of further development of Ukraine's relations with both the EU and Britain. In the first case, it is also necessary to take into account the prospects and aspirations of Ukraine itself to become a member of the European Union, especially given the proximity of Russia, from whose sphere of influence not only Ukraine, but also a number of other states of the former USSR, such as Moldova and Georgia, are trying to leave. Britain is the main driving force supporting Ukraine and, in particular, its European integration aspirations, and remains committed to this even despite its withdrawal from the EU (or at least does not interfere with Ukraine's intentions to join the association), however, after that it does not have any voting rights at the level of various European institutions (European Parliament, EU Council, etc.) and is not able to promote the necessary interests and influence decision-making through its own representation in such bodies. Britain's treaty obligations as part of the EU to Ukraine have been replaced by a new framework defined by bilateral agreements. These are the Trade and Cooperation Agreement signed in October 2020, which is similar in content to the Association Agreement with

the EU, and supplemented/edited in 2022-2023, after the start of a full-scale invasion; as well as the first-of-its-kind January 2024 agreement, which marked the beginning of a series of bilateral security arrangements between Ukraine and other partners. In addition to such a framework, there is also an existing political consensus within the United Kingdom itself on support for Ukraine, which ensures decision-making on the regular provision of military, humanitarian and financial aid packages. Finally, against the backdrop of the large-scale invasion of the Russian Federation, the nature of British-European relations has changed: there are prerequisites for strengthening cooperation on key vectors related to foreign policy, security and defense, namely, sanctions against Russia, military assistance and reconstruction of Ukraine. Protection from the Russian threat and punishment of the aggressor country for the war unleashed by it are common interests of these parties at the current stage, despite differences in the mechanisms for the practical implementation of the intended goals.

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ROLE OF THE MIDDLE CORRIDOR IN CHINA'S FOREIGN POLICY STRATEGY

РОЛЬ СЕРЕДНЬОГО КОРИДОРУ У ЗОВНІШНЬОПОЛІТИЧНІЙ СТРАТЕГІЇ КИТАЮ

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Abstract. *This article analyses the role of the Middle Corridor in the current foreign policy strategy of the People's Republic of China (PRC). The paper examines the definition of the Middle Corridor, its participating states and its geopolitical significance in the context of Russia's full-scale war in Ukraine. In addition, the article discovers and analyses the role and impact of such countries as Türkiye, Azerbaijan and Kazakhstan in the context of the Middle Corridor and the project's impact on their bilateral relations with the People's Republic of China. The article also touches upon the role and strategic interests of the EU within the Middle Corridor, as well as the possible challenges and perspectives in the context of overall success of the Middle Corridor strategy.*

Keywords: *The Middle Corridor, PRC, economic cooperation, logistical infrastructure, transit potential, geopolitical influence, alternative route.*

Анотація. *Дана стаття присвячена аналізу ролі Серединного коридору в сучасній зовнішньополітичній стратегії Китайської Народної Республіки (КНР). У статті розглядається визначення Середнього коридору, держави-учасниці та його геополітичне значення в контексті повномасштабної війни Росії в Україні. Крім того, у статті визначено та проаналізовано роль і вплив таких країн, як Туреччина, Азербайджан і Казахстан, у контексті Середнього коридору, а також вплив проекту на двосторонні відносини цих держав з Китайською Народною Республікою. У статті також розглядаються роль і стратегічні інтереси ЄС в рамках Середнього коридору, а також можливі виклики і перспективи в контексті загального успіху стратегії Середнього коридору.*

Ключові слова: *Серединний коридор, КНР, економічне співробітництво, логістична інфраструктура, транзитний потенціал, геополітичний вплив, альтернативний маршрут.*

Introduction. The Middle Corridor, which is also known as the Trans-Caspian International Transport Route (TITR), is a vital trade route that connects China and Europe through Southeast Asia, Kazakhstan, Caspian Sea, Azerbaijan, Georgia and Türkiye. This route is an important linkage of the markets in China and Europe, providing the shortest route between Western China and Europe, compared to other trade routes, including the Northern Corridor which runs through *Russia* (Carafano, J.J., 2022). The Middle Corridor and its route have some similarities and resemblances of the ancient Silk Road: the historic Silk Road trade route ran through the south of the Caspian Sea and through Persia (which is modern-day Iran), the contemporary Middle Corridor goes past Iran through the ports in Kazakhstan and Turkmenistan for transportation of goods across the Caspian Sea into the territory of Azerbaijan. From Azerbaijan's territory, the cargo with diverse goods is directed further to the west to the European countries via either Türkiye or Georgia (Stoll, H., 2024). The Middle Corridor in itself is a network of interconnected road, rail, and sea routes covering a number of infrastructure projects in the countries involved in the realization of the Initiative. For instance, the key components of the Middle Corridor include the Trans-Caspian East-West-Middle Corridor Initiative, the Trans-Caspian International Transport Route, as well as the Trans-Caucasus Trade and Transit Corridor (Chang, F.K., 2023).

Considering the full-scale invasion of Ukraine by Russia and the significant geopolitical shifts and changes entailed by it, it is necessary to admit the profound impact it had on China's foreign policy strategies and the implementation of the Belt and Road Initiative in particular. For instance, according to the research conducted by the World Bank, before Russia's war in Ukraine, around 86% of land trade between Europe and China transited through Russian territory alongside the so-called Northern Route, which is several railways from Chinese northern border to Belarus and the mainland of Europe (World Bank, 2023). However, given the USA's and the EU's sanctions against Russia, it had a direct impact on China not only in terms of its influence on the Russian infrastructure - being used as a transit route for goods to Europe from China it had its practical implications for implementing the Belt and Road Initiative, but also had an impact on overall China's foreign policy because of the risk of getting secondary sanctions for trade and cooperation with Russia and Russian entities during the ongoing war in Ukraine. That is why, the existing dependence on transit goods to Europe through Russian infrastructure and territory had a significant impact on the realization of the Belt and Road Initiative. Taking this into account, it was necessary to explore the possible alternative options and possible alternative trade routes. that would not endanger the volume of China's overall trade with Europe (Rizzi, A., 2024). In this regard, the idea of further developing the transit potential and cooperation through the Middle Corridor has become a viable alternative for both the People's Republic of China and the countries of Europe, as it provides the required alternative for transit through Russia and can provide the unimpeded trade between China and the EU, which is an important aspect of post-COVID-19 economic and transit recovery for both parties. Furthermore, from China's perspective, the further development of the Middle Corridor may help strengthen Chinese influence in the region through intensified economic and infrastructural projects, which will definitely impact the geopolitical influence of China on the countries involved in this route (Rizzi, A., 2024).

The purpose of the article is to evaluate the role of the Middle Corridor in the foreign policy strategy of the People's Republic of China, its geopolitical influence and role as an alternative transit trade route between China and Europe, analyse the role of states participating in the Middle Corridor and to review the challenges and perspectives for the future development of the Middle Corridor.

Literature review. While working on the research for the article, the authors analysed an article "Beijing's interest in the Middle Corridor" (Donnellon-May, G., 2023) by Genevieve Donnellon-May, a geopolitical and global strategy advisor interested in regional resource conflict and environmental governance in Asia and Africa, where she described China's strategic interest in the development and implementation of the Middle Corridor, as well as the potential benefits of this project, including strengthening China's position in the region of Central Asia, establishing an alternative to the Northern Corridor trade route, which in the light of the sanctions against Russia is

an important and favourable alternative to diversify transit routes. What is more, Felix K. Chang, a senior fellow at the Foreign Policy Research Institute, in his article "The Middle Corridor through Central Asia: Trade and Influence Ambitions" (*Chang, F.K., 2023*) provided an extensive analysis of the strategic geopolitical interests of the main parties that are involved in the realization of the Middle Corridor, including China and Türkiye. As for Ankara, this article gives a profound understanding of the key goals and interests that Türkiye has in terms of the implementation of the Middle Corridor, including strengthening its influence in the region of Central Asia, especially considering the common linguistic roots with these countries. In turn, Dr. Tuba Eldem from SWP's Centre for Applied Turkey Studies in her article "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity" (*Eldem, T., 2022*) stressed the importance of geoeconomic importance of the Middle Corridor as an alternative trading and transit routes for Türkiye in the Eurasia, which has become a significant factor in the context of Russia's full-scale invasion of Ukraine.

Alberto Rizzi, a policy fellow at the European Council on Foreign Relations in his work "Risk and reward: Why the EU should develop the Middle Corridor trade route" (*Rizzi, A., 2024*) analysed the role of the European countries and the European Union in the concept of the Middle Corridor, as well as the strategic objective and interests of the European countries in the overall implementation of the project, underscoring a geopolitical significance of the Middle Corridor and its potential to develop into a viable alternative trading route, that will enhance trade between China and the EU. In addition, the authors examined the work of Seymur Mammadov, who in his article "China and Azerbaijan enhance the potential of the Middle Corridor" (*Mammadov, S., 2024*) analysed the role of Azerbaijan in the Middle Corridor and the potential cooperation projects, aimed at developing and increasing the capacities of the relevant infrastructure links in Azerbaijan.

In addition, while working on the research for this article, the authors relied on materials presented in such media outlets as The Diplomat and Bloomberg, as well as official statements and publications on official sources of the European Commission (*European Commission, 2022 & European Commission, 2024*).

Main results of the research. Speaking about the benefits of the Trans-Caspian International Transport Route for the People's Republic of China, first of all it is necessary to emphasize the speed factor: upon implementation of this project, cargos will be delivered from China to the EU market through the Middle Corridor in just 12 days, which is a significant breakthrough in terms of time-efficiency compared, for instance, with transit via the Indian Ocean, which takes around 22-37 days (Bloomberg). What is more, according to Genevieve Donnellon-May, China has other important benefits of the Middle Corridor, one of them being the possibility to diminish Chinese reliance and dependence on the current routes and essentially removing the risk of challenges and disruptions to the ongoing logistical projects and trade flows (*Donnellon-May, G., 2023*). Furthermore, according to the researcher, the Middle Corridor can potentially lead to an increased level of China's influence on a regional level in Central Asia and further strengthen Chinese position in the region through investments and more advanced political cooperation, resulting in the growing dependence of the region on China (*Donnellon-May, G., 2023*). Thus, strengthening of China's position in the Central Asia region can undoubtedly shift the balance of power and influence in the region more favourably for China, increasing its geopolitical influence in the region on a larger scale. Adding to this, it is essential to underline, that in the light of the anti-Russian sanctions regime due to Russia's war in Ukraine, the Middle Corridor presents a favourable alternative to diversify its trading and logistical routes, as well as reshape the regional cooperation and connectivity, and, ultimately, the geopolitical and infrastructural landscape to further benefit China (*Donnellon-May, G., 2023*).

Furthermore, Genevieve Donnellon-May stresses the fact that the Middle Corridor will help China have a greater access and possibilities for export of its goods to European markets, as well as in Central Asia and the Caucasus. Taking into account potential reduction of transportation time and costs, these factors have a significant impact on the possibility of the increased volume of trade between China, Central Asia and Europe, essentially making China and its exports even more

valuable and more important on the European market (*Donnellon-May, G., 2023*). Finally, implementation of different infrastructure projects within the Middle Corridor will not only increase bilateral and intra-regional trade, but will also enhance the overall economic growth for the countries involved in the project and, of course, China as a key beneficiary of the logistical and infrastructural potential of the Middle Corridor (*Donnellon-May, G., 2023*).

Additionally, it is fundamentally important to analyse the role of the participating countries in the Middle Corridor project and other important actors like the EU, their influence on the overall implementation of the project, and their bilateral relations with the People's Republic of China through the realization of the Middle Corridor. For instance, analysing the role of Türkiye within the Middle Corridor, it is worth noting that this country has been at the forefront of the possible implementation of this project. According to Felix K.Chang, a senior fellow at the Foreign Policy Research Institute, Türkiye considers the implementation of this project crucial for strengthening its strategic influence and position in the region of Central Asia, especially through enhanced economic cooperation (*Chang, F.K., 2023*). For Ankara, this region with common linguistic roots with Turkic-speaking countries has become an important part of the foreign policy course, including within the concept of the Middle Corridor (*Chang, F.K., 2023*).

Dr Tuba Eldem from SWP's Centre for Applied Turkey Studies, emphasizes the geopolitical factor that from Türkiye's perspective, the concept of the Middle Corridor is attractive not only for its economic and transit benefits but also for potentially decreasing the role of Russia and Iran in the region of Central Asia, increasingly improving its strategic position on a regional level (*Eldem, T., 2022*). From the economic standpoint, Dr Tuba Eldem stresses Ankara's fundamental objective in creating an alternative route that connects Eurasia and enhances the overall regional cooperation along the Middle Corridor, which will have a significant impact on increasing the level of economic cooperation with other countries, including China, as well as increasing the country's transit potential (*Eldem, T., 2022*). As for the latter, in the context of Russia's full-scale invasion of Ukraine and its impact on the logistical and transit infrastructure, Türkiye has become one of the key transit hubs in the world, taking into account Türkiye's beneficial geographical location that allows Türkiye the unimpeded trade with Europe, with Asia and Africa. That is why, considering the geographical and geopolitical factor, Türkiye has a key role in the overall implementation of the Middle Corridor and has a significant impact on its potential successful implementation. Additionally, from China's perspective, the possibility to enhance bilateral cooperation with Türkiye through the means of the Middle Corridor project, has a crucial impact and potential to improve bilateral cooperation in the political and economic fields and to further develop the existing and work on the potential trading routes, for which Türkiye might be a key factor to ensure success of the projects.

In terms of importance of the Central Asian region, it is necessary to analyse the role of the country that is the most involved in the implementation of the Middle Corridor in Central Asia – Kazakhstan. Essentially, the Middle Corridor starts on the eastern border of Kazakhstan with China, which already emphasizes the strategic geographical location in terms of a successful project implementation (*Duffy, S., 2023*). Currently, there are ongoing works on the new doubling of the Moyynty-Dostyk railway, which connects Kazakhstan to China and plays a significant role for transit between China and Europe. It is expected that this railway will be commissioned in 2025 and it is expected to increase the overall transit capacity (*Raimondi, M., 2023*). Furthermore, Kazakhstan Railways (KTZ) has already begun construction of another project, that lies within the concept of the Middle Corridor – the project that will run north of Almaty between Zhetygen and Kazybek Beka, aimed at increasing and supporting the growing number of rail freights and allowing them to bypass Kazakhstan's largest city Almaty. What is more, the line through Almaty is one of the two main lines that are forming Kazakhstan's part in the Middle Corridor, becoming a crucial route for China's trade within the Belt and Road Initiative since 2022 and Russia's invasion of Ukraine (*Newton, J., 2023*). Additionally, the Deputy Minister of Transport of Kazakhstan Satzhan Ablaliev stated at a Kazakhstan-Azerbaijan Business Council meeting in Azerbaijan, that “in 2023, the volume of transportation along the Trans-Caspian International Transport Route increased by

65% to 2.94 million tons”. He also added, that “in 2024, it is planned to further increase this indicator by 43% to 4.2 million tons”. The Deputy Minister of Transport also mentioned that “as of January 2024, the volume of transportation along the Corridor has increased by 2.5 times compared to January 2023, noting the growth in transit of Chinese containers by almost 3 times” (*Railway Supply, 2024*). All these projects underline the significance of Kazakhstan in the successful implementation of the Middle Corridor, as Kazakhstan has an important geographical location that allows it to closely collaborate with China and exploit its geographical location for transit purposes. Additionally, Kazakhstan is an important member of the Belt and Road Initiative and is crucial for China in terms of export of energy resources, inter alia oil and gas, which underscores the importance of this country within the Middle Corridor.

Moving further, the region of the Caspian Sea presents an important transit point in the Middle Corridor when goods coming from China are going through Central Asia, and from there on the goods are transported across the Caspian Sea to Baku (*Duffy, S., 2023*). According to Seamus Duffy, this port is substantially limited by the number of container ships it has – only one (*Duffy, S., 2023*). That is why, he believes that to ensure the effective transportation of petroleum goods and other goods in containers, the expansion of the overall transport and transit capacities of the Caspian Sea have to be expanded (*Duffy, S., 2023*). Considering the logistical and transit potential of the Caspian Sea, its further development will undoubtedly benefit a larger number of countries, including the participants of the Middle Corridor.

Speaking about Azerbaijan, over the years this country has become an important part of the Chinese Belt and Road Initiative due to Azerbaijan’s beneficial geographical location and significant transit potential. Moreover, Azerbaijan, possessing significant oil and gas reserves and being an influential actor in the energy projects market, becomes China’s important bilateral partner, that is why Azerbaijan's participation in the Middle Corridor is a vital element of the Middle Corridor infrastructure. According to Seymur Mammadov, both Azerbaijan and China cooperate actively to implement the Middle Corridor and develop the necessary infrastructure links, which are ultimately an important part of the overall Belt and Road Initiative. Thus, in 2023 a memorandum of understanding was signed by representatives of the Qingdao Port and Baku International Sea Trade Port to develop the relevant port infrastructure, increase cargo volumes and overall transit flows, essentially creating new possibilities for transit and transport of goods from China through Azerbaijan (*Mammadov, S., 2024*). Furthermore, Seymur Mammadov stressed, that the Baku International Sea Trade Port is currently undergoing modernization, which will enable the port to work with up to 25 million of cargo and 500,000 TEU per year, which will signal a significant increase in Azerbaijan's maritime freight transport capacities and will enhance the logistical and infrastructural efficiency in the region (*Mammadov, S., 2024*). Furthermore, there are ongoing efforts to expand the capacities of the Baku-Tbilisi-Kars railway corridor up to 5 million tons per year, which will be an important factor in terms of increasing the overall transport and transit capacities of the Middle Corridor (*Mammadov, S., 2024*). Given the geographical location and transit potential and capacities of Azerbaijan, alongside a significant number of energy resources, for these reasons Azerbaijan becomes a crucial part of the Middle Corridor. For China, the abovementioned reasons underscore the importance of strategic bilateral relations with Azerbaijan, which will facilitate further development of key Chinese infrastructure projects, including the Belt and Road Initiative.

Analysing the role of the European countries and the European Union in particular in the overall concept of the Middle Corridor, it can be said that European countries are one of the primary beneficiaries of the successful realization of the project, especially in the context of enhancing trade cooperation with Azerbaijan, Türkiye, countries of Central Asia and, of course, China. In the wake of the sanctions imposed by the European Union on Russia, it was clear that there was a need to develop an alternative route through Central Asia, thus decreasing the dependence on the transit of goods and services through Russia and its territory. As a result and in support of this measure, the EU made a €10 billion commitment to invest in the related infrastructure of the Trans Caspian Transport Corridor through its Global Gateway initiative (*European Commission, 2024*). According

to Alberto Rizzi, a policy fellow at the European Council on Foreign Relations, through the implementation and facilitation of the Middle Corridor and related infrastructure, the EU has the potential and possibility to place itself as an important actor in the region, especially from the economic perspective (Rizzi, A., 2024). Furthermore, there is potential in terms of energy cooperation and partnerships within the Middle Corridor, including the expansion of existing energy partnerships and cooperation with Azerbaijan and Kazakhstan. For instance, in 2022 the EU and Azerbaijan signed a Memorandum of Understanding on a Strategic Partnership in the Field of Energy, aiming at strengthening the existing level of cooperation between the EU and Azerbaijan, especially in terms of energy cooperation (*European Commission, 2022*). Taking into account the uncertainty regarding energy stability and energy prices in the world and the EU in particular, alongside the necessity to find alternatives to transit and trade through Russian territory, further development of the Middle Corridor has a significant potential for development and its successful implementation for the European countries (*Eldem, T., 2022*). The Middle Corridor provides a necessary alternative transit and transportation route, which would not only increase the level and volume of economic cooperation between all the parties involved but will also contribute to the bilateral relations between China and the EU through a shared interest in the successful development of an alternative transit corridor.

Speaking about the current challenges for the implementation of the Middle Corridor, the first main challenge is the multimodality of the route, meaning the route consists of both land routes and sea lines at the same time and there have been no tangible efforts in terms of synchronizing the transit capacities of the participating countries (*Avdaliani, E., 2023*). As for another challenge, according to Emil Avdaliani, a professor of international relations at European University in Tbilisi, Georgia, currently "there is close to no joint tariff coordination and relevant infrastructure to process the number of goods shipped through Russia" (*Avdaliani, E., 2023*). Despite the growing interest in the Middle Corridor from different actors worldwide, the issue of the relatively low capacities of this route is among the central ones and therefore there are ongoing discussions on the possibilities and potential projects to enhance the relevant infrastructure to increase the volume of trade through the Middle Corridor. Furthermore, according to Emil Avdaliani, there are significant geopolitical factors that might affect further development and intensification of cooperation under the Middle Corridor – instability in the South Caucasus region and Russian influence on both the South Caucasus and Central Asia region. These factors might influence the project's attractiveness for China with a view to further developing and investing in the logistical infrastructure (*Avdaliani, E., 2023*). Therefore, despite the great potential for development and ongoing efforts to increase the logistical and transit capacities of the Middle Corridor, there are still some challenges that hinder the smooth and rapid development and growth of trade under this trade route.

Conclusions. The Middle Corridor project has a significant potential to have a crucial role in the overall Chinese foreign policy strategy for several reasons. First, in the view of the Belt and Road Initiative, the Middle Corridor has the potential to have an important role through the investments and improvement in the logistics and infrastructure within the participating countries, which is a significant benefit in terms of the Belt and Road Initiative and Chinese foreign policy. Furthermore, considering the full-scale invasion of Ukraine by Russia and the sanctions against Russia, the Middle Corridor presents itself as a viable alternative route to diversify the transit routes both for China and the European countries, to facilitate bilateral trade and to diminish their dependence in terms of transit and trade on Russia. In this regard, the Middle Corridor is also crucial for China in terms of safeguarding Chinese trade with Europe and avoiding the risk of secondary sanctions by the EU through more advanced logistical cooperation with Russia. Even though the Middle Corridor doesn't have the capacity to fully substitute the volume of transit through the Northern Corridor and Russian territory, it still has a potential for further development and growth through infrastructure development and cooperation between all the parties involved. Therefore, it is safe to say that the Middle Corridor project has a significant potential of developing into one of the key supply chains, that will facilitate trade and economic cooperation between China and Europe.

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ARTICULATION OF THE EUROPEAN INTEGRATION TRAJECTORY BY THE INSTITUTION OF THE PRESIDENCY DURING THE FULL-SCALE RUSSIAN INVASION OF UKRAINE

АРТИКУЛЯЦІЯ ЄВРОІНТЕГРАЦІЙНОГО КУРСУ ІНСТИТУТОМ ПРЕЗИДЕНТСТВА У ПЕРІОД ПОВНОМАСШТАБНОГО ВТОРГНЕННЯ РФ ПРОТИ УКРАЇНИ

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Abstract. *This article examines the role of the institution of the presidency in the intensification of Ukraine's Euro-Atlantic movement, encompassing European and Euro-Atlantic integration. The study establishes that the period of martial law has particularly exacerbated national security issues and created favorable conditions for an effective European integration movement. In this context, it is argued that the institution of the presidency has gained political independence and significantly influences Ukraine's foreign policy.*

The study of this issue employs general scientific and specialized methods, including analysis, synthesis, induction, deduction, and comparison. The author demonstrates that Russia's full-scale invasion of Ukraine has not only intensified foreign policy orientations but also created Ukraine's image as a geopolitically significant state. Consequently, Ukraine's interests must be considered in the current global context.

Keywords: *European integration, NATO, EU, Euro-Atlantic trajectory, institution of the presidency, foreign policy, Ukraine.*

Анотація. *В даній статті досліджено роль інституту президентства в питаннях активізації євроатлантичного руху України (тобто європейської й євроатлантичної інтеграції). Нами встановлено, що період воєнного стану особливо загострив проблему національної безпеки та створив «ідеальні умови» для ефективного євроінтеграційного руху. У цьому контексті, аргументовано, що інститут президентства і його роль в Україні та значення для її зовнішньої політики набув політично незалежного характеру з можливістю впливати на неї.*

Окреслення даної проблематики стало можливим за використанням загальнонаукових та спеціальних методів, зокрема – аналізу, синтезу, індукції, дедукції, порівняння. Автором доведено, що період повномасштабного вторгнення РФ проти України сприяв не просто активізації зовнішньополітичних орієнтирів, а створив певний образ України, як геополітично значимої держави для глобального світу інтереси якої необхідно враховувати на сучасному етапі.

Ключові слова: *євроінтеграція, НАТО, ЄС, євроатлантичний курс, інститут президентства, зовнішня політика, Україна.*

Introduction. *Ukraine's integration into the European Union and the North Atlantic Treaty Organization has deep historical experience, with a key point being its dependence on the domestic*

political environment. Recent events indicate that, at this stage, it is essential to consider external circumstances that shape a unique agenda, alongside domestic politics.

Thus, various crises in domestic politics (which have been numerous throughout Ukraine's independence) have often been cited by European skeptics arguing that it is premature for Ukraine to attain full membership in the European community. However, the events of 2022 in Ukraine have reshaped the future vision of the EU and the concept of security across Europe. Presently, scholars suggest that candidate status could afford Ukraine a rapid start and facilitate effective decision-making regarding its EU membership. Military threats, which directly impact European security, also play a crucial role in accelerating Ukraine's integration into the EU. Therefore, the Ukrainian government, represented comprehensively by the institution of the presidency, aims to demonstrate that Ukraine has right for a full partnership and should seize this historic opportunity to implement its European and Euro-Atlantic aspirations.

The purpose of this article is to demonstrate how the institution of the presidency in Ukraine is expressing the path towards European integration amid Russia's full-scale invasion of Ukraine.

Achieving this objective entails several tasks, including outlining the evolution of European integration in Ukrainian politics, analyzing current challenges, describing the factors influencing Ukraine's integration into the EU, and emphasizing the role of the institution of the presidency in shaping the foreign policy agenda.

Literature review. In preparing this material, the scholarly contributions of domestic researchers who have delineated crucial aspects of Ukraine's European integration across various historical periods, with particular emphasis on the period of martial law, were pivotal.

The article authored by V. Burdyak and I. Moroz (*Burdiak V., Moroz I., 2008*), which delineates the foundational principles of independent Ukraine's foreign policy towards collaboration with the EU and NATO, is significant for fully comprehending the evolution of Ukraine's European integration trajectory. The research framework distinguishes the role of Ukrainian presidents in fostering relations with the European and Euro-Atlantic community.

An important contribution is found in the article by O. Tymoshchuk (*Tymoshchuk O., 2022*), which focuses specifically on the European integration processes amidst the Russian-Ukrainian war. The author provides analysis of the political and strategic frameworks underlying EU policy, emphasizing factors pivotal to Ukraine's obtaining of EU candidate status. Thus, the study outlines exceptions to European norms that member states can employ to foster regional peace and security.

The findings from sociological surveys conducted by institutions such as the Sociological Group «Rating» (*Dynamika zovnishno-politychnykh, 2022*) and the Razumkov Center's Sociological Service (*Zovnishnopolitychni oriientsii, 2023*) have been instrumental for scientific analysis. These surveys provided indicators that depicted Ukrainian society's actual perception of Ukraine's European integration trajectory following the imposition of martial law. The results highlighted Ukrainian societal attitudes towards the institution of the presidency, which plays a pivotal role in shaping foreign policy priorities in response to Russian aggression.

It is worth emphasizing that S. Bilychenko, A. Beteiko, A. Hetmanchuk, D. Korbut, S. Onufriv and others also dealt with the issues of European integration.

Thus, employing a diverse array of sources has enabled the author to comprehensively address the issue from a contemporary perspective, as it has its current significance and necessitates thorough scientific scrutiny.

Main results of the research. The context of this study begins with a review of the initial steps taken by independent Ukraine towards European integration. It is pertinent to note the perspective of V. Burdyak and I. Moroz, who highlight that the first stage in Ukraine's formation of a state European integration policy was marked by the adoption of the Declaration of State Sovereignty on July 16, 1990 (*Burdiak V., Moroz I., 2008, pp. 167*). The researchers emphasize that during this period, decision-making regarding European integration was predominantly within the purview of the Ukrainian parliament. Subsequently, from 1993 to 2001, there was a shift in political dynamics favoring initiatives of the institution of the presidency. This shift led to the emergence of presidential normative acts that delineated priority areas for European integration. Presidential

decrees approved the Strategy (*Pro zatverdzhennia, 1998*) and Program of Ukraine's Integration into the EU (*Prohrama intehratsii, 2000*), as well as the State Program of Ukraine-NATO Cooperation (*Pro Derzhavnu, 1998*), marking significant milestones on the political landscape.

Later, Presidents L. Kravchuk and L. Kuchma demonstrated their Euro-Atlantic loyalty by visiting NATO headquarters in 1992 and 1995.

It is noteworthy that Ukraine's aspirations for European integration with the EU have a substantial history dating back to 1993. During this period, the Verkhovna Rada of Ukraine adopted the Resolution «On the Main Directions of Ukraine's Foreign Policy» (*Pro Osnovni, 1993*), which emphasized our country's increased engagement in European regional cooperation. The following year, in 1994, Ukraine signed the Agreement on Partnership and Cooperation with the European Union and its Member States (*Uhoda pro, 1994*). This agreement facilitated the establishment of regular political dialogue and economic understanding between the parties.

In the course of scientific analysis, the Resolution «On the General Directions of the Foreign Policy of Ukraine», which delineated Ukraine's primary European integration priorities, emerged as a notable subject of inquiry. This resolution was directly influenced by the institution of the presidency in 1993 and subsequently in 2010, when the original 1993 Verkhovna Rada Resolution was superseded by the Law of Ukraine «On the Principles of Domestic and Foreign Policy», (*Pro zasady, 2010*) signed by the President. The document that outlined Ukraine's European integration trajectory, was transformed. Notably, the current version of the Law mentions the EU and NATO only once, in Article 11, underscoring the volatility of European integration rhetoric, which often fluctuated depending on Ukraine's internal political dynamics and was susceptible to subjective influences.

Notwithstanding these intricacies, it is compelling that Ukraine's orientations towards European and Euro-Atlantic integration have consistently hinged on the institution of the presidency throughout the entirety of our country's independence.

Comparing the perception of the EU and NATO by the institution of the presidency in 2010 with the present landscape in 2024, it is evident that the role of the President of Ukraine in shaping the European integration agenda remains crucial. This assertion is substantiated by Ukraine's political experiences, including revolutionary upheavals and combat experience in ongoing confrontation with Russian aggression.

It is worth to align with the perspective of A. Kruglashov, articulated in 2023. Assessing Ukraine's ongoing European integration efforts, the scholar suggests that Ukraine's determination and persistence in pursuing its foreign policy objectives within the European integration framework could serve as pivotal in restoring European unity (*Kruhlashov A, 2023, pp. 23*). This contribution could significantly aid Europe in addressing internal challenges. Such arguments are increasingly significant today, given the direct threat to European stability and security.

A compelling argument asserts that the institution of the presidency exercises its constitutional powers as stipulated in Article 102 of the Constitution through steps towards European integration (*Konstytutsiia Ukrainy, 1996*). It is crucial to highlight that the Constitution forms an integral part guiding the President's implementation of Ukraine's European integration agenda.

This provision demonstrates the genuine opportunity for the President to shape Ukraine's civilizational path and define the European identity of its people. Article 102 also delineates the state's strategic direction towards full membership in the European Union and the North Atlantic Treaty Organization.

The Constitution of Ukraine explicitly affirms that governmental actions are aimed at affirming the irreversibility of our country's European and Euro-Atlantic trajectory.

In examining current European integration issues, particular focus should be given to a pivotal stage that commenced in 2022. This year marked the onset of new opportunities for the institution of the presidency, especially in influencing foreign policy. This assertion is supported by analyzing the head of state's actions during the first year of martial law and the extensive scope of strategic

engagements with international partners. Russia's military aggression has fostered a pressing need to establish a secure environment both within Ukraine and beyond.

During the year, the President delivered 35 speeches in the parliaments of Europe, Asia, North America, Australia, Israel, and New Zealand (*Pershyi rik, 2023*). These addresses provided opportunities for the President to articulate Ukraine's national interests at international political and expert forums, thereby shaping the country's image as a committed partner in advancing values of security, stability, and democracy.

The practice of inviting foreign politicians to Kyiv and other Ukrainian cities affected by Russian aggression has proven to be well-founded. These visits serve to demonstrate the pressing need for international support for Ukraine. Such meetings with international dignitaries highlight the Ukrainian side's commitment to cooperation and its determination to ensure the country's security.

There is a prevailing viewpoint within the academic and expert community that February 28, 2022, marked the beginning of a new and highly progressive phase in Ukraine's history of European integration (*Makarenko N., 2022, pp. 367*). On the fifth day after the commencement of full-scale invasion and amidst martial law, Ukraine formally applied for membership in the European Union. The application was jointly signed by the President of Ukraine, the Prime Minister of Ukraine, and the Speaker of the Verkhovna Rada of Ukraine. Subsequently, during a morning briefing, the President of Ukraine urged the EU to consider the application through a special procedure, signaling the immediate initiation of the process towards granting Ukraine candidate status.

In response to this decisive and unequivocal action by Ukrainian authorities, the European community demonstrated readiness to reciprocate (*Shliakh Ukrainy, 2024*) and granted «green light» to commence accession negotiations. On June 17, 2022, the European Commission published its conclusions on Ukraine's application for EU membership, and on June 23, acknowledged Ukraine's European aspirations by conferring candidate status.

The candidate status has provided an added impetus for national policy to reform domestic legislation aimed at combating corruption and ensuring equality and human rights protection. Adherence to European standards is crucial, as it promises numerous economic benefits in the long term and establishes enduring support within the security sector.

It is significant that until 2022, widespread support for joining the EU and NATO among the Ukrainian population was lacking, characterized by an amorphous stance. It was with the onset of Russia's large-scale invasion that a distinct phase of foreign policy shifts towards a «Western orientation» commenced. The European direction has historically posed a challenge for both the Ukrainian nation and political decision-makers.

The imperative of advancing European integration and presidential initiatives during the period of martial law was underscored by unprecedented support from the Ukrainian nation. The swift dynamics of European integration brought about several positive changes in national policy, as evidenced by Ukrainian sociological institutions in 2022 and 2023. For instance, a survey conducted by the Sociological Group «Rating» at the close of 2022 indicated advancements in the Euro-Atlantic trajectory. According to the survey, 86% of Ukrainians expressed support for Ukraine's accession to the European Union (*Dynamika zovnishno-politychnykh, 2022*), marking a notable increase. Moreover, support for joining NATO reached its highest level in the history of observations, with 83% of respondents endorsing proactive membership in the Alliance.

A fundamental point persists in defining foreign policy preferences among Ukrainians in 2023. The findings from surveys conducted by the Razumkov Center's Sociological service in early 2023 paint a favorable picture. Membership in the EU enjoys support from 92% of Ukrainians, while 79% express backing for NATO accession (*Zovnishnopolitychni orientatsii, 2023*). These outcomes clearly reflect the impact of the current government's Western-oriented policies, which are predominantly steered by the institution of the presidency.

Therefore, the courageous resistance to Russian aggression and the defense of Europe's eastern flank against ruscism hastened the progress of European and Euro-Atlantic integration,

facilitating Ukraine's integration into the global democratic community. The steadfastness of Ukrainian authorities, guided by the institution of the presidency, played a crucial role in advancing the pace of forging strategic partnerships with global leaders such as Great Britain, Canada, and the United States.

Conclusions. Thus, in our analysis of the activities of the institution of the presidency and its articulation of the European integration agenda in the current context, we have observed that events linked to Russian aggression have served as a catalyst in political decision-making, with the institution of the presidency playing a pivotal role. Traditionally, it was held that NATO accession decisions were purely political while EU accession decisions were primarily economic, contingent upon fulfilling certain obligations by Ukraine. However, the current stage of international relations and global security has fostered a revised perspective, suggesting that both EU and NATO accession now carry significant geopolitical implications. This shift implies a streamlined political approach, potentially eliminating unnecessary bureaucratic hurdles in the accession processes.

The achievement of foreign policy objectives holds crucial strategic significance for Ukraine today, fostering effective diplomacy despite the special legal regime. The two-year experience of confronting the aggressor has prompted novel approaches to fostering intergovernmental dialogues, including robust engagement with the international community through visits to Kyiv and other Ukrainian cities. These visits provide firsthand insights into Ukraine's heroic defense efforts, safeguarding not only its sovereignty but also the eastern borders of the European Union. Collectively, these circumstances bolster Ukraine's image as an equal partner committed to safeguarding and ensuring global security.

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УДК 327(510)

CHINA'S ROLE IN MODERN WORLD POLITICS

РОЛЬ КИТАЮ У СУЧАСНІЙ СВІТОВІЙ ПОЛІТИЦІ

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Annotation. *The article examines the role of China in modern world politics. China's share in the world economy in 2022 is analyzed. The key factors that contributed to the country's growth are identified. The dynamics of China's GDP growth in 2010-2022 is studied. China's place in the global competitiveness ranking for 2021-2022 is substantiated. The inflow of FDI is analyzed, which is cyclical in nature, since investments are a direct indicator of crises. It is noted that China's economic expansion is expanding and its influence in the world is increasing due to the formation of dependence on China as both an exporter and an importer. The data of the Global Innovation Index report, where China is among the 20 most innovative countries in the world, are substantiated. The foreign policy of the People's Republic of China is studied and its basic principles are determined. It is substantiated that China has a strong economy and a strong competitive position in the world economy, which allows China to position itself as one of the world leaders in the international arena. The economic power of China is determined. Xi Jinping's foreign policy is substantiated. It is revealed that over the years, China has made significant progress in transforming into a dynamic, knowledge-based economy and has managed to introduce new rules to cope with the governance challenges posed by the onset of the currency crisis, pandemic and the 2022 crisis. It is investigated that China currently accounts for almost a third of world exports and imports. The role of China in world politics is studied on the example of its position on the war in Ukraine and relations with Russia. China's place in the world ranking of countries according to the Innovation Index for 2020-2022 is studied. It is noted that in its foreign policy, China adheres to five basic principles, in particular: mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in the internal affairs of another country, equality and mutual benefit, and peaceful coexistence. The dynamics of Russian exports to China is analyzed.*

Keywords: *China, expansion, foreign policy, GDP, exports, imports, geopolitics, world politics, strategy, war.*

Анотація. В статті розглянуто роль Китаю у сучасній світовій політиці. Досліджено частку Китаю у світовій економіці. Визначено ключові фактори, які сприяли росту країни. Досліджено динаміку росту ВВП Китаю. Обґрунтовано місце Китаю у рейтингу глобальної конкурентоспроможності. Проаналізовано приплив ПІІ. Зазначено про розширення економічної експансії КНР та збільшення впливу в країнах світу через формування залежності від Китаю як від експортера так і від імпортера одночасно. Обґрунтовано дані звіту Глобального Індексу інновацій. Досліджено зовнішню політику КНР та визначені її основні принципи. Обґрунтовано, що Китай має сильну економіку та сильну конкурентну позицію у світовій економіці. Визначено економічну міць Китаю. Обґрунтовано зовнішню політику Сі Цзіньпіна. Виявлено, що за роки свого існування Китай домогся значного прогресу в перетворенні в динамічну, засновану на знаннях економіку. Досліджено, що в даний час на Китай припадає практично третина світового експорту та імпорту. Досліджено роль Китаю у світовій політиці на прикладі його позиції щодо війни в Україні та відносин з РФ. Досліджено місце Китаю у рейтингу країн світу за Індексом інновацій. Зазначено, що у своїй зовнішній політиці КНР дотримується п'ятьох основних принципів, зокрема: взаємна повага до територіальної цілісності та суверенітету, ненапад, невтручання у внутрішні справи іншої країни, рівність та взаємна вигода й мирне співіснування. Проаналізовано динаміку експорту РФ до Китаю.

Ключові слова: КНР, експансія, зовнішня політика, ВВП, експорт, імпорт, геополітика, світова політика, стратегія, війна.

Introduction. Today, China is at the center of political and economic events, as its foreign policy, based on the principle of neutrality, is a “unique blend” of geopolitical strategy and economic expansion. This is precisely the uniqueness of this country, which over the past few years has literally absorbed its own and is the second largest most influential country, the power and influence of which is increasing every year. The neutrality that China has chosen in relation to the war in Ukraine is clear evidence of a successful foreign policy, because without accepting either side, China continues to conduct foreign economic relations with world countries and has received a satellite in the person of the Russian Federation, which is beneficial to Xi Jinping and which he successfully uses. The topic of studying the foreign policy of the PRC is not new, but in the maelstrom of events in 2022-2023 it has acquired new relevance, which influenced the writing of this article.

The purpose of the article. Conduct an analysis of China's economic development and determine its influence on the formation of foreign policy in the conditions of the third world crisis.

Literature review. Studies of Chinese foreign policy were carried out by the following scientists and researchers such as N. S. Heilman (2017), V. A. Callahan (2008), Chu Shulong, Jin Wei (2009) and others. The novelty of the study lies in the peculiarities of the foreign policy of the PRC in the conditions of the third world crisis - the war in Ukraine.

Main research material. We will begin this analytical study with an analysis of China's geo-economic position in the world and its economic development, which has actually influenced the formation of China's foreign policy.

To begin with, we studied China's place among the world's largest economies by analyzing countries by GDP as of 2022 (Fig. 1), since the higher the country's GDP, the more competitive it is and, accordingly, the larger its share of the global market.

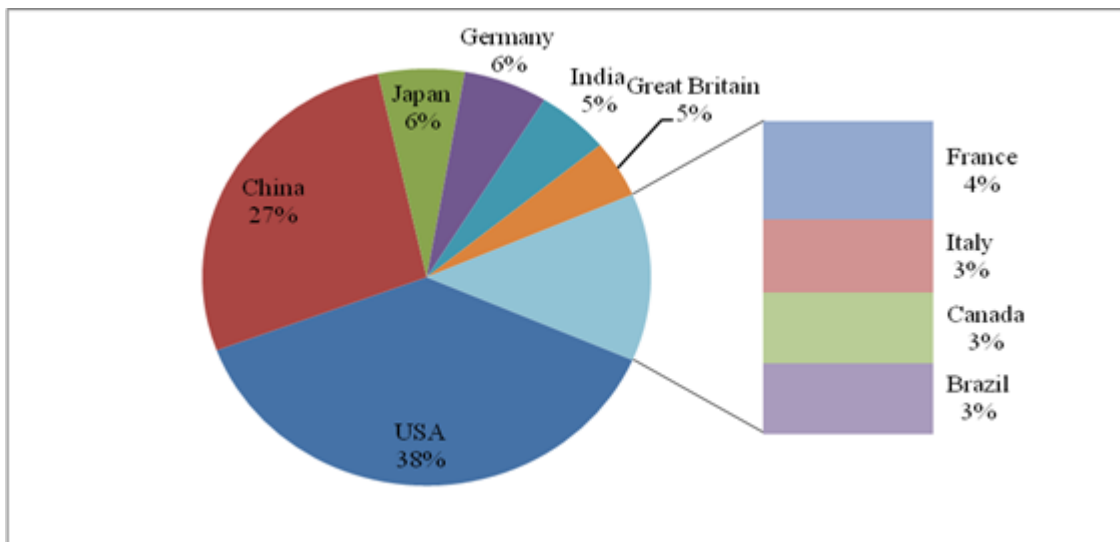


Figure 1 – China’s share in global GDP as of 2022, %
Source: (*Top 10 economies, 2022*)

Although the United States has maintained its position as the world's largest economy since 1871, China's share is 27%, making it the world's second largest economy and the main competitor of the United States. China is a global economic miracle. After all, in just a few years, the country's GDP has grown many times over, which has increased China's influence in world politics and the international arena (Fig. 2).

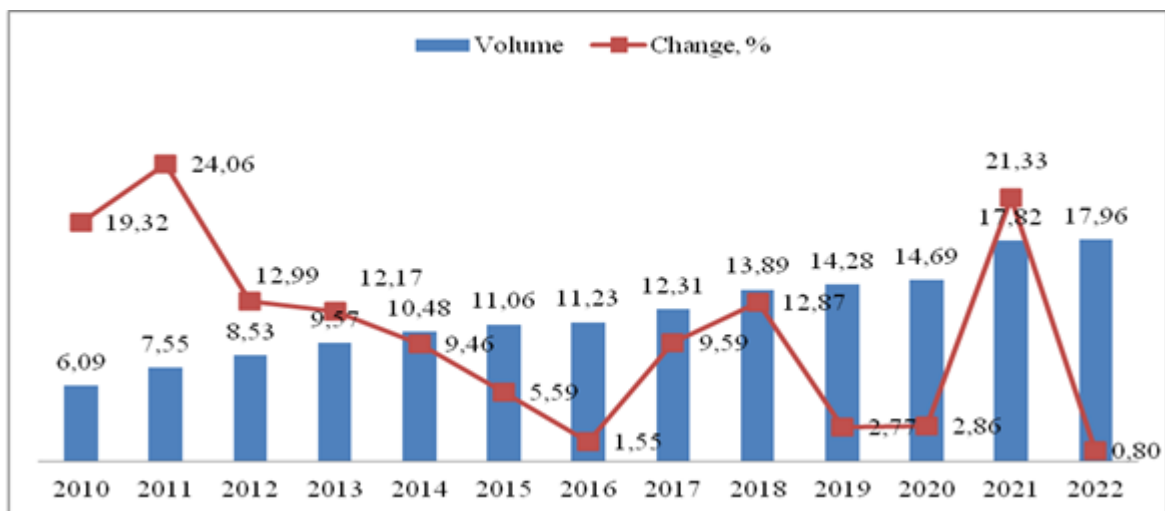


Figure 2 - Dynamics of China's GDP growth for the period 2010-2022, trillion. dollars USA
Source: (*World Bank, 2022*)

As can be seen from Fig. 2, in general, China's GDP grew by 1.5 times during the analyzed period, which shows the effectiveness of its foreign strategy. In Fig. 2, we can see the dependence of China's GDP growth on external factors, with 2022 being particularly critical, as this year GDP grew by only 0.8% compared to 2021, as a result of the war in Ukraine and the general economic crisis that arose from Putin's aggression, which shook up the global energy, food and IT markets, and had consequences for all countries of the world, including China.

Another important indicator of a country's economic growth is the impact of foreign investment, which also shows the country's foreign policy relations with the rest of the world, so we propose to analyze the overall dynamics of global investment in China over the past 12 years (Figure 3).

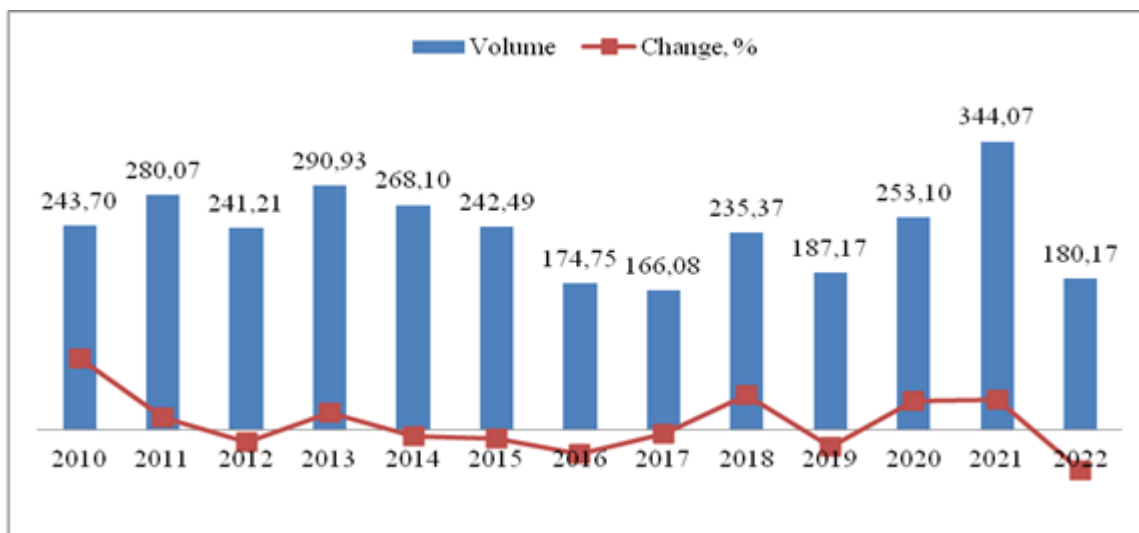


Figure 3 – Dynamics of FDI in China for the period 2010-2022, trillion. dollars USA
Source: (World Bank, 2022)

Analyzing FDI inflows, we can see their cyclical nature, as investments are a direct indicator of crises during which they decline, which we can see in 2022 in China, where the volume of investments was lower than in 2019. However, if we compare the overall investment picture, thanks to effective government policy, there has been an increase in investment in the Chinese economy, which has a positive impact on the development of the country and the growth of its political and economic power on the world stage.

Another important factor in the country's development and competitiveness is the level of innovation, which is also an indicator of a strong economy. According to the Global Innovation Index report, China is among the 20 most innovative countries in the world (Fig. 4).

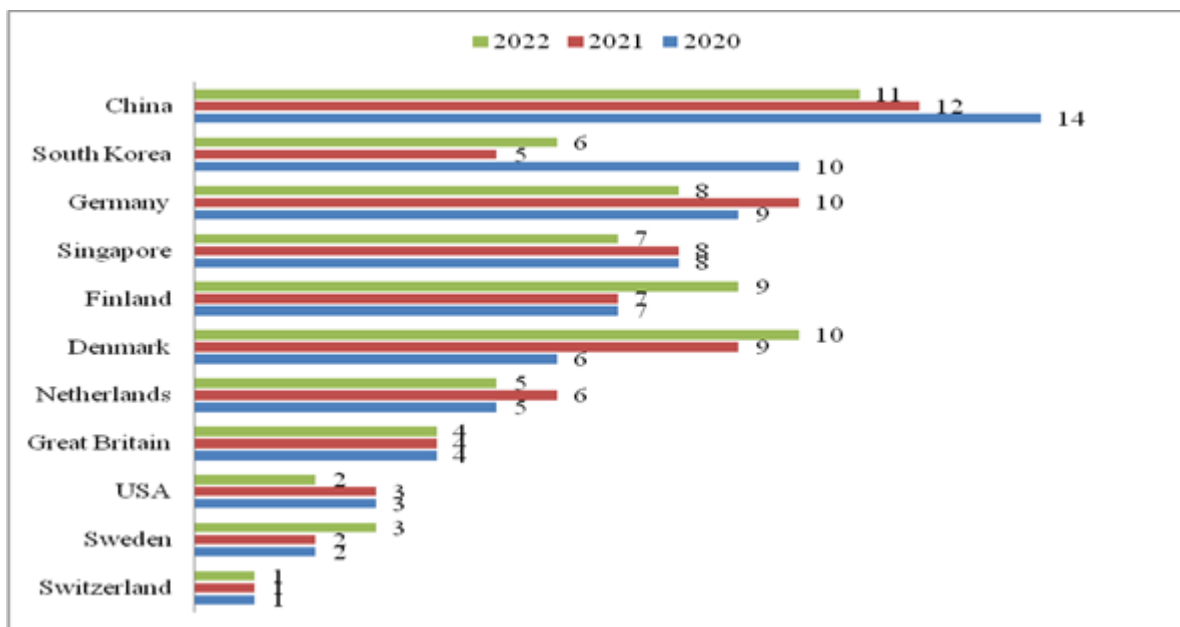


Figure 4 – China's place in the ranking of world countries according to the Innovation Index for 2020-2022.

Source: (Global Innovation Index, 2022; Global Innovation Index, 2022)

Over the past two years, China has firmly established itself as one of the innovation leaders. The Innovation Index is based on eighty indicators, including access to skilled labor, high-tech infrastructure and credit. An additional factor is the high level of legal protection of intellectual property, allowing entrepreneurs and inventors to control their ideas and have the exclusive right to

use them to profit from their labor-intensive efforts.

Currently, the main means of generalized assessment of the competitiveness of states is the global competitiveness index. In 2022, the top ten countries represented in it included 6 European countries: the Netherlands, Switzerland, Germany, Sweden, Great Britain, and Denmark. China ranked 17th and is a powerful country with a highly competitive economy (see Fig. 5).

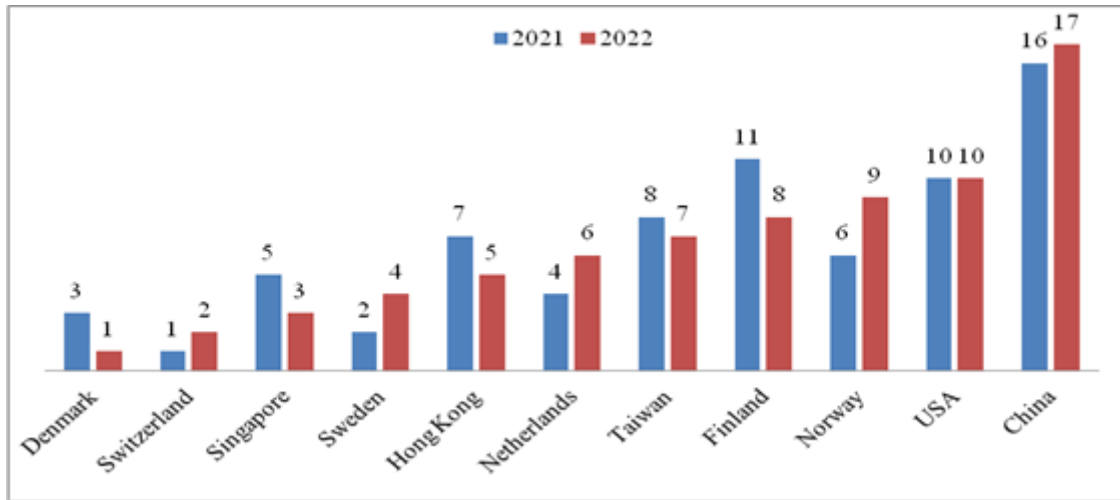


Figure 5 – China’s place in the global competitiveness ranking for 2021-2022
Source: (IMD, 2023)

China has a strong economy and a strong competitive position in the global economy, which allows the PRC to position itself as one of the world leaders in the international arena.

Researching this topic, it was found that over the years, China has made significant progress in becoming a dynamic, knowledge-based economy and has managed to implement new rules to cope with the governance challenges associated with the onset of the currency crisis, pandemic and the 2022 crisis.

Currently, China accounts for almost a third of world exports and imports (Fig. 6).

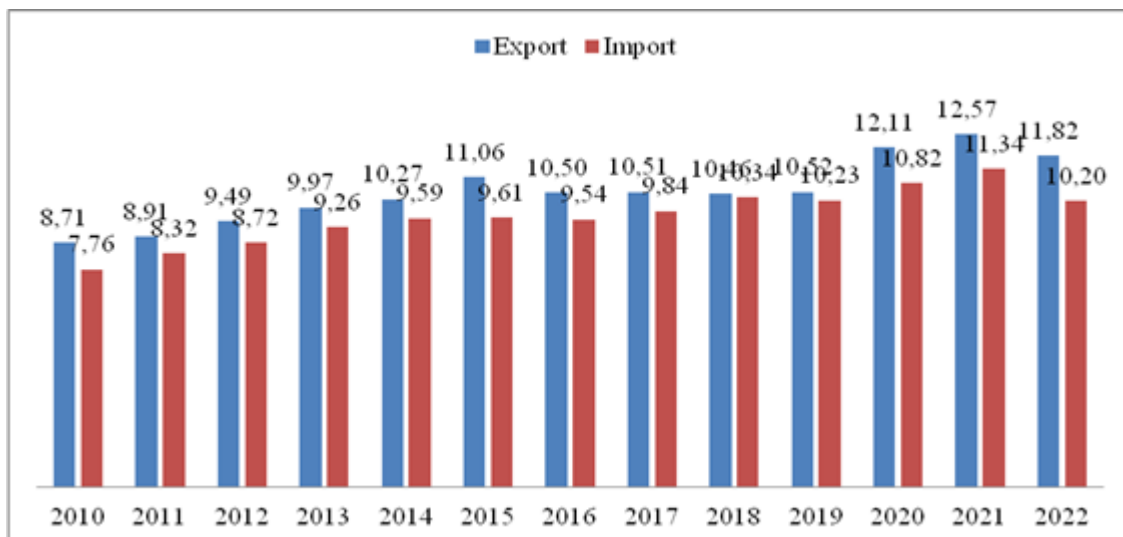


Figure 6 - Share of China's exports and imports in world exports for the period 2010-2022, %
Source: (World Bank, 2022)

China's share in world exports increased from 8.71% in 2010 to 11.82% in 2022, and the same is true for imports - from 7.76% in 2010 to 10.20% in 2022. Such export and import growth rates indicate that China is expanding its economic expansion and increasing its influence in the world through the formation of dependence on China as both an exporter and an importer. China literally

makes countries dependent on its presence, as we see in the example of the Russian Federation. Along with the USA and the EU, China plays an important role in the international arena and is the center in which the most important world events of both an economic and political nature take place.

So, having defined China's economic power, we propose to examine in more detail the features of foreign policy that have actually created the "cult of China" in the world, namely Xi Jinping's policy.

Xi Jinping's foreign policy can be seen not just as a departure from Deng Xiaoping's (his predecessor) concept of "taoguan yanghui", but also as a complete break with the traditions and mentality of "revolutionary diplomacy" with which Deng Xiaoping's course was closely associated at least levels. There is a fundamental difference between the two foreign policy paradigms - under Deng Xiaoping (and in many ways under Jiang Zemin and Hu Jintao), China did not pursue an active foreign policy, but to a certain extent retained class rhetoric, usually not intending to undermine the social basis of "hegemony" (Heilmann S, 2017). If previously toughness in words often turned into softness in deeds, the transition to a proactive foreign policy under the fifth generation of leaders narrowed the rhetorical gap, but did not completely eliminate it. If, under previous leaders, rather harsh rhetoric compensated for the weakness of politics and the desire to "remain in the shadows" in global affairs, now the opposite is more likely happening - the rhetoric is designed to smooth out the fears that exist in different countries of the world due to the increasing role of China in international affairs.

The ideology of Xi Jinping is the ideology of transforming China from a great state into a strong and durable one with the transfer of global power (Callahan W. A., 2017). Xi Jinping's diplomacy is transitory in nature, which symbolizes the growth of China's global ambitions. Xi Jinping's desire to become better than the United States and completely take over the world with his presence was so strong that we are tracking its real implementation using the example of China's expansion into other countries and the formation of their dependence on the global leadership of the PRC.

In its overall policy, China adheres to five main principles, as shown in Figure 7.

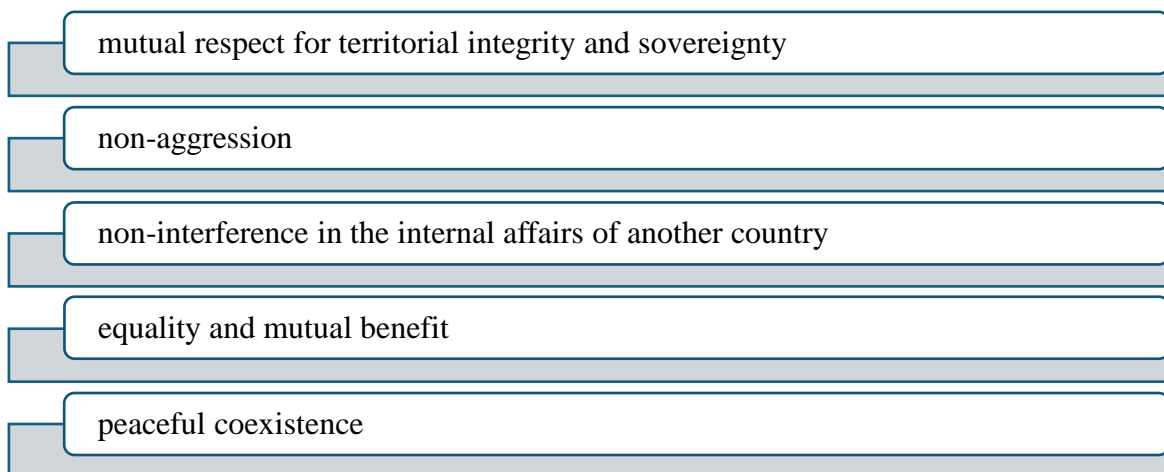


Figure 7 – Principles of Chinese foreign policy

Source: (Chu Shulong, et al., 2008; Qin Yaqing, 2009)

Adherence to the principles described above is the basis of China's foreign policy, which Xi Jinping is actually manipulating to achieve his ambitious goals. After all, hiding behind the principle of non-interference in the internal affairs of another country, China remains neutral in the war between Ukraine and Russia, but benefits from it, which is manifested in Russia's increasing dependence on China. Fig. 8 shows the dynamics of Russia's exports to China, USD billion. It shows that the growth of exports to China increased in 2022-2023, and in 9 months of 2023 it exceeded the level of 2021, which suggests the hypothesis of Russia's total dependence on China and its transformation into a satellite.

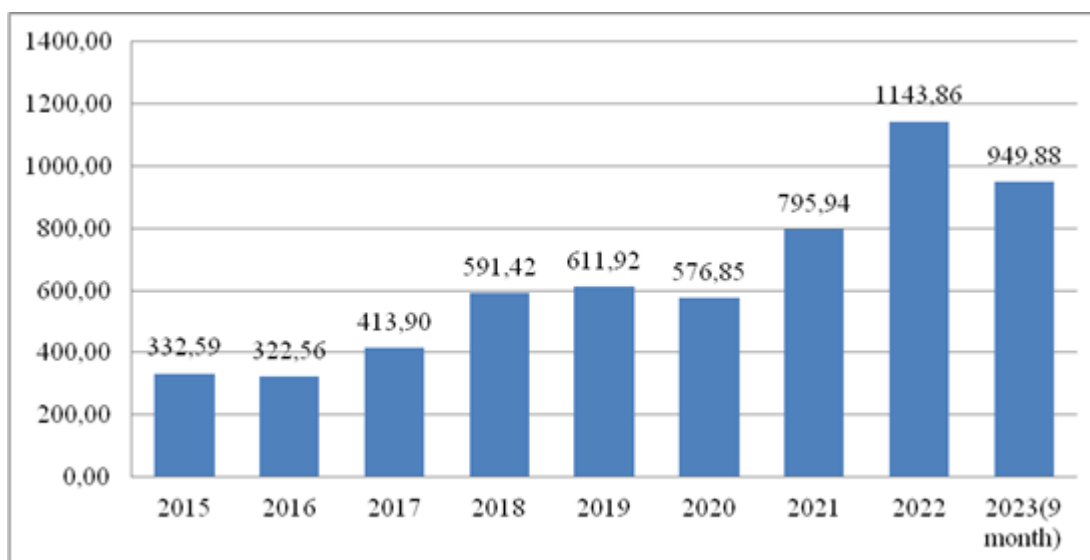


Figure 8 – Dynamics of Russian exports to China, billion dollars. USA

Source: (*China Customs Data, 2023*)

Despite its trade relations with Russia, China continues to strengthen its relations with other world countries, thus expanding its political and economic expansion.

Thus, it can be said that the main goal of Xi Jinping's foreign policy is to show the world the power and greatness of China as a superpower and to become the world's largest economy, overtaking the United States.

Conclusions. A look at Chinese foreign policy reveals China's majestic presence in the world. By adhering to his principles, Xi Jinping has created a strong economy and implemented an effective policy to integrate the world into China, and this, in our opinion, is the main goal of his foreign policy. The leader of China successfully uses international events and takes the most advantage of them, we can see this on the example of the war in Ukraine, because in just two years China has turned such a powerful Russia into its slave, while maintaining friendly relations with the rest of the world. China's foreign policy is a clear example of expansion disguised as good intentions, and we have no doubt that in the next few years China will become the largest economy in the world and turn its creator, the United States, into a satellite.

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HISTORY OF JAPAN'S USE OF SOFT POWER TO ACHIEVE NATIONAL INTERESTS: LESSONS FOR UKRAINE

ІСТОРІЯ ВИКОРИСТАННЯ ЯПОНІЄЮ "М'ЯКОЇ СИЛИ" ДЛЯ ДОСЯГНЕННЯ НАЦІОНАЛЬНИХ ІНТЕРЕСІВ: УРОКИ ДЛЯ УКРАЇНИ

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***Abstract.** This article focuses on the phenomenon of soft power in the context of Japan. It examines the historical development of the country's soft power, the institutions and initiatives that ensure it, and the challenges that have been shaped in different historical periods. Given that today Japan is a country with one of the most effectively developed mechanisms of cultural diplomacy, it can serve as an example for states seeking to develop their own soft power institutions and fields. In particular, the author describes the relationship between Japanese soft power and the economy in its various sectors, and explains the phenomenon of the popularity of Japanese cultural products abroad. Various international rankings are used to analyse these phenomena. The research methods used include description, synthesis, generalisation, and comparison. The author also analyses the history and historical and foreign policy factors that influenced the development of Japan's soft power. Accordingly, the author describes how Japan has managed to overcome historical and geographical challenges in building soft power and how it protects its national interests. From this analysis, the author also derives recommendations for Ukraine in building its own soft power, having described and characterised its current state. Accordingly, it was found that the success factor for Japanese soft power was economic development, which allowed for the rapid expansion of various industries from gastronomy and sports to music and literature. But the most attractive thing about the Japanese cultural product is its modernity and compliance with trends, as well as the wide choice that attracts many people. In addition, Japan has made efforts to become a leader in unique policy areas such as the environment or know-how.*

***Keywords:** Soft power, Japan, Ukraine, Japan's cultural diplomacy, Cool Japan, public diplomacy, protection of national interests.*

***Анотація.** Стаття присвячена явищу м'якої сили в контексті Японії. У ній розглядається історичний розвиток м'якої сили держави, інститути й ініціативи, що її забезпечують, а також виклики, які формувались у різні історичні періоди. Враховуючи, що сьогодні Японія є державою з одним з найбільш ефективно розвинених механізмом прямої дипломатії вона може слугувати прикладом для держав, які прагнуть розбудовувати власні*

інститути та напрями м'якої сили. У статті, зокрема автор, описує зв'язок японської м'якої сили з економікою у різних її галузях, а також пояснює феномен популярності японського культурного продукту за кордоном. Для аналізу цих явищ застосовані різні міжнародні рейтинги. Серед застосованих методів можна виокремити як то опис, синтез, узагальнення, порівняння. Також залучається аналіз історії та історичних та зовнішньополітичних факторів, які впливали на розвиток японської м'якої сили. Відповідно охарактеризовано як Японії вдалося побороти виклики історичного й географічного характеру у розбудові м'якої сили, а також як з її допомогою вона захищає власні національні інтереси. З наведеного аналізу автор також виводить рекомендації для України в розбудові власної м'якої сили, описавши та охарактеризувавши до цього її сучасний стан. Відповідно було встановлено, що фактором успіху для японської м'якої сили слугував економічний розвиток, який дозволив стрімке розширення різних галузей від гастрономії і спорту до музики і літератури. Але найбільш привабливим в японському культурному продукті є його сучасність і відповідність трендам, а також широкий вибір, який приваблює багатьох людей. Окрім того, Японія доклала зусиль, щоб стати лідером унікальних галузей політики як то екологія чи ноу-гау.

Ключові слова: М'яка сила, Японія, Україна, культурна дипломатія Японії, Cool Japan, публічна дипломатія, захист національних інтересів.

Introduction. Soft power, as a term, was first used and presented as a concept by J. Nye. It consisted of the ability of a state to achieve the desired through cooperation and different means from traditional hard power, i.e. not coercive. After that, soft power became an important category in the analysis, discourse and research of the international order. This statement is often equated with cultural and public diplomacy, economic policy and participation in integration associations.

It seemed that in the modern world, war and traditional pressure of states on each other were rather the exception, and therefore the development of soft power became a major priority for each state. Japan has made great strides in this regard. This is not surprising, since after the Second World War, the country was virtually deprived of traditional means of influence and therefore focused on building it in other ways. The rapid development of the country after the war and its successful construction of a new image quickly became the subject of many studies.

However, the international situation is constantly changing, and so is the role and nature of soft power in it. Therefore, the analysis and study of Japan's soft power is still relevant, and in this paper, the author will try to see useful practices for other countries, including Ukraine, in Japan's particular experience.

The purpose of the article. The purpose and objectives of the article are to describe the main aspects of Japan's soft power, the history of its formation and the peculiarities of its integration into the modern policy of the state, and to identify the relevance of certain practices for Ukraine in the potential organisation of its own soft power.

Literature review. The theoretical and methodological basis of the study will be the scientific works of existing American, Asian, in particular Japanese, and European researchers. To ensure the objectivity of the study, the author tried to use the most recent sources wherever possible. Different literature was used to describe each phenomena.

The view of Japanese soft power has been considered in the works of Japanese political scientists such as Koma, Kyoko (2009), Otmazgin, N. K. (2007), 4. Aoki, Tamotsu (1990), Matsumura, Masayoshi (2002). But also through the lense of Foreign scholars such as Zykas, A. (2022), Desmond, E. W. (1995), Otmazgin, N. K. (2007). As well as news reports to highlight the actual state of affairs.

Main results of the research. During the post-war years Japan did not engage in cultural diplomacy for a long time, using the Yoshida Doctrine, which prioritized purely economic development as a foundation for its foreign policy. But in the 1970s, Japan felt the need to open markets for the products of its economic development. However, it met resistance from Western countries, where a discourse about the "yellow menace" and aggressive Japanese developed

(Kyoko, K. (2009). At the same time, anti-Japanese sentiment began to grow in Asian countries due to the large share of Japanese capital in their economies and their post-colonial legacy (Otmazgin, N., K., 2007). These factors, as well as a growing sense of insecurity due to U.S. rapprochement with China and military restrictions, encouraged Tokyo to develop its soft power.

Then to provide cultural diplomacy, the Japan Foundation was established in 1972. The objectives of cultural diplomacy at this stage were strategically oriented towards Western and Southeast Asian countries (Masayoshi, M., 2002). The main goal was to address rising international challenges and to create favourable conditions for the international expansion of Japanese companies. Thus, its activities were divided into three areas: assisting Japanese language learning abroad; cultural exchange, including exchanges between artists and musicians; and encouraging Japanese studies research abroad.

But at the time, cultural diplomacy continued to focus on elements of traditional culture, ignoring new media forms like the actively developing manga or anime. This was because the Japanese authorities decided to fight against the stigma of "culturelessness" by showcasing century-old traditions. This also emphasised the "otherwise" Japanese culture, with the expectation that if diplomatic conflicts arose, this would be smoothed over by the "difference of mentalities". In addition, it was possible to avoid economic pressure, in particular, demands to increase imports, because for foreign companies the conquest of Japanese markets seemed to be an impossible task. For Asian countries it was important to emphasise Japan's belonging to the continent (Tamotsu, A., 1990)

The peak of the new wave of cultural diplomacy in the 1980s was validated by the Kokusaika strategy. During this period, Japan established itself as a country with a rich cultural tradition among Western and Southeast Asian societies. Positive perceptions of Japan grew even within its main rival, the United States. Thus, public opinion polls in the USA show that in the 1970s Japan was considered a reliable partner by 45.8 % of the population, while in the 1980s and 1990s this share increased to 51.8 % (Kaigai, K., S., 2008).

However, the "burst of the economic bubble" and the "lost decade" forced Japan to drastically reduce funding for its cultural projects. Paradoxically, it was in this period that Japanese culture became most popular around the world. This is understandable due to the late effects of public diplomacy in the 1980s. However, it is interesting that this popularity was mostly grounded in modern aspects of Japanese culture (or even different subcultures) not promoted by the government. Yet the fact is, within 10 years, Japan has become a major global cultural player, competing in some areas even with the United States, the hegemon of global pop culture.

This phenomenon of modern Japanese culture has become known as Cool Japan. It is difficult to identify the main causes for the emergence of this phenomenon, because it is the result of a complex of internal and external factors. But during this decade, the Japanese government strategically pursued a strategy of promoting traditional culture while ignoring successful examples of media innovation. As a consequence, during these ten years, the latent "soft power" of Japan's cultural industry has never been clearly established at the official level, ignoring new trends and opportunities. (Zykas, A., 2022)

At the same time, Japanese diplomacy was also going through a difficult period, failing to adapt in time to the challenges of the new world order, it was increasingly criticised by other states. In particular, Japan was heavily criticised because of its only economic involvement in the Gulf War. This prompted what began to be a revision of the fundamental principles of foreign policy among Japanese elites. The main ideologues of the new approach, Shinzo Abe and Ichiro Ozawa, pushed for leaving the "Yoshida Doctrine" in the past and seeking ways to diversify foreign policy, including the development of cultural diplomacy (Desmond, E., W., 1995)

This meant that instead of emphasising the exotic aspects of Japanese culture, Japan had to present itself as a pioneer of the global postmodern culture. Anime as animation, manga as comics, fashion, pop music, cuisine, and novels by young writers all began to play an important role in Japan's diplomacy. But to organise such activities one must face commerciality, so Japan's soft power is closely linked to its trade policies, such as the protection of intellectual property rights or

participation in international film festivals and book fairs. This new trend is best symbolised by the proliferation of the 'content industry', which refers to new media and related service industries. It is therefore not surprising that Cool Japan became an official Japanese government project in 2010 (The conversation, 2018).

Yet for all the transformations and challenges, Japan's soft power remains one of the most powerful in the world. Thus, according to Brand Finance's Global Soft Power Index, it is ranked 4th in 2023 with a score of 65.2. And also, according to this study, Japan is in the top 3 in such indicators as "Reputation"; "A strong and stable economy" "Products and brands the world loves"; "A leader in science"; "Leader in technology and innovation" "Sustainable cities and transport"; "greater ethical standards and less corruption."(BrandFinance,2023).

Much of the credit here can be given to the Cool Japan initiative, which has finally allowed Japanese politics to involve all areas of culture, from gastronomy to the idol industry, in its foreign policy. Besides improving Japan's image, this use of culture is very beneficial for the economy. For example, the information and media segment were recognised as a major contributor to Japan's GDP in 2018. Media and communication with a value of \$878 billion USD with the share of 9.6% of the total, generating revenues exceeding contributions from business (9.3%), real estate (7.5%) and healthcare (7.2%)(Tao,R.,2018).

In addition, the Japanese cultural product continues to gain popularity overseas, particularly in the West. Thus, manga has officially overtaken comic books in sales in the US market. According to 2021 data from NPD BookScan, manga sales accounted for 76.71 % of total graphic novel sales and grew 171% compared to previous year. The reasons include the diversity of genres and the fact that the US comics industry has recently begun to focus on covering and promoting specific political ideas, which is in its nature a divisive factor. Whereas manga focuses on personal stories and universal values like willpower, optimism, hard work, finding one's life goals and passions, interpersonal relationships, etc. (Animehunch, 2021). Also the Japanese authorities have support programmes for young artists, while providing them freedom of subject matter of the artistry.

These optimistic results of Japan can be used to compare Ukraine's situation regarding soft power. According to the already mentioned Brand Finance's Global Soft Power Index 2022, it has risen from 51st to 37th position, which is the best indicator of dynamics in the world. (BrandFinance, 2023) However, it should be noted that in the additional criteria, Ukraine entered the top 3 only in terms of "discussion in the world". In addition, although Russia has indeed lost a lot in its image after the war, it and China are still in the top 20 in all the ratings presented in this study. Ukraine, despite its tremendous improvement, has not been included. It is clear that the development of soft power was greatly boosted by the war. In addition, Ukraine's soft power tools are still very limited. That is why this result cannot be considered sustainable.

Ukraine cannot constantly rely on the status of a victim. It needs to build new narratives in its post-war development. It can already use the narrative that was used in 2014, namely "a country of transformation, democratisation and European values". But there is a high risk of a 2014-like failure due to internal factors. In this regard, the development of soft power and the image of the state is inseparable from its economic and political development. In general, without economic means, it is impossible to use powerful soft power. But the example of Japan shows that soft power can then turn into a factor of economic prosperity.

Like post-war Japan, Ukraine needs to focus on economic development, make the country's investment climate favourable, ease the conditions for doing private business, stimulate entrepreneurship, and at the same time establish mechanisms to control the quality of its products and develop economic cooperation with other countries. But we should also not repeat the early mistake of the Japanese government and completely ignore the cultural sector.

From entrepreneurship, Ukraine can already get a product for cultural diplomacy. For example, in Japan, its tourism ambassador, the fictional character Hello Kitty, was created by the Sanrio textile company. The development of entrepreneurship in the field of printing and animation helped Japan to have mass production of manga and anime. The development of technological enterprises has led to the country's association with know-how and quality products.

Japan has also carved out a specific niche for itself in the international discourse, namely technology and the environment. For Ukraine, repeating the same practice could be a great success. It could become an active actor in the space sector, as the Ukrainian government has previously tried to promote Ukraine's status as the Motherland of Astronautics.

But the main thing that Ukraine should learn from Japan's experience in building its soft power is the need for a modern "Cool Ukraine". For the majority of the world, modern Japanese culture is an introduction and source of interest to its traditional side. For Ukraine, restoring its historical heritage and confronting Russia's narratives or overcoming their consequences will continue to be a top priority for a long time. But as Japan's experience shows, it doesn't matter whose civilisation has dominated longer if it has nothing attractive to offer today. Tokyo perfectly shows that there is no better way to show the past by doing something modern.

Coming back to the need for Ukraine to develop its creative modern industries, it is important to give freedom of expression directly to those who create them and to reward them to encourage them to continue their work. As the previous thesis shows, one of the main factors of manga and anime's attractiveness to global consumers is the diversity of its genre, character, design, themes and ideas. Accordingly, inclusivity has become an important factor, as Japanese art continues to be distinctive and unique, cutting across borders, regions, ethnicities, races, ages, genders and nations. This is something that the Western media product has recently forgotten to do, creating a single narrative and ideological essence, thus losing out to its Japanese competitor.

In general, we can say that Japan can indeed boast a long history of building its soft power. And even for countries like Ukraine, which are seemingly remote both geographically and culturally, it can serve as a great example.

Conclusions. The development of Japan's soft power as a foreign policy tool has been gradual and systematic, involving political strategy. This statement cannot be applied to Japan's policy in the 1950s and 1960s, when the country actually abandoned public diplomacy in favour of internal recovery and economic development. Nevertheless, in the following decades, discussions on the importance of soft power in the country's policy were held. In the 1980s, soft power was finally established as the main priority of Tokyo's foreign policy. Today, Japan's soft power is a systematic branch of Japanese policy that is actively developing in various fields and receives large funding.

The establishment of Japan's soft power was influenced by the special global situation and foreign policy factors, as the development of Japan's soft power was stimulated by the country's post-war situation. In the future, Japan will actively use the international situation to its advantage. In particular, this applies to the events of the Cold War or pacifist activities. However, sometimes international factors have had a negative impact on Japan's soft power, such as the Gulf War or the rise of nationalist sentiment in Asia. Nevertheless, it can be argued that international factors have a significant impact on the development of Japan's soft power.

Japanese cultural diplomacy is now an important aspect of Japan's foreign policy and is implemented through a systematic, institutionalised political strategy. An extensive system of bodies and activities is involved in its implementation. The product of soft power today plays an important economic role for the country. And from the speeches of politicians, we can be assured that the priority of soft power in foreign policy will not be curtailed in the near future.

When it comes to Ukraine, its soft power lacks a systematic Japanese approach and priorities, while some practices of Japanese foreign policy should be relevant for Ukraine in creating its image. Ukraine has indeed found itself in a similar position to postwar Japan: negative perceptions of the country by the world, with its main competitor far outweighing it in terms of military means and political influence.

Thus, based on the results of the study, we can talk about Japan's powerful soft power, which occupies a leading position in its foreign policy. We can also identify its main characteristics and the way it is developing. In addition, we can say that, on the one hand, the experience of building Japan's soft power is unique, but it also contains universal practices that can serve as a model for states that are beginning to build their soft power. Among them, in particular, is Ukraine.

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DYNAMICS OF THE CLIMATE POLICY OF THE USA AT THE END OF THE XX – BEGINNING OF THE XXI CENTURY

ДИНАМІКА КЛІМАТИЧНОЇ ПОЛІТИКИ США В КІНЦІ XX – ПОЧАТКУ XXI СТОЛІТТЯ

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Abstract. *The article notes that American climate policy, starting from the end of the 20th century, is characterized by cyclicity, which is caused by the opposition of republican and democratic party forces. In the opinion of the author, the greatest contrast appeared during the presidency of D. Trump, whose climate policy was a departure from the political priorities and goals of the previous administration of B. Obama. While President Obama's environmental agenda prioritized reducing carbon emissions through the use of renewable energy to preserve the environment for future generations, the Trump administration's policies envisioned achieving US energy independence based on the use of fossil fuels, for which many environmental regulations were repealed. Trump's climate policy has been defined by denying the consensus of the majority of scientists that climate change is caused by anthropogenic factors and will have catastrophic consequences, and that carbon dioxide is the main driver of climate change, and the decisions made have slowed down or deprioritized climate action. After the victory of Democrat D. Biden, adaptation and mitigation of the consequences of global climate change became one of the main components of his foreign and domestic policy. The author shows that despite the different views of Republicans and Democrats regarding the goals and tools of climate policy implementation at the national and regional levels, both political forces appealed to the protection of the country's national interests.*

Keywords: *global climate change, climate communications, climate policy, USA.*

Анотація. *В статті зазначається, що американська кліматична політика, починаючи з кінця XX ст. характеризується циклічністю, яка зумовлена протистоянням республіканських та демократичних партійних сил. Найбільший контраст на думку авторів проявився під час президентства Д.Трампа, кліматична політика якого представляла собою відхід від політичних пріоритетів і цілей попередньої адміністрації Б.Обами. У той час, як екологічний порядок денний президента Обами ставив пріоритетом скорочення викидів*

вуглецю за рахунок використання відновлюваної енергії з метою збереження навколишнього середовища для майбутніх поколінь, політика адміністрації Трампа передбачала досягнення енергетичної незалежності США на основі використання викопного палива, для чого було скасовано багато екологічних норм. Кліматична політика Трампа визначалась запереченням консенсусу більшості вчених про те, що зміна клімату спричинена антропогенним чинником та матиме катастрофічні наслідки, а також про те, що вуглекислий газ є основним фактором зміни клімату, а рішення, що приймалися уповільнювали або депріоритизували кліматичні заходи. Після перемоги демократа Д.Байдена, адаптація та пом'якшення наслідків глобальної зміни клімату стали одними з основних складових його зовнішньої та внутрішньої політики. Автор показує, що незважаючи на різні погляди республіканців і демократів щодо цілей та інструментів реалізації кліматичної політики на національному та регіональному рівні, обидві політичні сили апелювали до захисту національних інтересів країни.

Ключові слова: глобальні зміни клімату, кліматичні комунікації, кліматична політика, США.

Introduction. Since the second half of the 20th century, the United States has demonstrated controversial approaches and intentions to address climate change. On the one hand, the country played an important role in initiating negotiations on combating greenhouse gas emissions in accordance with the UN Framework Convention on Climate Change (UNFCCC) of 1992, and on the other hand, it did not support mandatory "targets and schedules" for greenhouse gas emissions and financial assistance to low-income countries to reduce their emissions and adapt to climate change. The analysis of the US climate policy made it possible to distinguish several stages of its formation, in particular, before 1990, 1992-2009, the climate policy of B. Obama, D. Trump and D. Biden.

The purpose of the article is to explore the dynamics and main components of climate policy in the United States from the end of the 20th century to the present.

Literature review. Many researchers have paid attention to the issue of studying climate policy and, in particular, US climate policy. Among the foreign authors, the works of V. Arroyo, O. Edenhofer, M. Jacob, J. Gupta, and J. Macdonald should be noted, which emphasize the importance of prompt implementation of adaptation and mitigation measures at the international and national levels and the leading role of the United States in regulation of global climate change. Domestic scientists, in particular, S. Ivanyuta, O. Kolomiets, O. Malinovska, L. Yakushenko, studied the impact of the consequences of global climate change and the interaction of Ukraine with the leading actors of international relations, in particular the United States, regarding the achievement of the goals of the Paris Agreement and Ukraine's climate commitments. In particular, the researchers emphasized the importance of climate communications of leading countries for the effective implementation of climate policy. Thus, they notes that "effective communication about climate change is a key element of public awareness of the environmental challenges of today", "creating a connection between scientific research and people's everyday life contributes to the formation of an environmentally conscious society", "communication about climate change should be not only informative, but also motivating in order to attract citizens to action," and add that "the interaction between scientists, the government, and the public in the field of climate communications is an important step in the direction of sustainable development" (Ivanyuta et. al, 2020).

Main results of the research. *Climate policy of the USA before 1990.* Today, there is no consensus among researchers about the beginning of the implementation of climate policy in the United States. Some associate it with the activities of the Sierra Club, an American environmental organization founded on May 28, 1892 in San Francisco, California by the famous Scottish-American conservationist John Muir. The Club's activities are traditionally associated with the progressive movement, it became one of the first organizations for environmental protection in the world, which is still engaged in lobbying in order to promote environmental policy, including

sustainable energy, mitigating the consequences of global warming and opposition to the use of coal.

The beginning of the institutionalization of American climate policy can be considered 1965, when L. Johnson, in a message to the US Congress, was the first US president to recognize the danger of increasing CO₂ emissions for future generations (*The American Presidency Project, 1965*). In November of the same year, the scientific advisory board published a report "Restoring the quality of the environment", in which the topic of anthropogenic emissions of carbon dioxide into the atmosphere took one of the central places (*The White House, 1965*).

In the 1970s the topic of greenhouse warming of the atmosphere is strengthening in the political discourse of the United States. In 1978, President D. Carter signed the National Climate Program Act. The law institutionalized climate policy and gave it an important status, although the program lacked provisions for measures to limit CO₂ emissions or to restrain the activities of the US oil and gas or coal industries. Richard Nixon was the initiator of many progressive resolutions and legislative proposals to protect the environment. These include, in particular, the establishment of the Environmental Protection Agency in 1970, the National Environmental Policy Act, and revolutionary laws aimed at preventing air and water pollution.

R. Reagan's position on atmospheric warming and global climate change was skeptical. His policy priorities were overcoming the energy crisis and fighting inflation. Any restrictions on economic activity from the standpoint of the neoliberalism policy pursued by his administration were considered unacceptable. At this time, there is a sharp reduction in funding for climate change research.

The second period of the administration of R. Reagan was marked by a radical change in the position on global climate change and climate policy. Faced with indisputable evidence of rising temperatures and moving this problem to the center of international negotiations, the R. Reagan administration realized that further denial of obvious facts could lead to the marginalization of the US on the international arena and loss of control over UN decisions. Thus, national interests, namely: the protection of the interests of big capital, companies that conduct their activities both on the territory of the United States and abroad, became the decisive factors that determined such a turn. In 1987, the United States signed the Montreal Protocol for the Protection of the Ozone Layer and supported the creation of the Intergovernmental Panel on Climate Change (IPCC) at the United Nations in 1988. In the same year, the Vice President of the J. M. Bush administration at the Paris Economic Summit acted as the world a leader in environmental protection.

In 1990, amendments to the Clean Air Act were signed, which improved pollution monitoring processes and created economic incentives for businesses to reduce emissions. During this period, the US played an important role in holding the "Earth Summit" in Rio de Janeiro in 1992, where the Framework Convention on Climate Change (UNFCCC) was adopted. The USA agreed to stop GHG emissions by the year 2000 at the level of 1990, which was recorded in the final version of the UN Convention (*UN, 1992*). The President and at the same time the US Senate supported this convention in its content. At the same time, the Republican administration in the discussions continued to point out the importance of maintaining a balance between environmental protection and economic growth, considered it necessary to build a global climate strategy only on the basis of deepening the scientific understanding of environmental processes, and also demanded the active participation in the discussed processes of the most populated countries in the world with the largest percentage of greenhouse gases (primarily India and China).

Climate policy of the USA in 1992–2009. In the period 1992-1997, the United States participated in the development of a comprehensive international climate agreement that would define specific goals and obligations of countries to reduce GHG emissions. President B. Clinton and his Administration were interested in concluding such an agreement. Climate policy became one of the most important areas of US policy in that period. However, before the start of the conference of the parties (COP) in Kyoto on December 6, 1997, the US Senate unanimously adopted the "Byrd-Hagel" resolution (*Congress USA, 1997*), which obliged the US delegation not to sign any agreement that does not guarantee simultaneous actions by developing countries (

primarily China, India, Brazil). Failure to include these states in the list of countries with mandatory targets was seen as a threat to US global competitiveness. In December 1997, the US delegation signed the Kyoto Protocol, according to which the US undertakes to reduce the level of GHG emissions by 7% in the period 2008–2012 compared to the base year 1990 (UN, 1997). President B. Clinton signed the Kyoto Protocol on November 12, 1998, but did not submit it to Congress for ratification because he knew it would not be accepted there.

Bush Jr., who was elected in 2001, canceled the Kyoto Protocol and throughout his administration did not support any legislative or administrative initiatives that required reductions in greenhouse gas emissions. American researcher M. Lisovsky explains the position of the American Administration by the fact that before the presidency, J. Bush worked in the oil industry for 11 years (ArbustoEnergy is a company of the Bush family); US Vice President D. Cheney served as director of the largest American oil exploration company, Halliburton, and the "war on terror" that began completely pushed the issue of global climate change off the political agenda (Lisowski, 2002).

The Bush administration introduced a new energy policy based on the development of the domestic oil and gas industry in order to reduce the growing dependence of the United States on oil imports, as well as to transform the country into an important player in the world oil and gas market. In addition, in 2007, an international economic platform on energy security and climate change (Major Economies Meeting on Energy Security and Climate Change) was created in order to find "market" ways to reduce GHG emissions without slowing down economic growth in the country.

The withdrawal of the United States from the Kyoto Protocol and the reduction of its activity in the international arena caused the relocation of the center of the fight against global climate change to the meeting rooms of both houses of the US Congress, to the capitals of federal states and courts, where lawsuits and complaints of public organizations were considered. In August 2001, Senators D. McCain and D. Lieberman initiated a bill that provided for the reduction of GHG emissions in the country by 2010 (Climate Protection Act). Although this bill was not supported, it received significant support on the ballot in 2003. In 2005, on the initiative of the same Senator D. McCain, the Upper House passed the "Climate Management and Innovation" Act, which stimulated measures to decarbonize the US economy by account of the use of trading quotas for GHG emissions. It suggested that organizations with high GHG emissions should have emission allowances and participate in the trading, exchange, write-off or otherwise use of allowances allowed for trading in accordance with the law.

During this period, "climate" initiatives are also being formed at the level of individual states, where plans are being developed to reduce GHG emissions in various sectors and specific GHG reduction goals are being established. Thus, in 2002, California became the first state to pass a law on strengthening control of CO₂ emissions by motor vehicles, according to which only low-emission vehicles were allowed to operate on the state's territory. In 2010, 15 US states had laws similar to California's. At the final stage of the administration of Bush Jr. in the administration, the "Process of major economies" program was initiated, which was aimed at cooperation with the UNFCCC for the future development of a new framework agreement on climate change (Benen, 2015).

Climate policy of President B. Obama. Barack Obama's election in November 2008 radically changed US climate policy. During the election campaign, his team prepared the Climate Action Plan, which was aimed at reducing carbon dioxide emissions and provided for the preservation of forests, the promotion of the use of alternative fuels and the expansion of research in the field of climate change. The plan assumed that on the basis of domestic reforms it would be possible to form a certain model of transition to the "carbon-free era" for all members of the world community. The climate policy of President B.Obama envisaged fundamental transformations in the economy, in particular, the widespread introduction of renewable energy sources, increasing the energy and resource efficiency of production, expanding carbon trading markets, and reducing dependence on energy resources from the countries of the Middle East.

B. Obama's plans were complicated by the global financial crisis, the onset of recession in the USA and the climate scandal known as "ClimateGate", which occurred on the eve of the UN international climate conference in Copenhagen (COP-15). At the same time, the US has strengthened international climate policy, putting pressure on developing countries to commit to reducing emissions.

Over the course of two presidential terms, the Obama administration has taken quite serious steps in the field of combating climate change. Thus, on the basis of the executive decree, the "Clean Energy Plan" was adopted, aimed at improving the efficiency of power plants as the largest source of greenhouse gas emissions. According to the plan, by 2030, carbon dioxide emissions from electricity production should be reduced by 32% compared to the level of 2005. (*Plumer, 2015*) Stricter standards for automobile emissions were also adopted, which forced engine and fuel manufacturers to significantly increase their efficiency. The administration constantly increased pressure on manufacturers of household appliances to raise energy consumption standards, which was supposed to reduce the level of carbon dioxide emissions by 210 million tons per year. The state has invested tens of billions of dollars in the development of renewable energy sources and encouraging businesses to switch to these sources.

The international aspect of the Obama administration was aimed at restoring US global leadership on climate change. In 2009, the United States launched the "Forum of Major Economies on Energy and Climate Change" initiative, which was supposed to promote dialogue between developed and developing countries in the work within the framework of the UNFCCC on a new treaty on climate change, as well as the implementation of technologies "clean energy" and other measures to reduce greenhouse gas emissions. Meetings of the Forum were held during 2015 and allowed to successfully advance towards a new global climate agreement. Such an agreement was reached within the framework of the twenty-first conference of the parties (COP 21), which took place in Paris in December 2015.

In November 2016, the Paris Agreement entered into force. The goal of this agreement is to prevent the atmosphere from warming by more than 1.5°C by 2100, fully consistent with the plans of the Presidential Administration to reduce GHG emissions by 32% by 2030. According to the national contribution presented at the conference of the parties in Marrakesh, the United States committed reduce greenhouse gas emissions by 80% by 2050 (*UNFCCC, 2016*).

The presidential decree on "clean energy" (Clean power Act) made it possible to create synergistic effects between the further economic growth of the American economy and the achievement of the goals of the Paris Agreement. President Obama's climate achievements include stopping the construction of the Keystone oil pipeline, raising energy efficiency standards, creating the world's largest marine protected area, declaring 260 million acres of wilderness as national parks, which automatically prohibited fossil fuel development, investments in RES and others. (*McCarthy, 2017*).

Climate policy of President D. Trump. Radical changes in US climate policy have taken place since Republican President D. Trump came to power in 2017, who called climate change a "Chinese hoax" and considered the Paris Agreement harmful to the US (*Sharoykina, 2017*). Even during his election campaign, he promised his voters to cancel the Paris Agreement and increase the country's fossil fuel production. The problems of global climate change, environmental pollution, and the disappearance of biological species are, in his opinion, far-fetched and unworthy of attention from state structures. M. Scher believes that among Trump's advisers there was a difference of opinion about whether to stay in the agreement or abandon it. Thus, Secretary of Energy R. Perry, Secretary of State R. Tillerson, as well as presidential adviser D. Kushner wanted the United States to remain loyal to the agreement, while White House adviser S. Bannon and the then administrator of the Environmental Protection Agency S. Pruitt insisted on its cancellation (*Shear, 2017*).

Almost immediately after his election, D. Trump canceled the "Clean Energy Plan" adopted by B. Obama, justifying his decision by the need to "revive" the coal industry. However, the plan could not be fully repealed because it was based on the Clean Air Act, and the Supreme Court in 2007 recognized greenhouse gases as air pollutants. Trump lowered the mandatory annual

emissions reduction rate for power plants to a minimum bar of 1%, lowered fuel economy standards for cars from 5% to 1.5% per year, and relaxed rules on the discharge or flaring of methane from oil and gas extraction on federal lands. He also lifted restrictions on the production and use of fossil fuels, repealed regulations on emissions of mercury and other toxic substances from power plants, which were also part of Trump's campaign promises. In addition, bans on oil and gas exploration in the Arctic National Reserve, Alaska and Utah reserves, and US coastal waters were lifted. Trump has actively promoted pipeline projects such as Keystone XL, Dakota Access and the construction of the Marcellus Shale gas pipeline from West Virginia. To deregulate environmental standards, the Trump administration also used the COVID-19 crisis, for example, the application of environmental regulations was suspended for companies that cannot comply with them due to the pandemic. The President also issued a decree on reducing environmental requirements for the planning and preparation of infrastructure projects to facilitate economic recovery after COVID-19 (EPA, 2020).

D.Trump practically blocked the work of state environmental bodies, in particular the Environmental Protection Agency (EPA), having carried out a significant reorganization of the department. During the transitional period of reform, his board was headed by M. Ebell, who demanded from D.Trump an immediate reduction of more than 50% of all employees of the department headed by him and cut budget funds (*The Independent*, 2017). Those who headed the Agency later, S. Pruitt (2017-2018) and E. Wheeler (2018-2021) denied global climate change.

The effectiveness of the Trump administration's restrictive climate measures has not been high, as it has faced serious legal challenges. Individual states, municipalities, environmental and health organizations have actively challenged Trump's measures in court. Lawsuits were filed based on violations of laws on administrative procedures, clean air, clean water, and national environmental policy. According to the New York University Law School, the Trump administration has lost 87% of lawsuits on these issues (*Institute for Policy Integrity*, 2021).

The decision to withdraw from the Paris Agreement had a serious financial component, in particular, according to ClimateNexus experts, such a decision will weaken the competitiveness of the United States, because at the end of 2019, the clean energy sector was one of the most promising sectors of the economy, where almost 3.4 million citizens worked (*ClimateNexus*, 2019).

Despite the US withdrawal from the Paris Agreement, climate change management has remained a sustainable development priority for many national governments, local governments and non-governmental organizations, which have continued to develop technical innovation strategies and implement climate initiatives. From a global perspective, the withdrawal of the United States reduced the effectiveness of the Paris Agreement, while other signatories continued to make active efforts to implement its policies and fulfill their obligations. At the same time, the importance of climate research and interaction with public opinion in order to form public understanding as a component of global climate change management has increased.

It can be argued that President Trump has had a profound, mostly negative impact on environmental and climate policy both domestically and internationally. In addition to rolling back environmental regulations and related policies, Trump has sought to undermine the institutions and core values underlying environmental and climate protection.

J. Biden's climate policy. Under the Administration of J.Biden, who assumed the post of president in 2020, the climate policy changed radically. Yes, the US has officially resumed its participation in the Paris Agreement, federal agencies have been tasked with reviewing and repealing all federal restrictions and regulations imposed by the Trump Administration that in one way or another relate to environmental and climate change issues. On January 27, 2021, J. Biden announced the creation of the Climate Policy Office under the Presidential Administration, which was given broad powers and functions, in particular, coordination of the domestic climate policy development process; advising the president on these issues; ensuring compliance of decisions and programs of domestic climate policy with the goals declared by the president and their effective achievement; control of the execution of the president's internal agenda in the field of climate policy.

The new climate commitments of the USA have become, in particular, the reduction of greenhouse gas emissions by 50% below the level of 2005 by 2030, the generation of 100% clean electricity by 2035, and the achievement of climate neutrality of the state by 2050 (*The White House, 2021a*).

At the Global Climate Summit in April 2021, the US unveiled its updated climate finance plan, which is determined at the national level by a country's contribution to the Paris Agreement. In November 2021, at the climate summit in Glasgow (Great Britain), the United States announced its intention to once again become an international leader in the fight against global climate change. In his speech from the podium of the climate summit, Biden said that "climate change is an existential threat to the existence of humanity as it is now. Every day that we delay, the price of inaction increases" (*The White House, 2022*).

Climate reforms of the J. Biden administration are expressed primarily in the form of investment programs within the framework of economic policy. In November 2021, J. Biden signed the "infrastructure" law, which provides funding in the amount of 7.5 billion US dollars for the renewal of infrastructure, railways, bridges, urban buildings, residential buildings, the development of electric mobility and green transportation, the improvement of the water supply system and the protection of the public from the effects of climate change, etc. (*The White House, 2021b*). The total volume of planned investments will amount to about 1.2 trillion dollars.

In August 2022, J. Biden signed the Inflation Reduction Act, which radically changed US climate policy. According to the law, approximately \$370 billion was directed to energy security and climate measures to accelerate the reduction of greenhouse gas emissions. According to Jason Bordoff, director of the Center for Global Energy Policy at Columbia University, "this is the most significant federal investment in combating climate change in US history" (*IMF, 2022*). The bill would also force oil and gas companies to pay \$1,500 a ton to fix excessive methane leaks, and repeal President Donald Trump's 10-year moratorium on offshore wind leases. And in December 2022, the Biden administration announced the allocation of another \$3.7 billion to start the US decarbonization industry, which includes programs that will stimulate the commercialization of technologies to remove outdated carbon pollution (DOE, 2022).

It should be noted that the climate policy of the USA during the presidency of J. Biden is correlated with the declared foreign policy priorities of the country. Thus, during the COP27 world climate summit held in Sharm el-Sheikh, Egypt, in November 2022, Joe Biden announced the allocation of \$100 million for adaptation programs, namely early warning systems in Africa, food security and the creation of Egypt of a new training center that will train specialists in the transition to renewable energy sources for the entire African continent (*RadioSvoboda, 2022*).

An important direction in the implementation of the state climate policy was cooperation with China, together with which the USA agreed to take on new obligations to reduce greenhouse gas emissions. As part of the implementation of the reached political agreements, it is planned to carry out various climate communications, in particular, the restart of seminars on energy policy, strategies, technologies and broader climate measures. China suspended such exchanges when it cut diplomatic ties with the US after then-House Speaker Nancy Pelosi visited Taiwan in August 2022.

At the same time, despite radical changes in approaches at the highest level of the country's leadership, the Climate Action Tracker at the end of 2023 assessed the general climate policy of the United States as "Insufficient" (*TheClimateActionTracker, 2023*) due to the fact that it does not yet meet the global goal of limiting the global increase limit temperature by 1.5°C by 2030.

Conclusion. Analysis of the dynamics of US climate policy since the end of the 20th century showed that climate decisions are characterized by dependence on party ideology, when the decisions of Republican presidents contradict the decisions of Democratic presidents. As a rule, under democratic presidents (B.Clinton, B.Obama, D.Biden) more attention was paid to climate policy, and under republican ones (R.Reagan, D.Bush Sr., D.Bush Jr., D.Trump) - less, or as under Trump - global climate change was denied. Given that climate policy decisions are formalized in the form of presidential decrees, they can be overturned by the next president. Therefore, J. Biden's active modern climate policy may be canceled by a potential next Republican president. The

specifics of US climate policy also include the role of individual states, which declare their commitment to high global goals and conduct their own climate policy in parallel with the federal government.

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СУЧАСНА СИСТЕМА МІЖНАРОДНОГО ПРАВА

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THE ROLE OF CHINA IN CONTEMPORARY INTERNATIONAL LAW

РОЛЬ КИТАЮ В СУЧАСНОМУ МІЖНАРОДНОМУ ПРАВІ

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***Abstract.** In this article, China's practices in international trade, human rights, territorial disputes, and information technologies, are analyzed. The author emphasizes that China is ready to challenge international law when it conflicts with its interests. The article also highlights that China does not recognize the obligation to implement decisions of international courts and its national institutions refrain from engaging in human rights protection. The following methods were employed in the course of this research: systemic, comparative legal, historical and legal, structural and functional, and generalization. The author researches China's interest in the stability of rules of international law and its ability to interpret them freely, including in relation to the Russian-Ukrainian war. It was found that China is interested in applying existing international law rather than creating specific new norms, which aligns with its stance on sovereignty and non-interference. Special attention is paid to China's strategic approach to international law, balancing between adherence and reinterpretation to align with national interests.*

***Key words:** international law China, human rights China, russian war China.*

***Анотація.** У цій статті аналізується міжнародно-правова практика Китаю в сферах міжнародної торгівлі, прав людини, територіальних суперечок та інформаційних технологій. Автор наголошує, що Китай готовий кинути виклик міжнародному праву, коли воно суперечить його інтересам. У статті також наголошується, що Китай не визнає зобов'язання виконувати рішення міжнародних судів, а його національні органи утримуються від захисту прав людини. У ході дослідження використовувалися такі методи: системний, порівняльно-правовий, історико-правовий, структурно-функціональний та узагальнення. Автор досліджує зацікавленість Китаю у сталості норм міжнародного права, як і у своїй можливості вільного їх тлумачення, у тому числі і стосовно російсько-української війни. Було виявлено, що Китай зацікавлений у застосуванні чинних норм*

міжнародного права, а не в створенні конкретних нових норм, що узгоджується з його позицією щодо суверенітету та принципу невтручання. Особливу увагу приділено стратегічному підходу Китаю до міжнародного права, що балансує між дотриманням і власним тлумаченням норм для узгодження з національними інтересами.

Ключові слова: міжнародне право Китай, права людини Китай, російська війна Китай

Introduction. The beginning of the 21st century for China is interesting in terms of hopes placed on such a big and powerful country: "China will play a more active role, namely upholding the sound rules and order under the current system, reform the unsound ones, and advocate and participate in the formulation of new rules and orders" (Jisi, 2008). As it was a period when the international financial crisis China strengthened the importance of China for the world economy and raised the question whether China will replace the United States as a world leader. Even the Uyghur genocide wouldn't change the preceding experts' evaluations that the country "gradually adapts to the existing international political and economic order" (Jisi, 2008).

As a global leader in the high-technologies, China radically transformed world trade, making many countries, including the developed ones, economically dependent on it. Not so long ago the EU leaders anxiously called for the need to restore local production, as supply chains from China were suspended during the pandemic. China is currently the largest creditor to African countries, with 60% of loans secured by collateral that, in some cases, has already been foreclosed (Subacci, 2021).

However, hopes for China are presently undermined by the following questions (Williams, 2020):

- will China be able to solve the problems of economic growth, which have already led to high levels of unemployment and uncertainty in the real estate market and promise to worsen in light of deteriorating relations with the United States;
- what role will China play in international development as its "Belt and Road initiative", with a target completion date of 2049, appears to have come to an end?;
- will China comply the principles of international law, or will it solely considering its own interests, with, for example, using proxy powers such as Russia and Iran?

These questions can be answered with the doctrinally within the concept of China being able to challenge international law "when it infringes upon its interests" (Allison, 2016). The relevant question is that a researcher or politician in Ukraine correctly understands and interprets China's interests in relation to our country. Otherwise we would live in an unknown world for a long time: "We do not understand why China would help Russia" (Danilov, 2023), while Chinese satellites would supply Russia with more ammunition than our allies supply to us.

Therein lies **the purpose of this research** - answering the third of the aforementioned questions. To say the least, the answer to this question is one of the key factors for understanding the future form of world order, which exists according to the principles of international law, formed after the Second World War – the principles which continuously been ignored by Russia, the largest country in the world.

The role of China in the regulation of international trade. China is currently an active member in major international organizations: it is a permanent member of the UN Security Council, WTO, IMF, etc. China is a signatory to hundreds and thousands of multilateral and bilateral treaties on issues ranging from arms control to environmental protection. The Chinese authorities are making significant efforts to create an image of a country that follows the principles of international law.

The most prominent example in this aspect is international trade. China has been a member of the WTO since 2001, and since that time the government has made a wide range of commitments to liberalize the economy and bring it into line with the market economy and act as a "leading advocate of globalization and open trade." (Xi Jinping, 2017). However, most of the planned reforms are currently unfulfilled, and such leading members of the WTO as the USA, the EU and Japan believe that the Chinese practice of subsidizing some of its industries generally "distort trade"

(Brunsden, 2020). At the same time, China is effectively using the Dispute Settlement Body (DSB) "to channel trade tensions" (Zeng, 2013), by simulating reforms and thereby circumventing WTO rules, or by delaying hearings to such an extent that DSB decisions, which do not have a retroactive effect, will no longer be able to correct the "distortions caused by Chinese trade practices". (Wu, 2014). This mostly applies to such aspects of the WTO as access to the Chinese market by foreign companies, protection of intellectual property, industrial subsidies, regulatory transparency, enforcement of competition legislation and other non-tariff barriers.

Being interested in strengthening the role of the WTO in international trade, China supports to reform the organization whilst preserving the "core values of the multilateral trading system such as non-discrimination and openness, safeguards for the development interests of developing Members (China also recognizes itself as having this status), and decision-making by consensus". For China, it is important to have an effective dispute settlement mechanism as it is "critical for existing WTO agreements to remain meaningful, and for the negotiation of new agreements," considering confronting the United States. (Hoekman, 2022).

Therefore, China aims to preserve the existing order in international trade while protecting its rights and exploring possibilities of reforming them to support its own economic development. However, the success in this field largely depends on China's cooperation with the USA and the EU, which in turn has numerous problems.

Territorial disputes. China has ratified the UN Convention on the Law of the Sea (UNCLOS), which means, among other things, compliance with the existing mechanisms of dispute resolution. And China has enough disputes to start a "little victorious war" (Plevet, 1904), and more than one: with neighboring countries on sovereignty over various parts of the East China and South China Seas, as well as related disputes on rights and jurisdiction over surrounding waters, claims of sovereignty over Taiwan, etc. China's approach to resolving these disputes is found by some scholars to be a strategy of "using and abusing international law to achieve strategic goals." (Cronin, 2020), as examples serve territorial disputes with Vietnam and the Philippines, in which Chinese lawyers exploited loopholes in maritime law and challenged the jurisdiction of the courts.

China has offered its own interpretation of the law of the sea, suggesting giving coastal countries not only control over the "exclusive economic zone" (EEZ, up to 200 nautical miles of ocean resources and seabed), but also the right to regulate the activities of foreign warships in the waters surrounding the objects around islands. This would allow China to exclude foreign navies from the post-Soviet, which in turn contradicts the position of the US and the vast majority of other countries. (O'Rourke, 2013). At the same time, China insists that its fleet (which is being intensively developed) has the right to move freely in the EEZs of other countries that have not prohibited such military movements in their zones.

In general, China recognizes the decisive function of law in regulating international disputes and seeks to justify its actions with legal arguments, but it also promotes its own legal interpretations that differ from those of its neighbors, aiming, among other things, to militarize the region.

Human rights. China has acceded to a number of human rights conventions, including:

- Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;

- International Covenant on Economic, Social and Cultural Rights;

- Convention on the Prevention and Punishment of the Crime of Genocide.

However, China does not recognize the obligation to implement the decisions of international courts on human rights violations, and any international supervision of the observance of human rights is limited to "periodic reviews" of treaty bodies. (Reinsberg, 2020). National institutions also do not engage in human rights protection, especially in areas that are politically sensitive for the Chinese state (Reinsberg, 2020): population control, illegal detention, forced labor, including child labor, violations of freedom of religion, media and Internet censorship.

The most egregious example of human rights violations in China are the crimes against Uyghurs and other Turkic Muslims, and for their mass and regularity they may fall under the definition of "genocide" (UN Human Rights Office report on Xinjiang, 2022):

- False imprisonment: creating internment camps where prisoners are tortured and abused;
- Forced labor: ethnic minorities are subjected to forced labor in labor camps under the guise of "fighting poverty";
- Sexual violence and sterilization: using coercive measures to drastically reduce the birth rate of Uyghurs.

The Chinese authorities strictly denied accusations of genocide of national minorities and reacted rather irritatedly to the report of the United Nations High Commissioner for Human Rights on human rights violations in the Chinese region of Xinjiang.

Other violations of human rights in China include:

- repression in Tibet (which, along with Taiwan, is a problem area for China)) and in other areas of China;
- restriction of free expression of freedom of thought, conscience and religion;
- persecution of dissidents and human rights defenders;
- violation of labor rights, etc.

In response to accusations from the international community about human rights violations, Beijing in public statements emphasizes special circumstances that are the basis for certain departures from international law, namely "the sovereign independence of each country; the differing economic circumstances, values, traditions, and priorities of different countries; and the relativity of various human rights, as though the PRC had not adhered to any binding multilateral arrangements calling for compliance with prescribed universal standards". (Cohen, 2019) There are speculations that China is even "exporting" its human rights abusing practices to countries which receive Chinese investment, or through the Belt and Road infrastructure project. (Faiz, 2019).

As an example, although not entirely relevant, of such an "export" may serve the adoption in 2020 of the law on the protection of national security in the Hong Kong Special Administrative Region. Under this law, the Chinese authorities were given broad powers to fight political crimes, and of course they used them to pursue protesters and dissidents, including writers and actors. According to the Sino-British Treaty of 1997, Hong Kong was supposed to stay under the concept of "one country, two systems" and maintain its own system of administration, judiciary, economy (except for international relations and defense) for 50 years after the handover. China justified its actions with considerations of national security, thus justifying the non-compliance with international law; " Beijing's actions, however awful, can be self-servingly construed as lawful." (Williams, 2020)

Thus, despite the fact that China has adopted the norms of international human rights law into its national legislation, "these new domestic rules frequently prove difficult to enforce and are sometimes even illusory in practice". (Cohen, 2019)

Information Technology. While cyberspace is not sufficiently regulated by international law, China actively participates in discussions regarding the development of new norms or the use of existing ones:

- Group of Governmental Experts on Advancing Responsible State Behavior in Cyberspace in the Context of International Security (Cyber GGE);
- Open-ended Working Group on Developments in the Field of Information and Telecommunications in the Context of International Security (OEWG);
- Group of Governmental Experts on Lethal Autonomous Weapons Systems (LAWS GGE).

In general, China's position on the regulation of cyberspace can be described as follows: China proposes to conduct research on how the current norms of international law can be applied in information technology, but without creating specific norms in specific areas. Also, China has repeatedly stated the need to respect sovereignty and the policy of non-interference, which means the disinterest in existence of uniform norms in this field. (Group of Governmental Experts Report,

2013). This position correlates with China's reluctance to approve basic norms for the protection of intellectual property, and the control of state authorities over hacker groups in the country.

As for participation in the UN Group of Governmental Experts on Lethal Autonomous Weapons Systems, it means... drones, which are actively used by both sides in the Russian-Ukrainian war. And will be used in others...

Conclusions. China is interested in the stability of the norms of international law, as this contributes to the country's global expansion, the ultimate goal of which may be strategic dominance in the world. Likewise, China is interested in its ability to freely interpret the norms of international law, as it helps to achieve tactical goals.

For Ukraine, this means that China will declare neutrality and commitment to peace, while at the same time trying to weaken the position of the US as a world leader, without entering into direct conflict with them. Therefore, covert military aid to Russia will continue, primarily with dual-use products and consumables (ammunition, medicine, food, spare parts).

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Waqf in Islamic Law as a Contemporary Business Vehicle

Вакф в ісламському праві як сучасний бізнесовий інструмент

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Abstract. *The purpose of this research is to analyse the concept of waqfs, special religious endowments, under Islamic law through a comparison with traditional English common law trusts. We would explore the doctrinal peculiarities of both instruments, such as the purpose of endowment, the status of trustees and mutawallis, inalienability of property and the perpetuity rule. In particular, this research focuses on the role the waqfs can play as investment vehicles, and the structural and doctrinal challenges they face. This paper posits that a cash waqf can be organized in a way similar to private equity funds and play essentially the same role while being compliant with the letter of Islamic law. In the age of periodic economic crises, waqfs, at least conceptually, can be a very powerful instrument of social justice and an ethically compliant way of investing and doing business.*

Key words: *waqf, trust, Islamic law, English common law, Islamic finance.*

Анотація. *Метою дослідження є аналіз концепції вакфів, спеціальних релігійних фондів, які діють згідно з ісламським правом, через порівняння з традиційними трастами в англійському загальному праві. Проаналізовано доктринальні особливості обох інструментів, такі як мета фонду, статус довірених осіб і мутаваллі, невідчужуваність власності та правило безстроковості. Зосереджено увагу на ролі, яку вакфи можуть відігравати як механізми інвестування, а також на структурних і доктринальних проблемах, з якими вони стикаються. Встановлено, що грошовий вакф може бути організований подібно до фондів приватного капіталу та відігравати, по суті, ту саму роль, дотримуючись букви ісламського права. В епоху періодичних економічних криз вакфи, принаймні концептуально, можуть бути дуже потужним інструментом соціальної справедливості та етичним способом інвестування та ведення бізнесу.*

Ключові слова: *вакф, траст, ісламське право, англійське загальне право, ісламське фінансування.*

Introduction. A waqf refers to a religious endowment, a voluntary and generally irrevocable dedication of one's wealth or a portion of it to Islamically-compliant projects and pious purposes. (Abbasi, 2012). The system of waqfs is one of the pillars of Islamic civilization, combining features of a philanthropy and a social service agency (Sait, 2005). Landowners were incentivized to create waqfs, which were administered according to a set of juristic rules outside of the official state bureaucracy and, sometimes, were even competitors of secular rulers and state authorities.

Waqfs played a key role in the development of Islamic jurisprudence and theology by supporting jurists, who relied on them to finance their institutions (Van Leeuwen, 1999). From an economic perspective, waqf can be regarded as a type of savings-investment mechanism where funds are diverted from consumption and invested in productive assets that provide revenue. In the absence of a contemporary centralized state, waqfs were used to finance education, healthcare and social services, effectively performing the functions attributed to the contemporary welfare state. The waqf system can contribute significantly towards that ultimate goal of some modern economists: achieving massive reduction in government expenditures. Waqfs also contributed to better distribution of income in the economy, preventing the rich from accumulating too much wealth and excluding it from economic cycles. The waqf system provided jobs for a significant portion of the population. For instance, in Turkey 8.23% of the population was employed in the waqf system at the turn of the twentieth century and 12.68% in 1931. However, this figure fell to 0.76% by the 1990s, whereas at the same time the Western equivalents of waqfs – trusts and foundations – accounted for 13% of newly added jobs in France, Germany and the United States (Çizakça, 2000). This dramatic decline in the role of the waqf in Islamic societies can be explained by massive nationalizations of waqfs in the twentieth century by state authorities, who challenged their legal validity, and system's increasing inefficiency and inability to adjust to modern economic reality.

Western acquaintance with the waqfs dates back to the Middle Ages. Arguably, they may have even influenced the emergence of trusts in England. During the colonial era, Western countries had to deal with the legal status of waqfs created by their Muslim subjects. For instance, British colonial administration in India promulgated the Mussulman Wakf Validating Act, referring to a waqf as “*the permanent dedication by a person professing the Mussulman faith of any property for any purpose recognized by the Mussulman law as religious, pious, or charitable*” (Harasani, 2015). Although the decline of waqfs in the twentieth century was a painful blow, the interest in Islamically-compliant financial instruments is sharply increasing. Muslim investors would like to pursue investment opportunities in Western countries using wealth-planning structures that are compliant with Islamic law. This segment of the market becomes increasingly important as more banks provide Shari'a friendly instruments.

The purpose of research is to analyse the concept of waqfs in Islamic law, its doctrinal limitations and challenges and prospects of becoming a contemporary financial vehicle.

Literature review. In outlining the doctrinal peculiarities and limitations of waqfs and trusts it is worth mentioning the contributions of Murat Çizakça on the history of philanthropic foundations in the Islamic world and, in particular, in the Ottoman empire (Çizakça, 2000). The book by Haider Ala Hamoudi & Mark Cammack, *Islamic Law in Modern Courts*, was particularly useful to explore various issues of Islamic law and analyse the relevant court practice from many Islamic jurisdictions (Hamoudi & Cammack, 2018). We would also mention the works of Timur Kuran, Hamid Harasani and Henry Cattan, which explore the limitations of the waqf system and attempts to reform private waqfs (Kuran, 2001; Harasani, 2015; Cattan, 1955). The works of Simon Gardner, Jeffrey Schoenblum and Monica Gaudiosi were very useful to guide us on key features of trusts and identify the key points of comparison with waqfs (Gardner, 2011; Schoenblum, 1999; Gaudiosi, 1988). We also focused on extensive case law of the English courts dedicated to various trust issues.

Main results of the research. The Concept of Waqf under Classical Islamic Law

a. Origin and Nature

The English words “trust” or “endowment” do not fully reflect the meaning of a waqf. The name “waqf” derives from an Arabic verb “waqafa”, which means “to cause a thing to stop” and “to stand still”. The word “habs” is also used as a synonym for a waqf, primarily in North Africa. It derives from the verb “to prevent” or “to imprison.” According to a hadith, the close companion of the Prophet and eventual second caliph, Umar ibn Al-Khattab, was granted land in an oasis town 180 kilometres north of Madinah and asked Prophet Muhammed what he should do with it. The Prophet responded: “If you wish, you can imprison its capital and designate its benefit to charity”. The linguistics emphasizes that by creating a waqf the owner ends all legal ownership rights in the endowed property.

Waqfs are not specifically mentioned in the Qur’an. However, they are implicit in the verse: “by no means shall you attain to righteousness until you spend (benevolently) out of what you love; and whatever thing you spend, Allah surely knows it.” (*Shakir*, 2011) The concept of wealth redistribution is strongly emphasized in Qur’an (2:215, 2:264, 2:270, 2:280): “Abu Hurairah reported Allah’s messenger as saying: When a man dies, all his acts come to an end, but three: recurring charity, or knowledge (by which people benefit), or a pious offspring, who prays for him.” (*Muslim*, 1992). There is evidence that Umar endowed his land in Khaibar and allocated its usufruct to his offspring under the Prophet’s advice. Imam Shafi’i also endowed his house in Fustat to his offspring. (*Gil*, 1998).

While these are the origins of the waqf and their justification in Islamic law, it is very probable that the formation of classical waqfs and the elaborate rules surrounding them were influenced by pre-Islamic Arabic customary law, as well as Roman, Byzantine and Mesopotamian traditions. Sasanid law influence is also named as one of the most likely sources (*Arjomand*, 1998).

Interestingly, the institution of waqf was initially objected to by Islamic jurists as entrustment of the endowed property to one’s offspring could violate the basic principles of the Qur’anic inheritance law, which promulgates a fixed distribution of property among all the inheritors. French orientalisks have thus argued that the family waqfs originated in the reaction of the Arabs to the Islamic law of inheritance, which aimed at improving the position of women in the society. Another explanation is that waqfs were used to protect the family property from arbitrary confiscations by the rulers because in legal terms the property is immune from sale and seizure.

One way or another, the importance of waqfs for the Muslim community over time has been enormous. It grew to a staggering size, amounting to about one third of the land of the Islamic Ottoman Empire and a substantial part of Muslim lands elsewhere. Wherever there was an established Muslim community, one was likely to find a waqf.

A traditional waqf functions as follows: a founder (grantor) who has accumulated wealth endows it for a specific pious purpose (*Ziadeh*, 1985). The amount of wealth endowed (corpus), the purpose of the endowment and the structure of management are clearly laid out in a deed of endowment. The deed is registered with the relevant state authorities. By and large, waqf is considered to be irrevocable and the deed of waqf renders the property inalienable.

As stated before, there are two principal types of waqfs: a charitable waqf (waqf khayri), created for a specific charitable purpose and a family waqf (waqf thurri or ahli). This idea stems from the hadith, where Prophet said, “*Giving money to the poor is charity, and giving money to your relatives counts as two acts of charity*”. In addition, a combined waqf (*waqf mushtarak*) was designed to simultaneously act both as a charitable and private waqf. It was not uncommon that income generating and resource consuming waqfs were combined, such that the grantor might create a waqf of a date farm and a mosque, with the revenues generated from the date farm used to fund the expenses of maintaining the mosque. The management of the waqf is vested in a trustee (*mutawallis*), who may be the founders themselves during their lifetime.

b. Formalities

A valid waqf must satisfy five conditions. First, the object of the waqf must be a quantifiable property capable of being sold. The object must be able to generate profit and exist in perpetuity.

There may be an exception from this rule permitting a waqf of extinguishable objects of value, such as books, jewellery, arms and even shares of joint-stock companies. The Indian Waqf Validating Act of 1913 expressly permitted to endow “*any property, including beneficial interests, promissory notes and securities*”. The Allahabad High Court in India ruled that a moveable property can be independently dedicated in a waqf (*Abu Sayid Khan v. Bakar Ali, 24 All. 190*). On the contrary, wife’s dower and right of claims against borrowers are regarded as future property and cannot be endowed in a waqf. Moreover, undivided share in joint property (*musha*) can be endowed without separating it from the rest of the property. Second, a waqf must be established for a pious purpose (*‘Ala birr*), meaning anything that is good and pleases God. As noted above, giving to your family is considered a charitable act. Third, the objects of a waqf must be certain. Thus, creating a waqf with respect to a future object is not permissible. For instance, this requirement prevents founders from creating a waqf for the benefit of their unborn children. However, the perpetuity of the waqf will permit the unborn grandchildren of the settlor to enjoy its benefits. Fourth, a valid waqf is immediate unconditional, perpetual, inalienable, and irrevocable. The only condition that may be permitted is that the waqf may be created upon the waqif’s (settlor’s) death (*Kuran, 2001*). In that case, the waqf shall not exceed one third of the deceased person’s estate and shall not be created for the benefit of Qur’anic heirs, in accordance with Islamic inheritance laws. Fifth, to create a valid waqf founders must have legal capacity to dispose of their property, namely they must be of sound age and mind (*mukallaf*), and of sound management of their property (*rashid*).

The deed of a waqf can be in oral or written form. Certain actions can also constitute a deed of a waqf. For example, the designation of land as a graveyard may be evidence of the existence of a waqf. The wealth endowed in a waqf conceptually becomes God’s property. The revenue from the waqf (usufruct) may be spent for a charitable purpose (*waqf khayri*) or to support founder’s family (*waqf ahli*) as the founder may decide. Part of the proceedings may be added to the corpus and reinvested to accumulate more revenue next year. The founder may specify a beneficiary of a waqf or a group of beneficiaries. For instance, a waqf intended to feed the poor will need to specify what class of individuals qualify to receive funds. In the case of a family waqf, specific family members and their offsprings must be named together with the shares they are entitled to.

c. Founders and Administrators of Waqfs

Historically, the absolute majority of waqfs were created by private individuals; only around 2% were founded by sultans and princes. The data show that in the Ottoman Empire the number of waqfs established by women varies from 20% in Edirne to at least 40% in Istanbul and Aleppo. In terms of the social class of the founders, 43% were ordinary citizens and 57% were members of the elite. Both categories tended to establish medium size waqfs with large waqfs accounting for 1-5% of the total number.

Even though by establishing a waqf founders transferred their ownership to God, they could retain certain powers. The founders can expand or reduce the share of a beneficiary, if it is stipulated in the deed of a waqf. Under Hanafi rules, they can change the conditions of the waqf deed and convert the charity waqf into a family waqf and *vice versa*. They can also assign priorities to different beneficiaries and manage the operations of the waqf. The Hanafi rule gives the founder an absolute right to nominate additional beneficiaries and deprive existing beneficiaries of their privilege. On the other hand, Hanbali and Shafi’i are of the opinion that this right is a limited one. Finally, the founder may be permitted to sell or exchange the endowed property for cash under certain, limited conditions, that will be discussed in chapter two (*Anna & Mohamed, 2015*).

Some of these rights do not arise automatically and the best way for the founders to claim them is to specifically reserve such a right in the deed of a waqf. However, if the right to sell the waqf property or exchange it is not specifically provided for, the judge can grant such a right later if the party demonstrates that the waqf is not generating enough income or operates inefficiently.

Importantly, the founders must own the property they wish to endow (*mulk*). A waqf could not be created on ‘amiri land, which belonged to the ruler where a private person only had a right to use the land. The presumption under Islamic law is that beneficiaries do not have proprietary rights unless specifically granted by the founder. On the contrary, in common law (*Saunders v. Vautier*

(1841) 4 Beav 115), the presumption is different: the power to create a trust “should not be used to allow owners to control their beneficiaries when they are fully competent” (Penner, 2010).

The endowed property is administered by a trustee. Under Islamic law, the waqf administrator (*mutawalli*) and the judge (*qadi*) share the administrative powers. Mutawallis are tasked with the day-to-day management of a waqf. They do not own legal title in the endowed property. Qadi can have power to authorize the sale or exchange the property or settle disputes between beneficiaries. If the founder fails to select a trustee, the qadi may do that (*Hamoudi & Cammack, 2018*).

Common Law Trusts and Waqfs: Points of Comparison

Common law trusts, used by Medieval English crusaders to guarantee their families’ inheritance rights, have many similarities with classical Islamic waqfs. In both systems, corpus is endowed, and the usufruct is appropriated for the benefits of specific individuals or for a general charitable purpose, perpetual estates can be created, and the law of inheritance can be disregarded by the will of the founder.

Gaudiosi even states that the Statute of the Merton College, Oxford, founded in 1264, “could surely be accepted as a waqf instrument if written in Arabic”. She points that the idea of a trust was borrowed by Franciscan monks or Templars in the Middle East and transplanted to England, thus, rejecting the Roman and Salian Frankish theories of trust genesis. In particular, she claims that Roman *fideicommissum*, often alleged to be the source of trusts, was purely testamentary, while the English uses were not created by will (*Gaudiosi, 1988*). Cattani further argues that there is no evidence that appropriating the usufruct to varying and successive beneficiaries existed prior to Islam (*Cattani, 1955*).

Waqfs and trusts are, nevertheless, conceptually and practically different in some key areas, most importantly with respect to the concept of ownership and perpetuity requirements (table 1).

Table 1

Comparison of waqfs and trusts

| Issue | Waqf | Trust |
|-----------------------|---|--|
| Purpose | Generally charitable and has religious motive | No religious motive needed |
| Beneficiaries | Founder may be the beneficiary (only under Hanafi law) | Founder may be the beneficiary |
| Objective | Benefit of mankind | Any lawful objective |
| Ownership of property | Property vests in God | Property vests in the trustee |
| Status of trustee | Mutawalli only a manager | Trustee has larger powers |
| Termination | Perpetual, cannot be terminated under any circumstances | Need not be permanent. Can be terminated as stipulated in the trust deed |
| Revocability | Irrevocable | Revocable |
| Corpus | Corpus is immobilised | Corpus is immobilised |
| Usufruct | Usufruct is used for the benefit of mankind | Usufruct is used for the objective stated in the deed |

We will explore these differences in detail, in particular focusing on the purpose of the endowment, the status of the trustees, inalienability of property and perpetuity requirements.

a. Purpose of Endowment

Unlike trusts, waqfs can be created only for pious purposes, which encompass both charity and support of one’s family. On the contrary, in English law, providing for one’s family is not an act of charity (*Re Compton (1945) Ch 123; Oppenheim v. Tobacco Securities Trust Co Ltd (1951) AC 297*). The purpose of the waqf is strictly defined in the deed of waqf and usually there is no need to leave the determination to the courts. Trust law is based on the concept of *cy pr es*, which permits judicial determination of a particular purpose to which the trust funds shall be applied. However, the tendency is that the purpose of the trust must be strictly defined as well (*Knight v. Knight (1840) 3*

Beav 148). The founders have the burden to demonstrate that they intended to create a trust as opposed to entering into a contract or making a gift. The purpose cannot be conditional upon discrimination or limit of beneficiaries' right to dispose of their proprietary rights (the rule against inalienability) (*Re Tuck's ST (1978) Ch 49*).

Islamic law develops three categories of permissiveness, as opposed to pious acts that are either recommended or obligatory. These are permissible purposes (*mubah*), repugnant purposes (*makruh*) and prohibited (*haram*) purposes. All schools would not allow waqfs for *makruh* and *haram* purposes, just as the Hanbali school would not also permit creating waqfs for all *mubah* purposes. For example, teaching poetry is permissible, but it is not a pious purpose.

b. Mutawallis and Trustees

Trustees' duties and responsibilities are defined in the trust agreement, which confers upon them the power to sell and reinvest the object of the trust. They have a positive statutory duty to "use the assets of the trust to generate revenue" (*Wragg (1919) 2 Ch 58*). Depending on the type of the trust, certain kinds of investments may be prohibited. For instance, the English courts upheld the provision of the trust deed that the trust's assets may not be invested in weapons, gambling, tobacco and newspapers (*Harris v. Church Commissioners of England (1992) 1 WLR 1241*).

A trustee acts as an agent of the trust and has fiduciary duties of honesty and good faith to act in the best interests of the trust and its beneficiaries. The standard of care means that a trustee must act as "an ordinary prudent man of business" (*Speight v. Gaunt (1883) 22 Ch D 727*). Trustees cannot buy the trusted assets or use them or any confidential information to maximize their own profits (self-dealing rule) (*Holder v. Holder (1968) Ch 353*). The remedy of a beneficiary is a constructive trust over all assets earned in violation of the self-dealing rule.

There is a presumption that trustees act in good faith (*A.G. V. Earl of Stamford (1843) 1 Ph.*) (*Picarda, 1977*). Trustees will be liable if the damage is caused by their own fraudulent actions, failure to follow the requirements of the trust agreement or prohibited investments (*Armitage v. Nurse (1998) Ch 241*). A trustee possesses legal title in the trusted property, whereas the beneficiaries enjoy an equitable title, which gives them the right to benefits conferred by the founder. Although it was traditionally considered that trustees of common law trusts do not receive compensation for their work, this is no longer the case (*Robinson v. Pett (1734) 3 P. Wms 249*). Professional trustees, like investment banks, receive a fee for their services. The compensation can be defined in the trust agreement, paid at the decision of the beneficiaries, awarded by the court or provided for in the statute.

In comparison to waqfs, trusts are managed better, and the role of a trustee is more strictly regulated. There is an agency problem for founders of waqfs when dealing with mutawallis as corruption concerns are high. In India, for instance, some data suggest that up to 70% of the waqf property is being misused and encroached upon (*Ahmed, 2007*). The reason for that may be that mutawallis are not paid. Both trusts and waqfs originally embraced the idea that trustees (mutawallis) were not paid. Islamic law places more focus on the spiritual value of the work, meaning mutawallis should receive reward from God for their services. However, it is naïve to assume that the mere fact that mutawallis are paid for their services is enough to eradicate corruption among them.

Another concern is that, since the mutawallis do not own the property in any sense and do not have any fiduciary duties, they cannot deal with it, except in very particular ways permitted by religious law (*Schoenblum, 1999*). Mutawallis are generally unqualified and lack specific financial education to efficiently receive high profits. In addition, multiplying of beneficiaries across generations and inflation can render a waqf unprofitable. For waqfs, one usually needs to get permission from a qadi to sell or reinvest the assets.

c. Perpetuity

In trust law, the perpetuity period refers to the length of time during which the future ownership of property can be dictated by the founder of the trust. The rule against perpetuities is a cornerstone of trust law (even though initially trusts could exist "in perpetuity") (*Gardner, 2011*). Under the rule, trusts created for an unlimited period can be declared invalid (*Sheddon, 2002*). The

common law perpetuity period in England is life duration plus 21 years (*Cadell v. Palmer (1833) 6 ER 956; Re Wilmer's Trusts (1903) 2 Ch 411*). The Perpetuities and Accumulations Act of 2009 states that the perpetuity period is 125 years (*Perpetuities and Accumulations Act, 2009 c 18, Sec. 5(1)*). However, charitable trusts are exempt from the rule of perpetuities and, therefore, may be inalienable.

The policy consideration behind the rule against perpetuities is to prevent withdrawal of property from commerce. Another consideration is that living owners cannot exercise eternal dominion over it (*Hobhouse, 1880*). There is also a religious justification against allowing perpetuities: land was given to human beings by God and by keeping it forever in trust the human beings are denying the Providence of God (*Pells v. Browne (1620) Cro Jac 590, 221*). There is no uniform consensus among all Islamic interpretations that waqfs must be perpetual. Hanafi, Shafi'i and Hanbali schools generally require perpetuity. They stress the perpetual nature of waqfs by requiring that the property be dedicated to some pious purpose, such as the establishment of a mosque or religious school (*Hamoudi & Cammack, 2018*). On the contrary, Malikis permit temporary revocable waqfs, provided that founder's intent is clear (*Harasani, 2015*). Shi'i and Maliki jurists also permit to terminate family waqfs only if founder's direct line of descendants is extinguished (*Al-Sistani, 2008*).

Islamic law never adopted a position that perpetuities deny the Providence of God. On the contrary, the endowed property conceptually belongs to God and must always serve the original purpose of the endowment. Islamic jurists were most concerned with the situation when a class of beneficiaries could one day become extinct, which would threaten the perpetual nature of the waqf. Some courts tried to solve this by permitting changes to the purpose of the waqf, but only as an exceptional step. For instance, the waqf may function “*for the benefit of the poor and beggars and widows and orphans*” in the absence of the founder's family (*Abdul Fata v. Rosamaya, (1891) ILR 18 Cal 399*).

The requirement of perpetuity in a waqf is considered by some as “increasingly injurious” and “catastrophic from an economic standpoint” (*Cattan, 1955*). As beneficial shares decrease over time, the beneficiaries in future generations lose motivation to exercise control over the mutawalli, which in this turn, leads to the decline of the waqf. The perpetuity constraint prevents a founder from liquidating a waqf if it is not managed properly. Secular authorities in Egypt and Syria even made an argument that perpetuities can threaten democracy and state authority. In 1946, Egypt enacted a law placing a time limit of two generations on the family waqf.

d. Inalienability of Property

The inalienability of trust property would be contrary to the rule against perpetuities and such trust would be void (*Wilson, 2011*). On the contrary, the requirement of inalienability for waqfs means that the waqf property cannot be subject to any sale, disposition, mortgage, gift, inheritance, attachment or any alienation whatsoever (*Cattan, 1955*). This prohibition stems from the perpetuity requirement. However, since there is no consensus on perpetuities among all juristic schools, they are not consistent in prohibiting alienation of waqf property, except in cases when a mosque is endowed. In such cases the requirement of inalienability is absolute.

Since strict observance of the inalienability rule raises economic problems, Hoexter points out that Muslim jurists “*were not insensitive to social and economic requirements*” (*Hoexter, 1995*). Thus, sale and subsequent exchange of waqf property for other property of equal value may be permitted. Hanafi jurists, although generally prohibiting such exchange unless expressly permitted by the founder and only if the property has become incapable of generating sufficient income to satisfy the purpose of the waqf, tend to be more flexible in practice (*Hoexter, 1997*). If that happens a qadi can authorize the trustee to make such an exchange (*Van Leeuwen, 1999*). Shi'i jurists require that the property provide no income at all before the sale and exchange becomes possible (*Al-Sistani, 2008*). Under Maliki interpretation, beneficiaries may even have the right to collapse the waqf and dispose of its property.

Possible Solutions to Doctrinal and Practical Limitations of Waqfs

We have discovered that trusts are quite flexible in some key respects as compared to waqfs, which makes them popular investment and business vehicles (Noor, Shariff & Rusli, 2016). We will further explore the possible solutions to the doctrinal limitations of waqfs previously identified.

Some ideas of reforms suggest that external concepts from common law trusts may be transplanted to soften or abandon the requirement of perpetuity or charitable purpose. However, these proposals may be inconsistent with Islamic nature of waqf that is “governed by the law considered sacred” (Kuran, 2001). Such attempts will need to gain validation from Islamic law, as they were traditionally developed outside of the state enforcement mechanisms. Therefore, the concept of “ijtihād” may be the most suited source to develop and modernize waqf laws (Van Leeuwen, 1999). Ijtihad is an approach taken by Islamic jurists to analyse, interpret and analogize every unsettled doctrinal question in the light of the principles laid down by the Qur’an and Sunna as well as in the light of the standard set by earlier jurists (Usmani, 2002). For instance, limited liability of corporate bodies can be recognized in Sharia by analogizing it to a natural person, who can sue, enter into contracts and become bankrupt. The doctrinal views of the permissiveness of cash waqfs, ownership theory and perpetuity have significantly evolved over the centuries and are products of ijtihad. In the absence of a uniform doctrinal position among all schools, it may be open to re-interpretations.

Ibn Bayyah suggested that the notion of public interest (*maslahah*) can operate in reforming waqf laws – following the general provisions and spirit of Islamic law, even without any specific provision on a particular issue. The proposed reforms can be validated by fatwas on the permissibility of new types of waqfs.

Even though it may be possible to justify the need of waqf reforms, it is not obvious whether these “new waqfs” will be true waqfs as they will have legal personalities and are governed by concepts derived from modern company law. Despite overcoming the economic constraints, such reforms will fall short of achieving the principal goal – to make these “new waqfs” Islamically-compliant. As Usmani puts it, Islamic obligations of worship, as well as ethical norms, must be prominent in the whole atmosphere of an institution which claims to be Islamic. Modern trust or company law cannot achieve that purpose, although its certain features play very similar role and achieve similar purposes. Therefore, all reform proposals must anticipate both corporate efficiency and compliance with Islamic norms.

An Islamically-compliant corporate waqf is a creative and innovative way of using the waqf concepts by applying modern corporation mechanism to ensure that the waqf is managed professionally (Ahmad, 2015). A professional waqf administrator (*mutawalli*) will have better accountability and transparency, will receive contractual compensation for the services rendered and may be required to have specialized financial or legal education (Ramli & Jalil, 2014). The administrators will have contractual duties towards the waqf and its beneficiaries and may be jointly and severally liable for their actions. Supervisory boards or management committees may be created instead of one *mutawalli*, which will check compliance with Islamic law principles of investment (Rashid & Husain, 1979). Supervisory and oversight responsibilities over Shari’a compliance may also be exercised by specialized governmental bodies.

Waqfs structured as investment funds (*mudaraba*) must achieve a balance between profitability and capital protection by not investing in highly volatile asset classes. In the event capital deterioration has occurred in previous years, the returns generated in the succeeding years must be used to restore the initial corpus.

In addition to structural corporate changes, a possible solution to the inefficiency of waqfs over time may be the concept of “hikr”, a long-term lease of waqf property in exchange for a lump sum of money, paid on a monthly or annual basis. The idea behind hikr is to give lessees an incentive to develop the waqf lands and increase their profitability by giving them freedom to use the waqf property. Historically, the idea of hikr was frowned upon because corrupt *mutawallis* could take advantage of it to make more profits themselves instead of properly managing waqfs for the benefit of the beneficiaries (Hoexter, 1995). However, today the idea of hikr can be used to

structure an ijarah transaction, whereby assets are leased to the lessee for a rental fee, and the latter agrees to maintain the assets. Another solution may be to allow the dissolution of family waqfs in case they operate inefficiently at the request of the heirs, who are entitled to receive income generated by them. For instance, in Iraq, the court can dissolve the family or mixed waqf upon a request from one of those entitled to income or one of their heirs. However, under Law 41 of 2016, Shi'i family waqfs can no longer be dissolved (Hamoudi & Cammack, 2018).

Cash Waqf as a Model of an Islamic Investment Fund

Real estate waqfs were commonly considered the best to ensure the perpetuity requirement is met. However, late into the classical period, the Ottoman courts approved cash waqfs as early as the beginning of the fifteenth century. In India and Pakistan, they have been considered to be legal since 1913. In Iraq and Iran, they were permitted by means of a fatwa issued by the celebrated Mujtahid of Karbala. Here is one example of such a waqf: *“the accounts of the revenue and expenditure of the Muslim endowments for the purpose of assisting with the avariz and nuzul taxes for the residents of the Orhan Gazi district of the city of Bursa”* (Çizakça, 2000).

A cash waqf operates as follows: the endowed capital is transferred to borrowers, who after a certain period, usually a year, return to the waqf the principal amount plus a profit share or loss share. These ventures do not violate the interest prohibition because the borrowers do not guarantee a return to the waqf, and instead only a profit share. The prohibition against interest does not mean a prohibition against profit sharing. Usmani points out that *“if the creditor is advancing money to share the profits earned by the other party, he can claim a stipulated proportion of profit actually earned by him”* (Usmani, 2002). The idea is that capital has an intrinsic element of entrepreneurship, and the profits generated by the commercial activities in the society are equitably distributed to all those persons who have contributed to the enterprise. In other words, there is always a risk of loss, though low risk investments mean the loss is less likely (Ibrahim, Amir & Masron, 2013). The financial assets endowed may represent a claim on ownership of an entity or contractual rights to future, shares, sukuk (a financial certificate, similar to bond, that can be traded on a secondary market) and unit trusts (Van Leeuwen, 1999).

The absence of a hadith permitting the endowment of a specific moveable asset was a doctrinal challenge to cash waqfs. Instead, the ta'amul – local customary practice – was used to justify such endowment. Shafi'i jurists ruled that endowment of any moveable asset is valid subject to the preservation and non-consummation of the corpus. Maliki jurists have ruled that the annual return generated by the cash waqf should be subject to the payment of zakah, while they have exempted simple donation from this obligation. The Shi'i position regarding the cash waqfs is revealed by a fatwa given by Sheikh 'Abd Allah al-Mazandarani, the Celebrated Mujtahid of Karbala in 1907: *“the validity of such a waqf on account of its being owned by a joint-stock company cannot be questioned”* (Hamoudi & Cammack, 2018). The opinion analogizes a cash waqf to a joint stock company where the *corpus* is divided among multiple beneficiaries.

There are three important aspects that need to be addressed when managing a cash waqf. First, the waqf capital should not be diminished; therefore, the reservation of the corpus is the priority. Second, the corpus should be invested in stable low-risks endeavours, which are able to produce consistent income and not be speculative (comply with the prohibition against gharar or certain forms of speculation). Third, all the investments must be for Shari'a-compliant purposes (Ahmed & Salleh, 2016).

The capital of the cash waqf can be invested in three ways: mudaraba, istiglal and istirbah. In istiglal, the borrowers provide a collateral in the form of the house, for the period when they retain the title, and are supposed to pay a month's rent to the creditor as long as they use the borrowed money. A different vehicle, istirbah, means that the borrowers are required to return the premium and a share of profit or loss at the end of the period. In mudaraba partnership, which operates similarly to a private equity fund, profit should be spent for the pious purpose stated in its charter. If the return exceeds the amount needed for the purposes, the remainder was then added to the original capital of the endowment. A different way to increase the original capital of the waqf was to create a different waqf assigning part of its revenues to the first waqf. Economically, this second approach

could be seen as a *sine qua non* to ensure the perpetuity of the original waqf. It is also possible to establish cash waqfs in the form of bank accounts (Nuraini, 1991). Such models of cash waqfs are now widely used in Malaysia, Singapore, Indonesia, India and the Gulf countries.

Conclusions. The waqf is an instrument that can bring tremendous benefits to the Muslim majority countries and Muslim communities worldwide by realizing their business and investment potential. While there are some doctrinal impediments owing to a historic preference for waqfs of real property, our research has shown that there is no express prohibition against cash waqfs or corporate waqfs in the Qur'an or Sunnah. Other doctrinal impediments – the pious purpose of waqfs, their perpetual nature and status of the mutawallis – can be overcome by using traditional juristic instruments of *ijtihad* or *maslahah* or borrowed approaches from common law trusts. As a result, modern states, such as Malaysia, Singapore, and the states of the Gulf have used these instruments to create more flexible waqf regulations, thanks to which waqfs are playing an increasingly bigger role in their economies. The re-emergence of improved waqfs can revitalize important social functions they once performed – promotion of education, religion and alleviation of poverty. Finally, waqfs can be pivotal in restoring ethical standards of the global financial markets, avoiding gambling, speculation and shady practices.

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ОСОБЛИВОСТІ РОЗВИТКУ СВІТОВОГО ГОСПОДАРСТВА ТА МЕН

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DIGITAL PLATFORM AS A GLOBAL BUSINESS MODEL OF INDUSTRY 4.0

ЦИФРОВА ПЛАТФОРМА ЯК ГЛОБАЛЬНА БІЗНЕС-МОДЕЛЬ ІНДУСТРІЇ 4.0

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***Abstract.** This article explores the evolution and impact of digital platforms (DPs) within the context of global business models and the digital economy. DPs serve as pivotal mechanisms in the transformation of business processes, facilitating network effects and enhancing competitive advantages through the sharing economy and gig economy. The study examines how private and public organizations within digital ecosystems benefit from expanded customer bases, diverse service offerings, and improved digital communications with consumers. Key strategies for DP development are identified, including the creation of diverse services (proposition), personalized client interactions (personalization), innovative pricing models (price), maintaining customer trust and data protection (protection), and strengthening partnerships with app developers and payment service providers (partners). The implementation of this 5P model leverages digital tools and client-oriented strategies within DP ecosystems. As new digital technologies progress towards widespread adoption, the article anticipates active discussions on DP management models, legal compliance, commercial trust, online reputation, and public-private partnerships. This research underscores the critical role of DPs in shaping the future economic landscape and driving business model innovation.*

Key words: *digitization, digital platform, digital technologies, business model, economic regulation, ecosystem, digital public-private ecosystems, information communication potential.*

Анотація. У статті досліджується еволюція та вплив цифрових платформ (ЦП) в контексті глобальних бізнес-моделей та цифрової економіки. ЦП служать ключовими механізмами в трансформації бізнес-процесів, сприяючи мережевим ефектам і підвищуючи конкурентні переваги через економіку спільного споживання та гіг-економіку. Дослідження аналізує, як приватні та публічні організації в межах цифрових екосистем отримують користь від розширених клієнтських баз, різноманітних пропозицій послуг та покращених цифрових комунікацій з споживачами. Визначено ключові стратегії розвитку ЦП, включаючи створення різноманітних послуг (*proposition*), персоналізовані взаємодії з клієнтами (*personalization*), інноваційні моделі ціноутворення (*price*), підтримання довіри клієнтів та захист даних (*protection*) і зміцнення партнерських відносин з розробниками додатків та постачальниками платіжних послуг (*partners*). Впровадження цієї моделі 5P базується на використанні цифрових інструментів та клієнтоорієнтованих стратегій в межах екосистем ЦП. По мірі широкого впровадження нових цифрових технологій, стаття передбачає активні дискусії щодо моделей управління ЦП, правової відповідності, комерційної довіри, онлайн-репутації та державно-приватних партнерств. Це дослідження підкреслює критичну роль ЦП у формуванні майбутнього економічного ландшафту та стимулюванні інновацій у бізнес-моделях.

Ключові слова: *цифровізація, цифрова платформа, цифрові технології, бізнес-модель, економічне регулювання, екосистема, цифрові державно-приватні екосистеми, інформаційно-комунікаційний потенціал.*

Introduction. Modern digital platforms (DPs) are specific mechanisms that establish a network of connections and information exchange in an online environment, transforming production, trade, and logistics chains, simplifying business processes and operations, and altering management model principles. Their functioning and development are linked to an accelerated trend of shortening investment cycles and the life cycles of digital assets and technological innovations. As complex information systems, DPs provide a specific way of performing certain functions and are used by market participants (clients/companies, partners, application developers, agents) across all sectors of the economy, in the practice of information technology support, and in the implementation of new business models. Importantly, this concerns, firstly, intellectual capital rather than physical capital, evaluated through both monetary and non-monetary metrics. Secondly, it involves a significant transformation of the set of multi-faceted connections between its elements - human capital (access to digital technologies and digital competencies), consumer capital (communication resources of consumers and suppliers), and organizational-process capital (technical/software, IT, and information systems). Furthermore, the processes of platformization create a new type of platform economy due to the scale of access to potential consumers, geographical coverage, market differentiation, systemic changes in capitalization metrics, and new business opportunities in global market competition. This underscores the relevance of this research.

The purpose of the article is to investigate the potential of DPs and the features of business model transformation in the context of digitalization in Industry 4.0, which is associated with the accelerated development of national and global ecosystems and the formation of new business development concepts.

Literature Review. In recent years, the number of studies by both foreign [Cennamo, 2021; Li & Zhu, 2021; Panico & Cennamo, 2022; Meyer et al., 2024] and domestic [Shcheliuk, 2019; Dubel, 2021; Zhukova, 2022; Novikova et al., 2023] economists dedicated to digitalization in general and the implementation of DPs, in particular, has increased. However, the scientific literature still lacks systematization and unified interpretation of DPs as a tool for digital transformation, and often many studies and attempts at their practical application cannot be reconciled with each other (Kannan & Hongshuang, 2016; Kaabi & Jallouli, 2019; Parasuraman,

2019). Moreover, the one-sided interpretation of the principles of a systematic approach or merely nominal use (without connection to real practice) also leads to the fact that the same tools are used differently in modern digital marketing (Kotler et al., 2020; Norton et al., 2023).

Cennamo (2021) explores how digital markets create competitive advantages through platform-based perspectives, emphasizing the role of network effects. Li and Zhu (2021) highlight the importance of information transparency in the competition among platforms, using the daily deals market as a natural experiment. Panico and Cennamo (2022) discuss user preferences and strategic interactions within platform ecosystems, providing insights into how these dynamics shape the market. Meyer et al. (2024) analyze the competition for attention on digital platforms, particularly in the news industry, and the implications for strategy.

Domestically, Shchehliuk (2019) provides a comprehensive analysis of the digital economy's morphology, focusing on the development and regulation of digital technological platforms. Dubel (2021) examines the growth of digital platforms and their impact on the global economy, while Zhukova (2022) discusses the development of the digital economy through platformization. Novikova et al. (2023) highlight digital platforms as a driver for economic development, emphasizing their transformative potential.

The practical application of digital marketing frameworks has been extensively reviewed by Kannan and Hongshuang (2016), who propose a comprehensive framework for digital marketing research. Kaabi and Jallouli (2019) provide an overview of e-commerce technologies and their implications for data analysis and marketing knowledge. Parasuraman (2019) presents a conceptual model of service quality and its future research implications, which are crucial for understanding digital platforms' impact on service industries.

Kotler et al. (2020) and Norton et al. (2023) address the evolving strategies in digital marketing, highlighting the integration of sustainability and purpose in modern marketing practices. These works underscore the necessity of adapting traditional marketing strategies to the digital age, reflecting the dynamic and multifaceted nature of digital platforms.

The dynamism, multifaceted nature, and global development of modern DPs necessitate further research in this area in the context of the transformation of business models and the challenges associated with this process. An analysis is required of the formation of modern hybrid client-centric DP business models, DP modeling based on a multi-agent approach and platform thinking, and the structure of algorithmic DP management.

Main Results of the Research.

1. Positioning and Activities of Digital Platforms in the Context of the Fourth Technological Revolution

In the era of digitalization, the technological capabilities of interpersonal and business communications are rapidly evolving, impacting all existing business models and processes among key market participants. There is an increasing demand for high service levels and prompt delivery of necessary services (efficient communication between economic agents), and the elimination of temporal, territorial, and linguistic barriers necessitates radical changes to the "classical" approaches to business process construction, market positioning, and competitiveness. Consequently, DPs and digital ecosystems are altering traditional business practices and market power dynamics, with their owners strengthening their influence through price control, challenging the proprietors of conventional businesses. It is widely recognized that companies actively leveraging platform solutions are among the largest globally by market capitalization (Migol, 2018). The rapid expansion of the range of services provided by DPs, supported by a substantial and stable consumer base, enables the integration of both proprietary and third-party (complementary) digital resources to implement specific targeted initiatives and profitable innovation-investment projects. This maximizes the effective realization of new business models, enhances competency levels through reusable structures and systems, elements, and templates. Essentially, value and price proposition creation, as well as business conduct in the platform economy, are no longer linear as in traditional business models (including pricing models); instead, DPs with user and client self-organization serve as tools for managing consumer behavior.

According to recent studies, physical product sales in the global e-commerce market are expected to grow from \$6.3 trillion in 2023 to \$7.5 trillion by 2025, with 60-70% of the new value created in industrialized countries in the next decade anticipated to be based on DPs (Nova Global, 2023). Currently, digital business transformation through technological digital and network platforms based on a new consumption paradigm is forming, on one hand, a sharing economy (Bergh et al., 2021), which relies on the open and prompt collection and processing of data on customer needs and supplier capabilities, employee potential, and company intellectual capital, as well as utilized business processes. On the other hand, a gig economy (Schwahn & Curtis, 2023) emerges as a specifically new form of relationship between employees and employers, driven by technological advancements and the emergence of new types of economic activities (where the employer is not the owner of production means but an acquirer of intellectual property). Therefore, the development of the technological and infrastructural business environment and DPs is under the close attention of modern companies' digital marketing departments.

Currently, amidst the wide range of interpretations of the essence of DPs, the most accurate definition is provided by experts at the Massachusetts Institute of Technology. Firstly, it is a system of algorithmized mutually beneficial relationships among a significant number of independent participants in an industry (or activity sector), conducted in a unified information environment. Secondly, it is a high-tech business model that creates value by facilitating exchanges between two or more interdependent groups of participants (Bonnet & Westerman, 2020). Hence, it serves as a resource portfolio for a company's digital marketing, allowing the incorporation of digital technologies as a resource tool for structuring information to communicate with external environment subjects (consumer audience). Moreover, it offers the potential for significant savings in material and financial resources and reduces transaction costs for companies through the use of a package of digital technologies, data management, and business process changes.

The technical and organizational aspects of DP functionality depend on their type, creation principles, and specialization directions. According to the typology proposed by Evans and Gawer (2016), DPs are classified based on the specifics of their architecture usage:

- **Transactional:** Technology acting as a channel to facilitate exchanges/operations between different users, buyers, or suppliers.
- **Innovation:** Technology serving as a foundation for developing additional technologies, goods/products/services for other companies, organized into an innovation ecosystem.
- **Integrated:** Technology functioning both as a transactional and innovation platform.
- **Investment:** A platform consisting of companies developing portfolio platform strategies and active investors.

The basis of DPs is a software-hardware complex designed to create electronic or digital solutions for applied purposes and service provision algorithms for users/consumers: a) access to sources and data management; b) digitalization tools for their activities (IT services) utilizing pervasive digital technologies; c) interaction capabilities in a unified information environment and resource/value exchange through labor division logic changes. Depending on the field of activity, four types of DPs are distinguished (Evans & Gawer, 2016):

- **Advertising platforms** (targeted advertising campaigns with personal data accumulation and storage based on confidentiality).
- **E-commerce platforms** (product and IoT online markets with low operational costs for buyers and sellers).
- **Industrial platforms** (specialized in specific economic sectors).
- **Cloud platforms** (large databases and AI, creating simple, secure, flexible, and cheap services compared to intra-corporate information and communication technologies).

Based on the method of creating additional value through combining existing advantages of disparate goods/services into a new comprehensive product/service that maximally satisfies consumer needs, DPs are classified as:

- **Application platforms** (ensuring the digitalization of specific markets – Alibaba, Uber, Facebook, Airbnb, etc.).

- **Instrumental platforms** (technological foundation of application platforms – Amazon Web Services, Java, Android OS, iOS, Bitrix, etc.).
- **Infrastructure platforms** (various IT services – General Electric Predix, ESRI ArcGIS, EIA, etc.).

There is a wide range of DP types: general and specialized (by exchange subject), open (available to all market participants) and corporate (focused on internal interaction efficiency), free access (with free registration) and monetized platforms (earning from providing access to participants). Additionally, economic entities may use DP subtypes: peer-to-peer (equal participants) and hierarchical (by user and consumer hierarchy), by ownership (private and public), and by region (global, national, local), platforms whose profitability is determined by activities unrelated to the exchange subject, and platforms independent of non-core revenues (including charitable). Multilateral platforms, significantly more complex, offer multifunctionality, enabling a wide range of services ("network effect"), and modular architecture, determining business models based on digital innovations (Mariani et al., 2023).

On the modern global market, the top 10 DP producers are: Magento, Cloudcraze Software, IBM, Accenture, PHILIPS, NetSuite, SAP, Oracle, Adobe Systems, and Apttus (LinkedIn, 2024). The main principles of their DP operation are:

a) Equal responsibility of all market participants for all possible outcomes (self-regulation) and trust (capitalized into financial capital through participant reputation). b) Ensuring operational safety (environmental friendliness of solutions). c) Complete information availability to participants for mutual maximum benefit (rationality). d) Information transparency (openness). e) Social utility (principle of "win-win," not just commercial profit).

A significant role in implementing these principles is played by the concept of behavioral economics, gaining importance with the transformation of capital from passive to active (reconfiguration of cash flows) through the extensive use of participation mechanisms in the information-communication infrastructure. Analysis of current Western sources (Bonnet & Westerman, 2020; Spagnoletti et al., 2015; Yablonsky, 2018) allowed grouping the main advantages of DP operation in Industry 4.0:

- Convenience of consumer choice of goods/services, resource, and financial asset allocation efficiency (consumer value formation).
- Market transparency and access possibilities for all business environment subjects (market participant interaction and ability to regulate target relationships).
- Transformation of intermediary institutions through the integration and unification of interaction processes in the value creation chain (building a new integrated cooperation environment).
- Efficient technology use and generation of quality information data, converting into additional value (allocation efficiency and standardization).
- Reduction of information-communication and logistics transaction costs (additional reserves for productivity growth and entrepreneurial activity efficiency).
- Flexible organizational structures and innovative business models (stimulating innovation processes).

A distinctive feature of DPs (at the organizational decision level) is not only the virtually unlimited accumulation of users and constant additions in the form of new IT solutions but also obtaining specific income – "communication" (resulting from digital platform relationships). Economically, DPs become a production factor characterized by, on one hand, resource data scaling and capitalization, functioning simultaneously in two economic formats (digital twin – virtual and analog). On the other, a network structure (resource formation effect), motivating decision-making based on the "4win" principle, benefiting all process participants – producer, seller, buyer, and DP owner.

Digitalization has stimulated the rise of many fast-growing companies with varying value proposition/customer interaction structures, leading to the emergence of new business models as high-level schemes integrating primary and auxiliary DP business processes. In recent decades,

there has been a shift from visualization and analysis schemes – "business model canvas" (infrastructure – value proposition – customer interaction – finance) to creating comprehensive ("overarching") taxonomy of platform business models. The number of attributes considered in this taxonomy (at least 20) makes it a convenient tool for in-depth analysis of specific company business models (Yablonsky, 2018). This is related to the growing needs of specific industries and markets, primarily high-tech ones.

2. Development of Platform Technologies and Interaction Mechanisms of DP Entities

Platform technologies are not only "open" to development opportunities through network partnerships and set "standards" for influencing the overall architecture of solutions when acquiring goods/services, but they also perform critically important functions in the "producer-consumer" communication sphere, including complementary companies (suppliers of complementary goods/services) and competitors. On DPs, there is standardization of services, differentiation of services, and implementation of innovations to benefit participants and increase transaction efficiency by reducing operating costs. This involves creating a "network effect" (search engines, social networks, e-commerce platforms, app stores, websites, etc.), new strategic dependencies, interaction algorithms, and forms of participation (or business conduct) based on the collection, analysis, processing, and use of large volumes of information. The success of implementing platform technologies depends on the level of providing all interacting entities within the DP with individualized solutions. Depending on the ownership form of the DP (asset ownership) and the subjectivity in setting prices and usage conditions of resources, the following models are distinguished for ensuring the profitability of corresponding reference groups (Ruggieri et al., 2018):

- **Decentralized:** The asset owner sets conditions and offers them to users, the DP facilitates communication between economic agents and eases transaction completion for commission rewards.

- **Centralized:** The DP owns the asset and sets prices, controls quality and work standards, earning a percentage of transaction value.

- **Hybrid:** Asset owners offer services at prices and standards set by the DP, ownership and risks are decentralized, while standards and service levels are centralized.

DP owners provide, based on platform standards, opportunities for online interactions, electronic transactions, collection, processing, and exchange of relevant information, digital marketing tools, and business concepts that allow the realization of the network effect of interaction. They do not monopolize app production, as doing so would decrease app quality and ecosystem value for its members, raise service prices, and negate competition. DP business agents collectively use the platform's infocommunication capabilities to develop innovative products/services, apps, and IT services, while DP clients execute transactions using online tools and interact discretely (no need for simultaneous availability of different users) (Ritter & Pedersen, 2020). Moreover, both DP owners, business agents, and clients must possess digital competencies, not only the participants/employees providing goods/services but also the consumers/recipients. Hence, digitalization fundamentally changes the factors determining competitiveness, transforming information and personnel with digital competencies into key assets.

DP app developers interact among themselves (not with the platform owner), as their product must meet the standard (API, SDK) and offer clients value that exceeds other similar products. In dynamic markets, the mass participation in DPs determines subjectivity and competition levels, the number and quality of apps, and thus the ecosystem's value. For example, the 30-year phenomenon of Windows software market stability for personal computers is not due to its perfection (well-known flaws noted by experts) or its developers' competencies but due to the continuously developing DP ecosystem. Another example: Apple's iPhone (controlling 12% of the global smartphone market and earning over 60% of profits from sales) is not just a product but a DP that created the "app developers-app users" market through the App Store and network effect usage. Hence, the growth of DP iPhone Apple participants (users) increases the ecosystem's value for developers. Eight years ago (2016), direct investment markets valued Uber (founded in 2009, with

almost no material assets, a permanent staff of about 200 people) higher than the diversified company General Motors (founded in 1908, owning vast material assets, producing millions of cars annually) due to the value of the DP service network connecting taxis and potential passengers (Gawer, 2021). Thus, the ecosystem effect of DPs defines its value, which grows without the platform owner's effort, through the value of apps created by third-party developers.

Platform connections "client-company" involve interaction between the consumer and producer in a "single economic network," where the producer can sense the market (market sensing) – perceive and understand the consumer, develop partnerships and brand loyalty (market relating), and the client (through CRM technologies) becomes a management object. DP users experience "seamlessness" – providing information about themselves once (data, payment, address) and using it across different services, transitioning between services (e.g., in NightNote mode) without additional authorizations, payments, or other attributes via a loyalty program. Since the platform strategy is an interactive product generating network effects, the DP value generally increases. Using the Win-Win strategy, DPs implement personalized online scenarios in e-commerce (supporting courier delivery, car rental, selling voice assistants, etc.), simplifying payment methods, increasing the sales funnel conversion, and opening new directions for value proposition development and attracting new users.

Companies using DP services employ the principle of infrastructure development as a platform, realized through open API applications, flexible integration of software applications with partner services, and AI integration into business processes, linking email, messengers, and social networks. They grow and spread quickly across various economic sectors and sub-sectors. For example, the total capitalization of companies using platform business models already exceeds \$4 trillion, and 6 of the top 10 global companies by capitalization are platform-based or actively use DPs in their business. Their activities include e-commerce sales (Alibaba – B2B, Amazon – B2C), telecommunications (Google, Apple), banking (Bank of New York Mellon), "smart" cities/buildings/apartments using IoT (Schneider Electric), healthcare (Kaiser Permanente), transportation (Uber), and others (Andreassen et al., 2018). Platform link maps created and modified by the company for platform design tasks reflect the goals and opportunities of stakeholders (consumers, producers, partners, and DP owners), containing current and potential values, rare characteristics, and product imitation possibilities. The potential and motivation matrix includes all current and potential value flows to determine what each DP participant can offer another, analyzing mechanisms for role changes (transforming a user into a producer or partner). This reduces customer acquisition costs (CAC) and increases their profitability (customer lifetime value, CLTV), enhancing profitability in the "cost-benefit" link through client expense dynamics.

Modern demand for DP usage increases due to reducing companies' primary production cost indicators while mastering innovations. This includes, firstly, increasing labor productivity in production up to 55% (through automation and AI use) and reducing quality assurance costs by 20% (through digital quality management implementation). Secondly, unforeseen cost reduction by decreasing equipment downtime by 30-50% (through remote monitoring and control of production equipment and VR in maintenance). Thirdly, reducing storage costs for production stocks and products by 20-50% (by optimizing batch sizes and organizing real-time supply chains) and after-sales service costs by 10-40% (through remote service technology application) (Hein et al., 2020).

DPs provide open and prompt data collection and processing on personnel potential, customer needs, supplier capabilities, company intellectual capital, and business processes. Regarding cloud technologies implemented as DPs, they ensure the creation of an infocommunication infrastructure through tools like PaaS (platform as a service), SaaS (software as a service), IaaS (infrastructure as a service), DRaaS (disaster recovery as a service), SecaaS (security as a service), BaaS (backup as a service), and others. Their use aligns with the trend of increasing intellectual resources' contribution to business value, motivating a shift "from a product and service-based business model to a network and platform-based business model" (Hadi & Lawey, 2018). For example, according to data on companies whose shares are included in the Standard & Poor's 500 index, the contribution of

tangible assets to their value averaged up to 62% in the 1980s, decreased to 38% in the 1990s, and to 16% in the 2010s (Schwab, 2017).

3. Genesis of DPs and Modification of "Classical" Business Models

Today, companies are undergoing an intensive process of forming a new model of integrated marketing communications (IMC) within the e-commerce system. This model integrates into a single block: a) resources/tools; b) means of classical marketing communications in various proportions; and c) communications with consumers, which serve as the key link between the elements of the internal production-economic system and the external environment. The further genesis of DPs and their information channels in the context of a client-oriented approach has led companies to utilize the HADI (Hypothesis, Action, Data, Insights) auxiliary tool in building their business models (Kretschmer et al., 2022). This methodology, associated with startup management technology, involves: starting with a hypothesis (launching a minimum viable product or hypothesis), proceeding through actions, and analyzing data and insights (evaluating results, feedback, etc.), which then leads to hypothesis adjustment and the next cycle iteration. This optimization chain in the business model looks as follows: "goal – analysis – hypothesis – experiment – testing – reporting – implementation of changes – further optimization," effectively optimizing the company's conversion rate.

According to forecasts, utilizing the potential of DPs will remain a key factor in transforming business models in the medium term. Over 85% of surveyed companies have identified the expansion of digital access to DP services and the widespread implementation of new and advanced technologies (BigData, cloud technologies, AI, VR, etc.) as trends that will drive their organizational transformation. By 2027, 75% of companies plan to implement e-commerce and digital trade based on DPs into their practices (with 42% of business decision-making tasks and 65% of data processing information being automated) (Gawer, 2021). These digital advantages allow companies to become independent digital leaders, fundamentally changing the ways they interact with consumers, where digitalization represents a rethinking and revolutionizing of mutual interactions.

Today, a multilateral DP is a complex partnership network structure that develops through the sharing of assets, competencies, and efforts of all participants (Verhoef et al., 2019). Unlike aggregator platforms (connecting buyers and sellers), maintaining multilateral (or industry) platforms requires addressing issues related to defining DP participant groups, their functions, interaction management systems, the development of platform thinking among participants, and monetization methods. On a successfully developing multifunctional platform, a business ecosystem as a community of other platforms, partners, and competitors forms over time. Simultaneously, the chain of market power growth for successful DPs and business ecosystems transforms the competitive landscape and modifies traditional business models.

The emergence of a new type of digital consumer is associated with the development of the on-demand economy and the experience economy, applying DPs as innovative interaction technologies between producers (suppliers) of goods/services and their consumers. The DP ecosystem is a group of interconnected digital applications that create shared value for participants (Hein et al., 2020). This expands online access capabilities within a unified information space, minimizes intermediary involvement, and significantly reduces indirect costs and production expenses. Essentially, DPs, through the effect of complementarity, create a unique service product with enhanced consumer value, while also radically changing end-user behavior, which imposes specific requirements on the infocommunication component of services and goods to meet the end needs of clients. Therefore, DPs as a client-centric business model implemented in modern digital ecosystems aim to maximize client satisfaction through a "one-stop-shop" approach (consumers can access a wide variety of goods/services through a single access point).

Thus, low fixed costs associated primarily with their maintenance and almost zero marginal cost of servicing one additional client, linear optimization of internal business processes, and high-quality matching of heterogeneous supply and demand ensure DP liquidity. This is confirmed by the experience of DP giants like Alibaba, Facebook, Amazon, and Google. Established value

orientations of DPs, the accumulation of a critical mass of users essential for DP success among advertisers, seeking potential partners in independent companies contributing to platform development, creating a community of consumers, suppliers, and partners (platform interaction) are key elements of a structured approach to creating a platform business model. Its operation is based on unlimited DP asset capacity, dynamic pricing, accelerated transaction execution, and data and analytics creating value by reducing information asymmetry among equal groups and lowering information search costs (Mostaghel et al., 2022; Wang et al., 2023). In modern conditions, additional value in DP business models does not form automatically but is the result of building communications and a thoughtfully managed system based on platform thinking. It combines traditional business approaches with platform strategies, collaboration with partners and even competitors, a unique approach to creating and perceiving value, resources, and key competencies, and shared use of all participants' assets. Platform thinking algorithms include (Vial, 2019):

- a) A new perception of the created DP value by all participants and an understanding of the consumer value of the product for specific clients;
- b) Transitioning from a linear value creation process (within a sequence of stages) to value creation within a network community of DP participants;
- c) Opportunities to use other participants' competencies within the DP and form new key competencies related to DP creation and development;
- d) Shifting from the concept of resource ownership and control within a company to shared use of DP participants' resources (sharing economy).

For example, Amazon's multilateral DP, which has almost monopolized the US retail market, operates an open access policy – over 12,000 independent companies and about 140,000 software developers work on it, enhancing its value for consumers and attracting new partners and clients (Digital Commerce 360, 2023). It is a platform of voluntary partnership (without property and legal status unification), providing high-tech services partially materialized as software products and lacking dependence on payments to the owner or landlord for using their material assets. It fundamentally involves innovative shared resource use without ownership, network value creation for consumers and all DP participants, implying a new management and personnel thinking paradigm. Monetization methods used on Amazon's DP do not undermine the DP's network effect and the collective nature of value creation through implemented models: 1) Advertising model (free use of platform services and resources by consumers and developers, with payment based on the volume of downloaded information); 2) Service commission (payment is received for platform transactions and service subscriptions); 3) Paid API connection for developers and franchise providers; 4) Partner programs with paid access to the platform's consumer community or data it generates (Gelato, 2024).

Key features of the hybrid platform business model (ILO, 2021) include the following (Andreassen et al., 2018): First, direct and indirect network effects are created by attracting an increasing number of users, and the expansion of the market through one group of them increases the added value for the other (a level unattainable for traditional businesses). This depends on the transformation of data into digital intelligence and their monetization through commercial use, hence the success and rapid growth of the platform. In other words, value creation occurs through the continuous collection, processing, and analysis of large amounts of data, enabling valuable information (value generation) for decision-making by both individual managers and companies as a whole.

Second, the algorithmization of the activities of the economic entity from hiring employees, determining their qualification levels, tracking and evaluating work, to organizing and controlling business processes, staff ratings, and the matrix of effective communication between employees and clients. Algorithmic management adapts to the principles of platform management (platform services, user coverage or exclusivity, contact opportunities with clients, account deactivation conditions, dispute resolution procedures, and data usage and confidentiality).

Third, the minimization of investments in the core capital of companies (production, storage facilities, personnel, etc.) and the ability to rapidly grow the business at low costs. Essentially, it

involves: a) creating a cloud infrastructure based on the ideas, qualifications, and material resources of users (clients and employees); b) changing pricing strategies (dynamic pricing, subscription subscriptions, bonuses, prizes, rewards, providing additional benefits); c) using venture capital funds (venture financing is an important source of investment in the platform).

The multi-agent approach, proposed by Darling-Wolf and Steinberg (2018, 2019), describes agent interactions within the platform for DP modeling. Agents include the DP owner, the service consumer as both customer and executor, used applications, and their targeted behavior in a dynamically changing environment. Today, multi-agent DP systems are designed at four methodology levels: a) Object-oriented programming (OOP) methods; b) Traditional knowledge engineering methods (observation, process visualization, scientific information research); c) Methods based on organizational-oriented representations; d) Combination of OOP, knowledge engineering, and organizational-oriented representations. USE-CASE models are used for functional process descriptions, including activity diagram analysis to identify agents, define their responsibilities, and specify each agent's tasks, class diagrams for agent architecture descriptions, and sequence diagrams for interaction protocol descriptions. This enables creating interaction scenarios within the DP and helps model the behavior of the platform owner and its participants as customers and executors.

Digital Public-Private Ecosystems represent a collaborative framework where governments and private sector entities synergize to leverage digital technologies for public service enhancement and economic development. These ecosystems foster innovation by combining the agility and technological prowess of private companies with the public sector's regulatory support and reach. In these partnerships, digital platforms play a crucial role in streamlining operations, enhancing transparency, and improving service accessibility for citizens. For instance, in healthcare, platforms like e-Health Record in Estonia or Helsi in Ukraine have unified patient data across the nation, allowing for seamless access to medical histories by authorized healthcare providers, thereby improving patient care and reducing administrative overhead. In Ukraine, the Diia platform has emerged as a groundbreaking example, offering over 50 digital government services, from business registrations to social assistance applications, making public services more accessible and transparent for millions of citizens. In education, the partnership between the Indian government and private tech firms through the DIKSHA platform has provided teachers and students with accessible, quality educational resources, even in remote areas. Similarly, Ukraine's integration of digital platforms in education, particularly through the implementation of the "New Ukrainian School" initiative, has enhanced digital literacy and provided online resources to students and teachers nationwide. Transportation has seen significant advancements with the integration of smart traffic management systems in cities like Barcelona, improving traffic flow and reducing congestion through data-driven insights. In Ukraine, the digital transformation of public transportation in cities like Kyiv, with electronic ticketing and real-time tracking systems, has streamlined operations and improved user experience. Governance has also benefited, as illustrated by the GovTech initiatives in Singapore, where digital platforms facilitate citizen engagement and streamline government services, enhancing public trust and participation. These case studies underscore the transformative potential of public-private partnerships leveraging digital platforms to create more responsive and inclusive public services. The integration of digital platforms into public services has revolutionized how governments interact with citizens, enhancing efficiency, transparency, and accessibility.

4. Globalization of DP Ecosystem Models and New Business Development Concepts

Today, DPs serve as experimental platforms for monitoring the "digital journey" of clients (personalized and targeted communication with them), analyzing their search history and past purchases, activity on social networks, and archives of inquiries, studying comments about products/services (including desired purchases), and the dynamics of monetizing operations. These are essential conditions for companies in building their business models. It is necessary to continually adapt and change the business model in response to: a) the emergence of new technologies and digital services, and transformation of business processes (involving large-scale, strategic changes as opposed to ongoing improvements); b) changes in operational processes and

development of partnerships; and c) the search for fundamental and applied innovations, and reengineering (Schwab, 2017). Comprehensive organizational change programs related to transforming the company's product/service/brand and client experience into added value are crucial for the success of the new business model.

The modern Jobs-To-Be-Done (JTBD) methodology based on DPs includes methods and algorithms from Lean Startup, Customer Development (CustDev), and Design Thinking. It allows the design of a Business Model Canvas based on studying consumer motivation in product selection, key consumer needs (understanding how they are satisfied), competitor product capabilities, and conditions for offering new products/services to consumers. The JTBD approach, combined with CustDev and Design Thinking techniques, is implemented as follows (Andreassen et al., 2018; Kretschmer et al., 2022):

- Understanding the context and motivation of consumers (CustDev approach: interviews, field research, observations, data analysis, and defining consumer profiles);
- Evaluating market potential (TAM, SAM, SOM indicators) and direct/indirect/secondary competitors;
- Completing the JTBD Canvas: "choice evaluation – rethinking – compromise evaluation – shopping" (desires/future experience, catalysts/events influencing desires, constraints/barriers to achieving desires, set of solutions/possible options);
- Analyzing the forces of progress: push of the situation, magnetism of the new solution, habit of the present, and anxiety about the new solution;
- Designing a minimum viable product (MVP) – A/B testing to mitigate economic risks when entering the market with a product that has unique qualities, guaranteed demand, minimal functions, simplified design, and low-cost packaging;
- Conducting startup metric analysis based on unit economics: interpreting consumer information using Design Thinking frameworks (empathy maps, HMW, CJM, PEDPL) and creating Job Stories;
- Formulating the value proposition – building the Value Proposition Canvas;
- Choosing a monetization model and building the Lean Canvas business model with the structure: "problem and competitor alternatives," "key solution opportunities," "key metrics," "unique advantage." Metrics used to measure goal achievement include engagement, activation, retention, referrals, and revenue.

Analysis shows that in traditional manufacturing industries, the dominant approach in developing business models still involves analyzing resources within the traditional configuration of global value chains that provide competitive advantages (RBV analysis). Companies in these industries have limited customer bases, relatively low information and data share in added value, and continue using vertical integration strategies and growth opportunities through market differentiation. Therefore, strategic management specialists rarely use RBV principles and its differentiated versions applied in DPs, using new partners and services for high-quality customer service (Ritter & Pedersen, 2020). Business model changes due to incorrect risk responses can lead to both unexpectedly positive and predictably negative outcomes, while supplementing the traditional platform business model faces the challenge of creating an ecosystem, complicating tasks both conceptually and technically.

Today, DPs are transforming standard business concepts both locally and internationally, creating new markets, forming new audiences and user segments, and providing effective communication methods with them. Traditional business models are modified under the influence of DPs, offering inexpensive and attractive alternatives to clients. Since the key principle of DPs is not ownership of the good but access to it, the network effect-based inversion factor defines a new organizational form of management and business models with predictable and manageable mechanisms. The deep penetration of digital technologies into consumer virtual environments leads most "unicorns" (private startups with a capitalization over \$1 billion) to effectively become platform companies. This new trend accelerates the entry of DPs into the multilateral global market, allowing for "accelerated internationalization" and transforming "young" companies into

transnational corporations (TNCs) by applying new business models oriented towards market niches in foreign markets. Unlike international strategic alliances, global DPs allow more participants to collaborate more openly and flexibly without worrying about distances and borders amid ultra-dynamic changes in international competition. For example, there are now stable partnerships like Audi and Volvo with Google on the Android Automotive platform, General Electric with Microsoft for using its Azure cloud services, Walmart with Google, and Daimler and Ford with Baidu on its Apollo platform, considered the "Android of autonomous driving" (Kretschmer et al., 2022).

Such universal determinants and competitive advantages of DPs as the ability to overcome trade barriers, ensuring liquidity through transaction execution, low marginal costs, efficient asset utilization, and attracting investments differentiate traditional business models into "platform" type models based on centralized value exchange and avoiding "classical" linear optimization of internal business processes. Among the two types of business models (traditional and platform), international investors value the multilevel platform business significantly higher than the traditional one. This is because DPs not only minimize the costs of using external resources (ideas, information, clients, labor, etc.) but also generate a new dimension of business openness, competition, and company business strategy. Adding a platform model to the traditional business model through original, conceptually and technically complex tasks, implementing DPs into their business, or using them in partnerships with other firms is now practiced by almost all "classic" Fortune-100 companies (e.g., Walmart, Nike, John Deere, Bosch, GE, etc.). It is important to note that DPs offer opportunities acceptable for both hierarchical management and distributed interaction within a company. However, DP potential is best realized using a distributed management system, as it implies competitive advantage strategies built on functional-product and regional criteria, as well as decisions related to creating opportunities for network interaction (Hein et al., 2020).

Changes in company efficiency approaches are associated with using cross-financing schemes for clients on DPs – virtual payments through Internet wallets or online bank platforms, participation in bonus programs, credit options, etc. The user's value for the DP is determined by their ability to form information databases, whose value depends on whether the information is considered a public or private good, and by the external visibility of the "zero" price of information through the natural exchange of "user information" for "information for the user." It is essential to note that the structured system of "company-DP" interaction efficiency indicators is still under development (Verhoef et al., 2019; Vial, 2019; Wang et al., 2023). Reasons for this include: a) constant modification of existing theories to new "platformization" economic conditions, requiring continuous analysis and hypothesis testing; b) insufficient evidence of DP impact on company functionality; c) lack of specific, scientifically recognized concepts for implementing technological changes in integrated marketing communication systems.

This is further complicated by the absence of tools for assessing the dependency of company capitalization on brand value, e.g., in 2023, Apple was the largest capitalized corporation, while the most valuable brand was Google (World Economic Forum, 2023). The well-known K. Arrow dilemma – "uncertainty-information" – leaves three questions open: first, how to calculate economic added digital value considering investment adjustments, with returns distributed over time; second, what share of intangible assets (including digital) in the capital structure determines company value management efficiency (Value-Based Management, VBM); third, whether such a tool will be proprietary know-how for each company with solution implementation scenarios or a universal model for business entities, markets, industries, etc. These questions require further theoretical analysis and applied developments in the context of Industry 4.0 digital technology development and DP ecosystem globalization.

Conclusion. The development of DP ecosystems occurs alongside the transformation of business models of their entities, simplifying business processes and operations, which determines the advantages of operating based on the sharing economy and gig economy. Companies within digital ecosystems gain significant competitive advantages through the expansion of their customer base, the ability to use various services, and convenient digital communications with consumers.

The further development of DPs within the new economic landscape of the digital economy will depend on the algorithms for using new technologies to form macro-markets for clients and service providers. In this context, the most promising paths are: a) creating various services on DPs to enhance transaction opportunities between buyers and service providers (proposition); b) targeted interaction with clients across all channels to understand their needs and create personalized offers (personalization); c) applying new pricing models to meet demand (price); d) maintaining customer trust, protecting data, and differentiating platform activities (protection); and e) strengthening connections with digital partners – app developers and payment service providers (partners). Implementing this 5P model involves effectively using digital tools in developing a business strategy based on DP ecosystems, rooted in a client-oriented approach and the competencies of a corporate design-thinking portfolio.

In the near future, most new digital technologies supporting DP development will approach the expansion phase in the technology life cycle, as major technical barriers will be overcome. Consequently, in the coming years, we can expect active discussions in both foreign and domestic economic sciences regarding the selection of business models for DP management. This is particularly relevant in the context of DP participants adhering to legal algorithms and "non-platform" rules, the increasing importance of concepts such as "commercial trust" and "online image" concerning reputational risks, and the implementation of public-private partnership projects.

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MACROECONOMIC IMPACTS OF THE CIRCULAR TRANSITION: THE GREEN SWANS OF DECARBONIZATION ON THE PATH TO SUSTAINABILITY

МАКРОЕКОНОМІЧНІ НАСЛІДКИ ЦИРКУЛЯРНОГО ПЕРЕХОДУ: ЗЕЛЕНІ ЛЕБЕДІ ДЕКАРБОНІЗАЦІЇ НА ШЛЯХУ ДО СТАЛОСТІ

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***Abstract.** The purpose of the article is to determine the prerequisites for a theoretical rethinking of the problem of price instability and inflation processes as such in the context of a managed green and circular transition as a consequence of the institutional legitimation of climate neutrality on the path to achieving sustainable development. The circular economy, as an important component of the ambitious concept of sustainable development, involves a change in the approach to natural resources, which entails the abandonment of traditional business models and the search for new investment solutions that cannot be fully achieved by attracting private capital. This places great responsibility on governments, which, on the one hand, set ambitious goals (green transition, energy transition, circular transition, sustainable development), and, on the other hand, are not able to respond in a timely manner to the consequences of climate change and to respond to the impacts created by these two factors (institutional pressure and market failures) negative spillover effects. Control of hydrocarbon emissions should be offset by the use of a wide range of green incentives (green quantitative easing policy, green guarantee policy, green subsidy policy) and by providing access to long-term loans as part of responsible government planning. Fiscal, monetary, exchange rate and industrial policies must ensure the sustainability of the green transition. Only in this case can the stability and efficiency of the financial system be guaranteed, as well as the technical re-equipment of the production sector, focused on new technologies, while maintaining its productivity indicators. It has been established that green inflation can occur: as a reaction to irresponsible management (where economic agents actively created such a reality in which environmental degradation and climate problems lead to food, raw material, energy and other crises, which reduces supply, and therefore provokes an increase in prices); as a reaction to an*

attempt to implement large-scale projects aimed at decarbonization within a limited time frame (where economic agents and consumers become "victims" of monetary and fiscal policies of governments); as a reaction to the tightening of business standards, for which the end consumer will have to pay (the price of minerals needed for green technologies - from wind turbines and solar panels to electric cars - will require a "green premium" (or "greenium") as due to relatively higher demand on them with limited supply, as well as due to the fact that the extraction of minerals is usually associated with higher environmental costs, which will be "punished" by taxes).

Key words: *decarbonization, sustainability, circular economy, circular transition, green incentives, green investments, loans, regulation, climate financing, monetary policy, fiscal policy, Central Bank, inflation, Green Deal, EU, ESG.*

Анотація. *Мета статті полягає у визначенні передумов для теоретичного переосмислення проблеми цінової нестабільності та інфляційних процесів як таких в умовах керованого зеленого та циркулярного переходу як наслідку інституційної легітимації кліматичної нейтральності на шляху до сталого розвитку. Циркулярна економіка, як важлива складова амбітної концепції сталого розвитку, передбачає зміну підходу до природних ресурсів, що тягне за собою відмову від традиційних моделей бізнесу та пошук нових інвестиційних рішень, які неможливо повністю забезпечити за рахунок залучення приватного капіталу. Це покладає велику відповідальність на уряди, які, з одного боку, ставлять амбітні цілі (зелений перехід, енергетичний перехід, циркулярний перехід, сталий розвиток), а, з іншого боку, не здатні своєчасно реагувати на наслідки кліматичних змін та реагувати на ті, що створюються цими двома факторами (інституційний тиск та ринкові провали) негативні спillover-ефекти. Контроль за вуглеводневими викидами має компенсуватися застосуванням широкого інструментарію зелених стимулів (політика зеленого кількісного пом'якшення, політика зелених гарантій, політика зелених субсидій) та надання доступу до довгих кредитів у рамках відповідального державного планування. Бюджетно-податкова, грошово-кредитна, валютна та промислова політики мають забезпечувати стійкість "зеленого" переходу. Тільки в цьому випадку можна гарантувати стабільність та ефективність фінансової системи, а також технічне переоснащення виробничого сектора, орієнтованого на нові технології за збереження показників його продуктивності.*

Ключові слова: *декарбонізація, сталий розвиток, зелена економіка, циркулярна економіка, циркулярний перехід, енергетичний перехід, зелені стимули, зелені інвестиції, позики, регулювання, кліматичне фінансування, монетарна політика, фіскальна політика, економічний інтерес, ЦБ, інфляція, криза, ЄС, ESG.*

Introduction. After 300 years of industrial development, when each successive level of technological development was accompanied by a transition to new energy sources, the policies of world leaders turned in the opposite direction. For the first time in its history, humanity is moving from more efficient fuel sources to less efficient ones that produce less CO₂ emissions, setting quite ambitious deadlines for completing this monumental task. For example, The European Green Deal alone envisages at least €1 trillion of investment over the next 10 years. Investment required in the water, agriculture, telecommunications, energy, transport, construction, industrial and forestry sectors is currently estimated at approximately \$5 trillion per year, according to current OECD forecasts (Reznikova, N., & Grod, M., 2023). This raises the question of whether Europe's decarbonization agenda will lead to greenflation. After all, financial analysts, not seen in moralizing on the topic of circular and green transition, have long considered the latter not only as a tool for market stimulation, but also for speculative price growth.

The circular economy is an integral part of the ambitious concept of sustainable development, and the goal of the circular economy is to decouple economic growth from extensive consumption of natural resources. Despite the fact that one of the differences between the concept of a circular economy and the concept of sustainable development is that the social aspects of sustainable

development in the concept of a circular economy are largely underestimated in terms of exploring ways to improve the level and quality of life of the population, our proposed approach to highlighting the goal setting of a circular economy from the perspective of R-strategies of business activities allows us to demonstrate the potential for solidarity of these concepts by highlighting the latest social patterns of society.

If the concept of "transition" from the point of view of the circular economy is interpreted as the process of realizing a set of intentions to change the essence, principles and forms of economic activity and the establishment of alternative mechanisms for the implementation of economic relations in the process of production, distribution, exchange and consumption of goods in order to change the qualitative and quantitative characteristics of models growth and development, then the "transition to sustainable development" appears as the process of implementing the energy transition (symbolizing the transition to renewable energy sources and reducing the share of fossil energy in the energy balance), circular transition and bio-economic transition (observing the principle of the integrity of human and natural systems, which are united in the concept of green transition), digital transition. At the same time: (1) the functional basis of the development of the circular economy and bioeconomy is the energy transition; (2) the development of the circular economy depends on the development of the digital economy and the bioeconomy; (3) the dynamics of the circular transition depends on the dynamics of the transition to sustainable development.

In order to accelerate the circular transition, it is necessary to encourage green public and private investments, as well as fair climate investments by households, which, without a doubt, will become an additional trigger for economic growth against the background of the development of large-scale stimulus packages to overcome the consequences of the pandemic. Some experts will rightly note that the current "commodity supercycle", in which a wide range of commodities are trading at prices higher than long-term trends, much of which is critical to the green and digital transition, has already contributed to price destabilization and therefore further stimulus green and circular transitions will exert inflationary pressure on the macroeconomic environment.

The purpose of the article is to determine the prerequisites for a theoretical rethinking of the problem of price instability and inflation processes as such in the context of a managed green and circular transition as a consequence of the institutional legitimation of climate neutrality on the path to achieving sustainable development.

Literature review. Among the inflation triggers, D. Prokopovich (*Prokopowicz, D., 2022*) considers the breakdown of logistics supply chains and purchases during the pandemic, international trade wars in the context of increasing international rivalry, challenges to energy security, the consequences of diversifying energy sources and accelerating the process of forced transition to renewable energy sources in accordance with the directions of the environmental policy of the European Union, rising prices for raw materials and various categories of production factors. Researchers note the impact on the level of inflation of monetary policy rates (*Anari, A. and Kolari, J.W., 2017*), the unconventional monetary policy of helicopter money (*Coupey-Soubeyran, J., 2020; Reznikova, N., Ivashchenko, O., Hrynychak, N., Dvornyk, I., 2022; Reznikova, N., Bulatova, O., Yatsenko, O., Ivashchenko, O., 2022; Coppola, F., 2022; Rosa, B., 2022*), features of the implementation of stabilization policy (*Reznikova, N., Panchenko, V., Ivashchenko, O., 2021 a; Reznikova, N.V, Panchenko, V.H, Ivashchenko, O.A., 2021 b*), features of the synchronization of debt, financial and business cycles (*Shlapak, A., 2023*). The problem of inflationary costs in the implementation of green and circular transitions, as well as the energy transition, has become the focus of research by scientists who particularly note the role of greening the mandates of central banks (*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 scientific literature does not reach a consensus on the inflationary consequences of the green transition, but it notes the responsibility of monetary and fiscal authorities for the macroeconomic consequences of implementing climate change policies towards sustainability and climate neutrality (*Del Negro, M., Di Giovanni, J., Dogra, K., 2023; Ferrari, A. and Nispi Landi V., 2022; Konradt,*

M. and Weder di Mauro B., 2021). The circular economy is considered both a tool for achieving the green transition (*Cheba, K., Bąk, I., & Pietrzak, M. B., 2023*) and sustainability (*Fromberg, E.H.E., Bakker, C.A. & Peck, D., 2023; Kandpal, V., Jaswal, A., Santibanez Gonzalez, E.D.R., Agarwal, N., 2024; Dovgal, O., Borko, T., Miroshkina, N., Surina, H., & Konoplianyk, D., 2024*), and a special environment for the implementation of anti-crisis policies (*Krysovaty, A., Zvarych, R., Zvarych, I., Reznikova, N., & Homotiuk, V., 2021; Mercy, T., 2023*). Understanding the links between the green economy, circular economy, sustainability and competitiveness (*Petkov, P., Slaveva, K., Kasabova, S., Shopova, M., Varbanov, T., & Ovchinnikov, E., 2024*) are important for prioritizing pro-environmental economic transformation while taking into account challenges to macroeconomic stability (*Prokopowicz, D., 2020*).

Main results of the research. The term "greenflation" serves to explain the "price vicissitudes" that may occur on the way to the green transition (as a result of increased demand for selected resources), as well as the costs associated with reducing sources of carbon emissions (as part of "green" investment packages and financing of relevant projects that increase the money supply) or as a result of limiting the supply of goods due to climate disasters or environmental degradation. In other words, green inflation can occur:

1) as a reaction to irresponsible management (*where economic agents actively created such a reality in which environmental degradation and climate problems lead to food, raw material, energy and other crises, which reduces the supply, and therefore provokes an increase in prices*);

2) as a reaction to an attempt to implement large-scale projects aimed at decarbonization within a limited time frame (*where economic agents and consumers become "victims" of monetary and fiscal policies of governments*);

3) as a reaction to the tightening of business standards, for which the end consumer will have to pay (the price of minerals required for green technologies - from wind turbines and solar panels to electric cars - will require a "green premium" (or "greenium") due to a relatively higher demand for them with limited supply, as well as due to the fact that the extraction of minerals is usually associated with higher environmental costs, which will be "punished" by taxes).

But is it worth manipulating the greening of inflation and are we not exposed to false conclusions by allowing ourselves to be lured by a new-fangled term?

There is no unanimity in the interpretation of what can actually be considered "green" (*Szopik-Depczyńska, K., Cheba, K., Bąk, I., Stajniak, M., Simboli, A., & Ioppolo, G., 2018; Melnyk, T., Reznikova, N., & Ivashchenko, O., 2020; Khoshnava, S. M., Rostami, R., Zin, R. M., Štreimikiene, D., Yousefpour, A., Strielkowski, W., et al., 2019*). Most often, the term "green incentives" can hide "incentives for the development of clean energy sources", "incentives for the development of sustainable infrastructure" and "low-carbon" incentives. Clean energy incentives typically include investments in renewable energy and energy efficiency, but sometimes other investments that affect energy use, such as rail and electric vehicles. Green incentives may also include conservation measures such as forest protection and restoration and other environmentally beneficial measures that reduce air pollution, improve water quality and water supply, or contribute to climate change mitigation, adaptation or resilience. A "low-carbon" incentive is usually entirely focused on curbing emissions. However, different countries may choose different decarbonization strategies, such as the same investment in power lines can be "eco-friendly" if they connect renewable energy sources to the grid, or "eco-unfriendly" if they connect fossil fuel power plants. Therefore, in many cases governments have their own definitions of whether a project is "green" or not. For some of them, "green" is large hydropower, natural gas, nuclear energy, carbon storage, for others this interpretation is unacceptable.

The International Energy Agency (IEA) has called for the development, implementation and integration of clean energy technologies to be a cornerstone of economic recovery plans. The IEA and other experts say that increasing the share of "green stimulus" in the recovery package will help create new jobs. From these positions, the current crisis is a test for governments in terms of commitment to the problem of climate change and the transition to clean energy, which is declared on various international platforms as a priority for the world community. According to the

calculations of IEA experts, investing \$1 million in improving the efficiency of buildings, environmentally friendly urban transport or solar photovoltaic systems will create more than twice as many jobs as investing \$1 million in coal or gas energy. Sustainable forest management, EV charging infrastructure, pedestrian and cycling infrastructure, biofuels and recycling were also identified as employment drivers. Those who question the optimism of the conclusion that overall clean energy can create more jobs than other infrastructure investments in the near future are usually told in discussions that, say, environmental projects such as installing solar panels or planting trees, more labor-intensive than highly automated capital-intensive projects from the extraction of oil, gas, coal and other natural minerals. However, they forget to clarify that "green projects" may require less qualified labor or those who belong to the representatives of the so-called gig economy (a set of independent contractors, workers of online platforms, employees of contract firms, on-call workers and temporary workers employees).

The analytical platform Rhodium Group tracked the costs of stimulating the green transition of the four largest regions in the world in terms of greenhouse gas emissions - the USA, the EU, China and India. It turned out that the EU is the leader in terms of this indicator: the total amount of "green expenses" at the beginning of 2021 amounted to 249 billion dollars (almost 20% of the total amount of measures to restore the economy of the union) (*Rhodium Group, 2020*). The implementation of "green" initiatives was facilitated by the active use of the potential of discretionary fiscal policy, which refers to what happens as a result of government decisions, purposeful manipulation of public procurement, taxes and transfers with the aim of stabilizing the economy. Under discretionary fiscal policy, in order to support economic activity during a crisis, a state budget deficit is purposefully created, and a surplus is deliberately formed during an economic boom. However, there is a time lag between the implementation of fiscal policy measures and the manifestation of their economic effect, and according to experts, it is 1-2 years. Therefore, the implementation of an effective discretionary fiscal policy requires a fairly accurate forecast of economic processes, based on which the government would be able to adjust the tools - public procurement, taxes and transfers - to the future economic situation. In the case of the "green transition", the global conjuncture is actually created in manual mode.

The United States of America ranks second with \$26 billion, which is only 1.1% of total US stimulus funds today. At the beginning of March 2021, US President Joseph Biden signed a document on directing \$1.9 trillion to restore the economy. Immediately after the launch of the stimulus package, consideration of the volume of infrastructure financing was updated, and already on March 31, an infrastructure plan for \$2.3 trillion was submitted, calculated for the next eight years, within which green energy costs take second place (24%). In India, the share of environmentally friendly investments is more than twice as high as in the USA (2.4%), but the total scale of spending is only 830 million dollars. And China's "green costs" are estimated at 1.43 billion dollars, which is only 0.3% of the total costs for stimulating the economy (*Rhodium Group, 2020*).

As the idea of sustainable development advances, changes in the role of central banks (CBs) cannot be avoided. Many of them are already officially talking about the negative consequences of uncontrolled climate change for financial stability. Obviously, the Central Bank will have to become "climate rescuers of last resort." And this is the real intrigue. The nature of the "green transition" and its consequences, which influence business and consumption models, will be felt by absolutely everyone, but with varying degrees of drama. Therefore, many experts are already calling the movement towards climate neutrality a "green swan".

The term is analogous to the "black swan," made popular by Nassim Taleb, who argues that it is "black swans"—events with unpredictable consequences and large-scale impacts—that drive history and change the way we think about risk. The climate crisis is very similar to a "black swan" event, because the results of climate change will undoubtedly be severe and extreme, as will the consequences of containing it.

In June 2021, leading central bankers, representatives from the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the Network for Greening the Financial System (NGFS), policymakers and academics held the Global Virtual Conference on Greening

swan 2021" (Green Swan 2021). According to the approved communiqué, participants committed to “appropriately integrate considerations of climate change and biodiversity loss into economic and financial decision-making, including addressing macroeconomic impacts and making optimal use of a range of policy levers to set carbon prices.”

Events caused by “green swans” significantly affect the state of the financial system, forcing the Central Bank to introduce instruments of a “green” quantitative transition. Indeed, in order to ensure that the green transition does not negatively impact the financial system, banks will have to align their monetary and regulatory policies with environmental policies. In this situation, central banks could play a key role by helping the financial system by purchasing depreciated assets resulting from rapid climate change, as long as these measures are aimed at financing environmental sustainability projects or “green” industries.

The green quantitative transition is comparable to the quantitative easing policy initially implemented by the Bank of Japan back in the early 2000s and later by the Federal Reserve and the European Central Bank (ECB) in response to the financial crisis that began in 2007/2008 and subsequent crises euro and the coronavirus pandemic. Quantitative easing is the injection of liquidity into the economy by purchasing assets from financial institutions. And “green” quantitative easing will be implemented on the same principles, but aimed at curbing climate change. Central banks will also issue securities to benefit from Development Banks to ensure that institutions can finance the projects needed for the transition without encountering obstacles arising from the private credit market.

Referring to the ECB's mandate, which defines price stability as a primary objective, but stipulates that the ECB “shall support the general economic policy in the Union, promoting the achievement of the objectives of the Union, provided that such actions do not prejudice price stability (Article 127.1 of the Treaty on the Functioning of the EU (TFEU), the researchers confirm that the ECB is already institutionally prepared to play an active role in mitigating the effects of climate change. After all, the Union's goals imply that the EU internal market should “work for the sustainable development of Europe based on balanced economic growth and price stability aimed at full employment. and social progress, as well as a high level of environmental protection and improvement” (Article 3.3 TFEU) Therefore, these TFEU articles provide the ECB with considerable space to support the EU's “green” goals (*EUR-Lex*).

Most likely, central banks will have to use the Brazilian experience of creating companies (like the Emgea Asset Management Company) to manage the exchange of financial assets associated with old technologies (so-called “brown” assets) for “green” assets. After all, investors, squeezed into the corset of ESG criteria for selecting projects that comply with the principles of responsible financing, actually cut off power to “dirty” industries, which will not be able to modernize without financial injections.

The creation of such companies will allow central banks to rescue financial institutions that have fallen into difficulty during the transition period, and at the same time set conditions for their further activities as part of financial market reregulation. In other words, central banks could protect financial institutions from problems with stranded assets by directing their activities to “green” projects, determining the conditions for the exchange of assets, and even nationalizing private financial institutions if their financial and credit activities have reached a dead end. But the government, through a green quantitative transition, could finance green industrial policy and innovation for the purpose of industrial retooling, introducing fiscal policy as a tool to stimulate technological and innovative changes. But such a commitment to facilitating a successful transition to a green economy will require a review of macroeconomic policies.

The primary responsibility for responding to market failures caused by the climate challenge actually lies with governments. They have the power to make decisions that can fundamentally change the economic and social landscape and have a wide range of policy levers, including setting a price on carbon emissions, setting regulations for reducing emissions, making the necessary investments and providing guarantees. And therefore, state planning, its institutions and the policies used - fiscal, monetary, monetary and industrial together with credit - must ensure the sustainability

of the “green” transition. Only in this case can the stability and efficiency of the financial system be guaranteed, as well as the technical re-equipment of the production sector, oriented towards new technologies while maintaining its productivity indicators.

At the same time, the revision of the tax-budget base, which makes it possible to obtain additional state loans for investing in "green" projects, may take the form of exempting investments in green projects from the basic criteria of 3% of the budget deficit or 60% of the debt level. This can happen, for example, by allowing another 1% of GDP to be allocated to investments in relevant green projects and allocating an additional amount - almost 5% of GDP - to the accumulation of "green debts". Here it is worth noting that the supranational influence on the fiscal sphere within the EU resembles the practice of economic regulation applied by national governments. Moreover, it is not about direct regulation (state procurement, sale of state property), but about indirect influence (regulation of the deficit, state debt, and as a result, budget expenditures and revenues). When considering the option of "borrowing for investment", it is worth noting that with historically low borrowing costs, some see it as more appropriate to support public investment, rather than increase current spending. For example, the UK has increased the allowable level of net public investment from 2% to 3% of GDP, while debt servicing costs are less than 6% of public spending. Since most Eurozone bonds have negative yields, governments can borrow effectively for free, increasing the return on any government investment.

Denmark and Canada have made the most serious joint effort to reorient their economies through stimulus spending. Canada has announced a "Healthy Environment and Healthy Economy Plan" that covers energy efficiency, low- and zero-emission transportation, a clean energy transition, low-carbon agriculture and environmental initiatives. The plan contains 64 measures for the development of "green infrastructure" and the direction of "green" investments in infrastructure, etc. Along with financing the health care system and households in Canada, significant support is also provided to business through a number of specific measures related to the environment: subsidies that stimulate employment (wage subsidies); direct payments; postponement of tax payment or reduction of tax amount. Most of the "green incentives" are directed to the energy sector. Given that the policy of energy deregulation has a greater negative impact than a number of positive "green" measures, the implementation of this plan does not provoke the development of green inflation.

The European Commission's "green spending" and stimulus packages introduced in Great Britain, the Netherlands, Austria, France, Germany, Finland, Spain and Sweden are also large-scale. The Netherlands and Austria are the first EU countries to join the regional recovery initiative REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe). Participation in the financing program will make it possible to increase the volume of investments in green and digital transitions in certain regions of the country. In particular, in the north of the Netherlands, the program will support long-term investments in sustainable innovation projects in the areas of closed-loop production, renewable energy, digitalization and healthcare. In the east of the country, the program will support the further development and market entry of innovative technologies and processes, as well as investments that strengthen the innovation ecosystem. Areas of investment for the green transition will also include sustainable energy and materials use. In the south, projects aimed at the implementation of sustainable innovations will be supported within five spheres: energy, raw materials, climate, agriculture and food.

It is worth emphasizing that measures for the green recovery of the economy are carried out in the Netherlands not only by the state, but also at the business level. For example, in 2020, the Dutch Coalition for Sustainable Growth initiated the Green Recovery Statement, which was joined by more than 250 of the country's largest companies. The business community is striving to rebuild the economy after the pandemic, which is in line with the UN Sustainable Development Goals. The Netherlands is also an active participant in multilateral initiatives for cooperation in the field of green recovery and the provision of appropriate assistance to the least developed countries. At the meeting of the Development Committee of the World Bank Group in April 2020, the representative of the country emphasized the importance of financing by international organizations of plans for the recovery of the economies of developing countries, which contain provisions for financing

renewable energy, sustainable water resources and food systems while simultaneously reducing fossil fuel costs. The Netherlands' global recovery efforts are focused on low-income countries and the most vulnerable countries, fragile states in conflict zones. In 2020-2021, the Netherlands supported green post-crisis recovery projects in Africa, the Middle East, South America and Asia. In addition, it was announced that it will continue to encourage countries with long-term national environmental strategies despite the consequences of the pandemic.

The Benelux Union Annual Plan 2021 states that the Benelux Green Deal should become an EU-wide model. And the agreement provides that the countries will cooperate in the implementation of national energy and climate plans until 2030 in accordance with the provisions of the Regulation of the European Union on the management of the Energy Union (EU Governance of the Energy Union Regulation). More specifically, the Benelux countries committed to include relevant green provisions in their national post-crisis recovery plans. The transformation of the energy market (transition to hydrogen fuel) and sustainable mobility have been defined as the main areas of cooperation. For example, by the end of this year, the Benelux countries will introduce a procedure for registering operators of electric car charging points, which is in line with the EU's green ambitions to deploy infrastructure for alternative fuels. In addition, it is planned to develop cross-border infrastructure for zero-emission trucks, as well as for cross-border hydrogen-fueled ships. But Japan, South Korea, Italy and Australia, although they have made efforts to green their own stimulus measures, have not been able to achieve transformational shifts towards a green transition.

But the integration of climate and clean energy into large-scale investments to stimulate the economy is only one indicator of commitment to the fight against environmental change. For countries that do not have a strong policy framework for curbing greenhouse gas emissions, incentives may be one of the most promising tools for advancing green priorities. On the other hand, where climate policy already limits the main sources of emissions (in the EU and many of its member states), stimulus spending can be an accelerator of progress, but not the main means of reducing emissions. And, for example, in India, a number of projects to accelerate the implementation of clean energy are outside the scope of the stimulus plans for post-pandemic economic recovery.

According to the latest Greenness of Stimulus Index (GSI) report from think tanks Vivid Economics and Finance for Biodiversity (F4B), almost a third (\$4.6 trillion) of stimulus provided by the governments of the G20 and other countries (Scandinavian, Columbia, Switzerland, Spain, Singapore and the Philippines) to their own corporations at the beginning of 2021 (\$14.9 trillion) was in sectors that could play an important role in ensuring more sustainable development, including agriculture, energy, transport, waste disposal and heavy industry (*Vivid Economics, 2021*). But only 1.8 trillion dollars from this funding were either directed directly to low-carbon development and environmental improvement projects, or included an environmental criterion to determine potential recipients of such incentives. Fewer than ten of the analyzed economies invested in so-called conservation projects, such as tree planting, forest protection and regenerative agriculture (*Vivid Economics, 2021*).

China has committed to becoming carbon neutral by 2060 and has set an interim goal of reducing carbon intensity by 65% by 2030 compared to the 2005 baseline. But the GSI shows that China has continued to focus stimulus support on big coal and industrial production without regard to environmental conditions, even as it has announced plans to develop solar and wind power. While other Asian countries, along with Japan and India, have directed a significant share of stimulus funding to specific low-carbon sectors such as climate change adaptation, renewable energy generation and energy storage, they also continue to actively support the coal industry.

Conclusions. In the early stages of the pandemic and the global recovery, most governments reasonably focused the first wave of stimulus measures on the most urgent priorities: supporting the health sector and providing direct assistance to households, businesses and ordinary workers. But then, when the crisis began to turn into a long-term economic recession, governments tried to use the "green agenda" as a way to stimulate national development and announced increased funding

for the green transition. In fact, the "green transition" destroys the usual business models ("business as usual"), revises the "portrait" of countries regarding their comparative advantages, and reformats the international division of labor.

Climate change and measures to combat it may have unintended consequences for inflation, even to the extent that they may undermine monetary policy's efforts to maintain price stability. While most analysts are convinced that the spike in gas prices has nothing to do with climate policy and much more to do with oil production curbs imposed by OPEC+ in an attempt to keep prices high and recoup losses after the pandemic hit on the oil markets, there are also those who place the responsibility for the price peak on poor planning of decarbonization processes.

A possible trigger of "green inflation" is considered to be the following options of "green incentives" that potentially affect the "greening" of inflation and the probability of their impact is increasing today, namely: first, the adjustment of the tax and budget base, which makes it possible to obtain additional borrowings for investing in "green" projects; secondly, actions of the ECB to stimulate green activity; thirdly, the "green transition" in German politics, which can open opportunities for the growth of "green" investments by 1% of GDP; fourth, the introduction of state guarantees – a key financing mechanism of the EU Green Deal – for the expansion of green projects now that new renewable energy sources are approaching the criterion of competitiveness with fossil fuels in conditions of strict market regulation of the latter.

Decarbonisation hides at least two risks in regulation and taxation: first, it could hold back investment and harm growth by exacerbating stagnation; second, it objectively creates more barriers to trade, which is a problem for the export-dependent European economy, if increasing production costs in Europe due to more expensive energy will require constant adjustments to import taxes and export subsidies to protect industry. At the sectoral level, energy-intensive industries (steel, chemicals and cement) may suffer from high EU environmental taxation, carbon taxes and environmental regulation, and may then be at risk of moving to jurisdictions with lower energy costs. From these positions, inflation is unlikely to turn green.

The peculiarity of the EU's National Resilience and Recovery Plans illustrates the importance of separately assessing the impact of "green stimulus" on climate and nature. Although 37% of the €672.5 billion Recovery and Sustainability Fund is earmarked to invest in environmental initiatives, an analysis of ten EU member states' €500 billion plans by GSI experts found that more harm than good has been done to nature (Todd, M. C., Taylor, R. G., Osborn, T. J., Kingston, D. G., Arnell, N. W., and Gosling, S. N., 2011). The experts extended the GSI methodology to distinguish between climate impacts and nature impacts, and found that 98% of climate-related costs, while capable of reducing emissions, more than half of nature-related costs are actually for it is harmful. Moreover, the severe imbalance between the size of costs affecting nature and the climate has largely put nature at a disadvantage and failed to fully meet the environmental ambitions of the recovery package introduced by the European Commission. The analyzed countries invested only 1% in solutions focused on nature conservation, while, according to various estimates, they neglected the triple possibility of obtaining significant benefits for the labor market (without ensuring the creation of jobs) and the economy, reducing emissions and improving nature and biodiversity.

We assume that the impact of "green inflation" will be unclear, because there are restrictions on increasing the pace of deployment of new projects. Additional costs related to additional infrastructure, such as power lines, backup power, energy storage or fuel storage, may be unaffordable from a budgetary "maneuver" point of view. In addition, the emergence of cost-competitive renewable energy technologies provides governments with an unusual opportunity to stimulate private sector investment and growth by offering conditional guarantees rather than direct subsidies.

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INNOVATION IN INVESTMENT BANKING AS A RESPONSE TO GLOBAL CHALLENGES

ІННОВАЦІЇ В ІНВЕСТИЦІЙНОМУ БАНКІНГУ ЯК ВІДПОВІДЬ НА ГЛОБАЛЬНІ ВИКЛИКИ

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Abstract. *In the modern world, investment banking plays a crucial role in the global economy by facilitating capital raising for companies, supporting economic growth, and ensuring financial stability. The article analyzes numerous risks for investment banks associated with globalization, economic crises, technological progress and strengthening of regulatory requirements. In response to these challenges, innovation has become a key factor enabling banks to remain competitive. The adoption of advanced technologies such as blockchain, artificial intelligence, and big data is significantly transforming business practices and opening new avenues for growth and development. Innovative financial instruments, new risk management models, and operational process optimization are integral parts of modern investment banking. The purpose of this article is to investigate and analyze the role of innovation in investment banks' responses to global challenges. It was determined that innovation in the banking sector profoundly impacts the efficiency and resilience of financial institutions. Implementing cutting-edge technologies like blockchain, artificial intelligence, and machine learning ensures high levels of transparency and security in financial operations, automates analytical processes, and enhances decision-making accuracy. Furthermore, innovative approaches to risk management help banks effectively assess and control risks while developing hedging strategies. Innovations in creating new financial instruments, such as cryptocurrencies and smart contracts, offer new opportunities for portfolio diversification and cost reduction. Investment banks also actively utilize crowdfunding and robotic process automation (RPA) to raise capital and improve operational efficiency. Social responsibility and sustainable development were identified as important areas of focus for investment banks, contributing to reducing environmental impact and enhancing community well-being. It was proved that the success of innovation in the banking sector depends on banks' ability to effectively balance*

the advantages and drawbacks of each technology, invest in human capital development, and ensure compliance with regulatory requirements.

Keywords: *investment banking, global challenges, technological innovations, blockchain, artificial intelligence, big data, financial instruments, risk management, process automation, innovative strategies, adaptation.*

Анотація. *У сучасному світі інвестиційний банкінг відіграє вирішальну роль у світовій економіці, сприяючи залученню капіталу для компаній, підтримуючи економічне зростання та забезпечуючи фінансову стабільність. В статті проаналізовані численні ризики для інвестиційних банків, пов'язані з глобалізацією, економічними кризами, технологічним прогресом і посиленням нормативних вимог. У відповідь на ці виклики інновації стали ключовим фактором, що дозволяє банкам залишатися конкурентоспроможними. Запровадження передових технологій, таких як блокчейн, штучний інтелект і великі дані, суттєво змінює бізнес-практику та відкриває нові шляхи для зростання та розвитку. Інноваційні фінансові інструменти, нові моделі управління ризиками та оптимізація операційних процесів визначені авторами як невід'ємні складові сучасного інвестиційного банкінгу. Метою цієї статті є дослідження та аналіз ролі інновацій у відповідях інвестиційних банків на глобальні виклики. Було визначено, що інновації в банківському секторі глибоко впливають на ефективність і стійкість фінансових установ. Впровадження передових технологій, таких як блокчейн, штучний інтелект і машинне навчання, забезпечує високий рівень прозорості та безпеки фінансових операцій, автоматизує аналітичні процеси та підвищує точність прийняття рішень. Крім того, інноваційні підходи до управління ризиками допомагають банкам ефективно оцінювати та контролювати ризики під час розробки стратегій хеджування. Інновації у створенні нових фінансових інструментів, таких як криптовалюти та смарт-контракти, пропонують нові можливості для диверсифікації портфеля та зниження витрат. Інвестиційні банки також активно використовують краудфандинг і роботизовану автоматизацію процесів (RPA) для залучення капіталу та підвищення операційної ефективності. Соціальна відповідальність і сталий розвиток оцінені як важливі напрямки для інвестиційних банків, що сприяють зменшенню впливу на навколишнє середовище та підвищенню добробуту громади. Доведено, що успіх інновацій у банківському секторі залежить від здатності банків ефективно збалансувати переваги та недоліки кожної технології, інвестувати в розвиток людського капіталу та забезпечити дотримання нормативних вимог.*

Ключові слова: *інвестиційний банкінг, глобальні виклики, технологічні інновації, блокчейн, штучний інтелект, big data, фінансові інструменти, управління ризиками, автоматизація процесів, інноваційні стратегії, адаптація.*

Introduction. Investment banking, as one of the key sectors in the financial industry, has always played a crucial role in the global economy. Modern investment banks not only assist companies in raising capital but also actively contribute to market development, support economic growth, and ensure financial stability. However, in today's world, investment banks face numerous challenges arising from globalization, economic crises, technological progress, and increasing regulatory requirements. Innovation has become a pivotal factor enabling investment banks to adapt to these challenges and remain competitive. The adoption of advanced technologies such as blockchain, artificial intelligence, and big data not only changes business approaches but also opens up new opportunities for growth and development. Innovative financial instruments, new risk management models, and operational process optimization have become integral parts of contemporary investment banking.

The purpose of the article. The purpose of this article is to investigate and analyze the role of innovations in investment banking in addressing the global challenges faced by this industry.

Literature review. Recent studies show that innovations in the banking sector have a significant impact on the efficiency and resilience of financial institutions. The article utilizes

literature that explores various aspects of this impact, including the adoption of advanced technologies, the development of new financial instruments, and approaches to risk management.

In particular, works by Yuri Vladik and Anton Prystupko examine innovative technologies in the banking sector such as blockchain and artificial intelligence, and their influence on enhancing the efficiency of resource utilization in banking institutions. Marina Kuznetsova investigates the development and implementation of innovative banking services in Ukraine, emphasizing the need for adaptation to rapidly changing market conditions.

Oleksandr Malinovsky analyzes the potential of blockchain and smart contracts in banking operations, underscoring their capability to automate financial transactions and increase transparency. Anna Oliynyk explores cryptocurrencies as a new tool in international financial markets, assessing their opportunities and challenges for the global economy.

Additionally, Oleksandr Ratz explores the prospects of using green bonds as a financial instrument for banking investment, promoting environmental sustainability. Articles on crowdfunding and RPA (Robotic Process Automation) discuss new models of financing and business process automation that reduce costs and enhance the efficiency of banking operations.

Thus, the literature review demonstrates a wide variety of approaches to implementing innovations in the banking sector, which contribute to increased efficiency, risk reduction, and adaptation to new challenges.

Main results of the research. During our research, several key findings highlight the importance of innovation in responding to global challenges faced by investment banks. These findings can be categorized into several main areas: technological innovations, new financial instruments and products, innovations in risk management, operational efficiency improvements, and strategies for investment banks to adapt to innovations.

Innovations in the banking sector encompass new technologies, products, and services that are introduced to the financial market (*Kuznetsova M. A., 2020*). The implementation of advanced technologies such as blockchain, artificial intelligence (AI), and machine learning significantly changes traditional approaches to business operations and risk management.

Blockchain technology ensures a high level of transparency and security in financial transactions. It allows the creation of decentralized databases that cannot be altered or forged without appropriate permission. This is particularly important for investment banks as it helps reduce fraud risks and ensures the reliability of financial operations. Additionally, blockchain reduces transaction costs, shortens processing times, and enhances operational efficiency.

The use of blockchain technology in the banking sector provides greater security and transparency in financial operations:

- Blockchain uses cryptography to protect data. Transactions are encrypted and verified, making them highly resistant to tampering or hacking, thereby preventing fraud and illegal activities.

- Blockchain is a distributed database accessible to all network participants, making transactions visible and verifiable by all interested parties. This transparency helps avoid financial manipulation.

- Blockchain allows direct financial and other transactions between network participants without the need for intermediaries, reducing costs and risks.

- Blockchain enables fast, 24/7 transactions, allowing banks to enhance the efficiency of their services.

- Information in the blockchain is securely stored and remains immutable over time, helping to prevent data loss or falsification of transaction history (*Vladyka, Yu., Prystupko, A., 2023*).

Investment banks increasingly turn to blockchain technology to improve the transparency and security of their transactions. For example, J.P. Morgan has developed its own blockchain platform called Quorum, used for interbank payments and other financial operations. This technology helps reduce operational costs and increase transaction efficiency.

The use of AI and machine learning enables investment banks to analyze large volumes of data and make informed decisions based on the results. AI can be used to automate analytical

processes, predict market trends, manage risks, and detect anomalies in financial transactions. This significantly improves the accuracy of forecasts and reduces the risk of losses.

Automation of processes through the use of artificial intelligence allows banks to reduce labor costs and improve decision-making accuracy (*Vladyka, Yu., Prystupko A., 2023*).

Big data and analytics enable investment banks to gain deep insights into market trends, customer behavior, and other critical aspects. The use of advanced analytical tools helps banks make more informed decisions, optimize asset portfolios, and improve risk management efficiency.

Investment banks have access to large volumes of data from various sources, including financial markets, customer transactions, social media, and other external sources. Analyzing this data helps identify key trends and patterns that can influence investment decisions. For example, market data analysis can help predict future changes in asset values and identify new investment opportunities.

Additionally, analyzing customer behavior data allows banks to better understand the needs and expectations of their clients. This can include analyzing transactions, credit histories, socio-demographic data, and other factors. As a result, banks can offer more personalized products and services tailored to individual customer needs.

The use of big data also enhances risk management efficiency. With advanced analytical methods, banks can better assess credit risks, market risks, and other types of risks. This includes modeling various market development scenarios, stress-testing asset portfolios, and analyzing the impact of external factors on financial results. Such approaches help banks develop more robust risk management strategies and reduce the likelihood of financial losses.

Analytics also contributes to optimizing asset portfolios. Banks can use data to analyze the performance of different assets and make decisions regarding their purchase or sale based on the insights gained. This helps increase portfolio returns and reduce risks associated with their volatility.

Innovations in the creation of new financial instruments and products play a crucial role in investment banks' responses to global challenges. Specifically, the development of cryptocurrencies, smart contracts, and new financing models opens up new opportunities for growth and development.

Cryptocurrencies such as Bitcoin, Ethereum, and Tether are becoming increasingly popular as alternative financial instruments. Currently, Bitcoin, Ethereum, and Tether are among the top three cryptocurrencies by market capitalization (*Oliynyk, A.A., 2023*). Investment banks are actively exploring the use of cryptocurrencies to diversify their portfolios, reduce risks, and attract new clients. Furthermore, cryptocurrencies can be used for international transactions without the need for traditional banking intermediaries, reducing costs and increasing transaction speed.

Smart contracts implemented on blockchain platforms allow the automation of agreement execution, ensuring their security and reliability. They can be used to automate various financial operations such as dividend payments, asset portfolio management, and more. This reduces operational costs, increases transparency, and ensures compliance with agreement terms.

In practice, compared to traditional paper contracts, smart contracts consist of IT functions integrated into software, with conditions written in code executed on a blockchain-based network rather than on paper and stored with the parties (*Malinovskiy O., 2024*).

Crowdfunding and other innovative financing models are becoming increasingly popular among investment banks. Crowdfunding is an organized collection of funds from many people through a special online platform to finance a new business project (*Crowdfunding: what it is and why it's needed, 2023*).

They allow capital to be raised from many investors through online platforms, expanding project financing opportunities and reducing dependence on traditional capital sources. This is particularly important in conditions of economic instability and increasing regulatory requirements.

Risk management is one of the key functions of investment banks, and innovations in this area help effectively reduce risks and ensure financial stability.

Investment banks actively use advanced analytical methods for risk assessment and management. This includes the use of statistical models, machine learning, and other tools to predict market risks, detect anomalies, and develop hedging strategies.

Innovative risk management approaches include developing new models that allow better risk assessment and control. For example, stress-testing, scenario analysis, and other methods enable banks to predict the impact of various factors on their financial stability and develop effective response strategies.

Insurance and risk hedging are essential tools for risk management. Innovations in this area include the use of derivatives, credit default swaps, and other financial instruments that help reduce the risk of losses and ensure financial stability.

Innovations in improving operational efficiency help investment banks reduce costs, improve service quality, and increase competitiveness.

Process automation reduces operational costs and increases their speed and accuracy. Investment banks are actively implementing robotic process automation (RPA).

RPA is a business process automation technology based on the use of software robots (*RPA: self-study materials, 2023*). RPA allows automating routine operational processes such as transaction processing, accounting, and more. This reduces manual labor costs, decreases the likelihood of errors, and increases operational efficiency.

Effective data management is a key success factor for investment banks. Using advanced tools for data collection, processing, and analysis allows banks to gain deep insights into market trends, customer behavior, and other important aspects. This helps make informed decisions, optimize asset portfolios, and enhance risk management efficiency.

Adaptation to the rapidly changing external environment requires investment banks to develop effective strategies that include investing in new technologies, developing human capital, expanding service offerings, and increasing transparency in their activities.

Investment banks actively invest in new technologies to enhance their competitiveness and efficiency. This includes partnering with technology companies, creating internal innovation centers and labs, and implementing new technologies in their operational processes.

The success of innovative strategies depends on the availability of skilled and motivated employees. Investment banks invest in training and retraining programs for their employees, attracting talent from various fields, including IT, analytics, and cybersecurity. Creating an innovative culture within the company helps stimulate creativity and foster the implementation of new ideas.

To meet changing customer needs and enhance competitiveness, investment banks are expanding their range of services. This includes introducing new financial products such as digital assets and investment platforms, as well as offering consulting services on innovation and risk management. Expanding the range of services helps attract new clients and increase satisfaction among existing ones.

In today's world, clients and regulators expect investment banks to maintain high levels of transparency and ethical behavior. Implementing ethical standards, increasing transparency in operations, and adhering to international standards help build trust among clients and regulators. This also reduces reputational risks and ensures the company's long-term stability.

Investment banks are actively seeking opportunities for partnerships and collaborations with other financial institutions, technology companies, and startups. Such partnerships allow for the pooling of resources and expertise to develop and implement innovative solutions. Collaboration with fintech companies, for example, enables banks to rapidly adopt new technologies and improve operational efficiency.

Banks, as primary institutional participants in the securities market, play a vital role in promoting green investments, positioning themselves as socially and environmentally responsible financial institutions (*Rats O.M., 2022*). Innovative approaches to sustainable development enable banks to reduce their environmental impact and promote social welfare.

Investment banks are actively developing the green bond market, which allows for the financing of projects aimed at reducing greenhouse gas emissions, developing renewable energy, and improving environmental infrastructure. This not only reduces environmental pressure but also enhances the bank's investment appeal.

Implementing energy-saving technologies and using renewable energy sources in banking operations help reduce energy costs and decrease the carbon footprint. Banks invest in solar panels, wind turbines, and other environmentally friendly energy sources.

Social responsibility is an integral part of modern investment banking activities. It involves not only adhering to ethical standards and treating clients and partners responsibly but also actively participating in societal development and addressing social issues. Investment banks that integrate social responsibility into their strategies not only improve their reputation but also create long-term business advantages, contributing to stability and prosperity. Key areas of social responsibility actively developed by banks include:

- **Financial inclusion:** Investment banks develop programs to improve financial literacy and ensure access to financial services for low-income populations. This includes creating special credit products, developing mobile applications for easy financial access, and conducting educational campaigns.

- **Investing in social projects:** Banks actively invest in projects aimed at improving social infrastructure, such as building schools, hospitals, housing for the underprivileged, and developing community initiatives. This not only improves living conditions but also enhances the bank's reputation in society.

- **Supporting entrepreneurship:** Investment banks create support programs for small and medium-sized businesses, providing favorable credit terms, consulting support, and training. This promotes economic development and job creation.

Thus, innovations in the field of environmental sustainability and social responsibility are becoming significant areas of activity for investment banks. They not only help reduce environmental and social impacts but also create new opportunities for business development and enhance competitiveness in the market.

Below is a table outlining the advantages and disadvantages of innovations in the banking sector (Table 1):

Table 1.

Advantages and Disadvantages of Innovations in the Banking Sector

| Innovations in the Banking Sector | Advantages | Disadvantages |
|--|--|--|
| Blockchain | - high transparency and security of transactions | - high implementation costs |
| | - reduction of fraud risk | - long adaptation period of existing systems |
| | - reduction of transaction costs | - insufficient legislative regulation |
| | - automation of financial operations | |
| Artificial Intelligence (AI) | - automation of analytical processes | - need for highly skilled personnel |
| | - market trend forecasting | - ethical issues and risks of confidentiality |
| | - improved decision-making accuracy | - high initial investments |
| Big Data | - deep insights into market trends | - challenges in storing and processing large volumes of data |
| | - personalization of services | - client data confidentiality concerns |

| | | |
|---|---|--|
| | - enhancing risk management efficiency | - high complexity of data analysis |
| Cryptocurrencies | - new opportunities for portfolio diversification | - висока волатильність та ризики |
| | - international transactions without intermediaries | - insufficient regulation and legislative uncertainty |
| Smart contracts | - automated execution of agreements | - high costs of development and implementation |
| | - reduction in operational costs | - risks of errors in code and cybersecurity |
| Crowdfunding | - capital attraction from a large number of investors | - high risk of project underfunding |
| | - reduced reliance on traditional sources of capital | - lack of guarantees for investment return |
| RPA (Robotic process automation) | - automation of routine operations | - high initial implementation costs |
| | - reduced costs on manual labor | - need for software support and updates |
| | - increased speed and accuracy of operations | - potential job loss for workers |
| Green Obligations | - financing environmental projects | - limited number of investment projects meeting criteria |
| | - increasing investment attractiveness | - high cost of implementing environmental standards |
| Social responsibility | - enhancing the bank's reputation | - high costs of social projects |
| | - improving living conditions in communities | - complexity in measuring the effectiveness of social initiatives |
| | - increasing financial literacy among the population | - need for constant adaptation to changing social needs and expectations |

Source: created by the authors based on their own research

Thus, the success of implementing innovations in the banking sector depends on banks' ability to effectively balance the advantages and disadvantages of each technology, invest in human capital development, and ensure compliance with regulatory requirements. Only a comprehensive approach to innovation implementation will enable banks to achieve sustainable development and enhance their competitiveness in the market.

Conclusions. Results of our research underscore the importance of innovation for the success and development of investment banks in the modern world. Global challenges faced by these financial institutions necessitate the adoption of advanced technologies, creation of new financial instruments and products, development of effective risk management strategies, and enhancement of operational efficiency.

Innovations enable investment banks to remain competitive, reduce risks, and ensure financial stability. Moreover, they help banks adapt to changing market conditions, meet client needs, and comply with increasing regulatory requirements.

The implementation of new technologies such as blockchain, artificial intelligence, and big data opens new avenues for growth and development. Innovative financial instruments like cryptocurrencies and smart contracts allow for expanding service offerings and attracting new

clients. Innovations in risk management and operational efficiency help reduce costs and improve service quality.

Adaptation strategies, such as investing in new technologies, talent development, expanding service offerings, and increasing transparency, contribute to long-term stability and competitiveness of investment banks.

Thus, innovation is a key driver of success in modern investment banking. It enables effective responses to global challenges, ensures growth and development, and enhances client satisfaction and regulatory trust.

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PERSPECTIVES OF USE ARTIFICIAL INTELLIGENCE TECHNOLOGIES IN ACCOUNTING: EUROPEAN INTEGRATION VECTOR OF REGULATION

ПЕРСПЕКТИВИ ВИКОРИСТАННЯ ТЕХНОЛОГІЇ ШТУЧНОГО ІНТЕЛЕКТУ В ОБЛІКУ: ЄВРОІНТЕГРАЦІЙНИЙ ВЕКТОР РЕГУЛЮВАННЯ

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Abstract. *The article discusses the role of artificial intelligence in accounting processes, its problems and risks of application in the accounting industry. Special attention is paid to the issue of artificial intelligence regulation at the international level. The problem of interaction between specialists and artificial intelligence is also raised. The purpose of the article is to systematize information on the impact of artificial intelligence on the accounting profession and accounting processes. The article is based on the hypothesis that artificial intelligence systems will replace accountants in some routine duties. At the same time, these systems will not be able to completely displace accountants from the industry. The results of the study indicate that the efficiency of accounting will be significantly improved with the assistance of artificial intelligence by automating complex tasks, increasing accuracy, systematizing information in real time, speeding up reconciliation procedures, and helping to detect fraud. The findings indicate that accounting processes are being transformed under the influence of artificial intelligence technologies.*

Keywords: *artificial intelligence, regulation, international community, accounting, machine learning, automation of accounting processes.*

Анотація. *У статті розглянуто роль штучного інтелекту та проблеми й ризику застосування у обліку. Особливої уваги приділено питанням регулювання штучного інтелекту на міжнародному рівні, зокрема, у Європейському Союзі, а також порушено проблему взаємодії фахівців зі штучним інтелектом. Мета статті – систематизувати дослідження щодо впливу штучного інтелекту на професію бухгалтера та облікові процеси в умовах імплементації європейських регуляторних норм в українське законодавство. Стаття ґрунтується на гіпотезі, що системи штучного інтелекту замінять бухгалтерів у деяких рутинних обов'язках. Водночас ці системи не зможуть повністю витіснити бухгалтера з*

галузі. Результати дослідження вказують на те, що ефективність бухгалтерського обліку значно покращиться за сприяння штучного інтелекту через проведення автоматизації складних завдань, підвищення точності, систематизацію інформації в режимі реального часу, прискорення процедур звірки та допомогу у виявленні шахрайства. Отримані висновки свідчать про те, що процеси обліку трансформуються під впливом технологій штучного інтелекту.

Ключові слова: штучний інтелект, регулювання, міжнародне регулювання, європейська інтеграція, бухгалтерський облік, машинне навчання, автоматизація облікових процесів.

Introduction. Digital technologies are becoming more and more important in the economy and in the accounting industry. Professionals have been using technology for a long time to improve the provision of accounting information to users. In particular, they have created appropriate tools for electronic document management, developed accounting software, organized the submission of reports to regulatory authorities through digital tools, etc. However, if earlier the use of machines was limited to the role of an auxiliary tool in calculations or infographics, with the advent of artificial intelligence (AI), it became possible to automate accounting processes quite thoroughly, which, according to some publications, could completely replace the profession of an accountant.

Artificial intelligence is gaining strategic importance in the European Union. According to the European Statistical Office, AI is already actively used in business. It is noted that on average, about 8% of enterprises in the European Union used AI tools in their activities as of 2023, with Denmark (15.2%), Finland (15.1%), and Luxembourg (14.4%) among the leaders. The most widespread use of cognitive technologies was for automating routine tasks, text processing, and machine learning (*Eurostat, 2023*). The information indicates the relevance of analyzing the use of AI in various sectors of the economy, including accounting.

The purpose of this study is to systematize information on the impact of AI on the accounting profession and accounting processes in the context of the implementation of European regulations in Ukrainian legislation. In addition, considerable attention is focused on understanding the challenges and opportunities for the accounting industry provided by AI.

It is hypothesized that AI systems will replace accountants in some routine duties, as these systems can perform certain work faster and more accurately than humans. At the same time, these systems will not be able to completely displace accountants from the industry.

Various research methods were used in the investigation. In particular, the methods of induction and deduction, analysis, and synthesis were used to complex investigation the impact and prospects of AI in the accounting industry. Methods of generalization and systematization are used for a detailed consideration of AI components in order to improve the efficiency of accounting processes. The comparison method was also used to identify the weaknesses of AI and the feasibility of its use in the enterprise.

Literature review. Naturally, the emergence of such a tool has given rise to active discussions on the feasibility and risks of using AI technologies in the accounting industry. A significant number of works have been published by foreign scholars. In particular, Q. Duong, T. Ariel, and A. Blyakhman studied the impact of artificial intelligence on the accounting and financial profession. Y. Peng and S. F. Ahmad examined the role of AI in accounting, financial reporting, auditing, and financial decision-making. Researchers A. Balamurugan, R. Bhattacharya, and others have studied the application of RPA in accounting.

The use of AI in accounting has been studied by domestic scientists S. Korol, O. Romashko (*Korol S., Romashko O., 2024*), N. Khocha, U. Pelekh, Z. Tenyukh (*Khochha, N. et al., 2023*), who have highlighted in detail the advantages and disadvantages of using AI elements in management accounting. In addition, scientists A. Kolesnikov and O. Karapetyan (*Kolesnikov, A., Karapetyan, O., 2023*).

In their works considered not only the application, but also the risks and threats of such use. A. Shapovalova, O. Kuzmenko, and O. Prokopova considered the growing role of AI in the

processes of taxation and reporting of small businesses. O. Pistrakevych considered information on the policy of development of AI systems among foreign countries in her research. H. Vinnikova notes that in the global dimension, the most comprehensive and developed regulatory framework for artificial intelligence is represented in the European Union (Vinnikova, N., 2022).

Main results of the research. AI is defined as the ability of computer systems or algorithms to imitate intelligent human behavior, and it is also a term used to describe the scientific field that focuses on the development of intelligent machines that combine computer science and large data sets (Nwosu, L.I et al, 2022). In general, the creation and development of AI technologies is focused on reducing enterprise costs, significantly speeding up business processes, and eliminating that called human factor. AI refers to software designed to reproduce the information processing processes inherent in the human mind. AI performs such imitation with the help of various technical means, so to understand the use of such technologies in accounting, it is advisable to consider the elements contained in AI (Fig. 1).

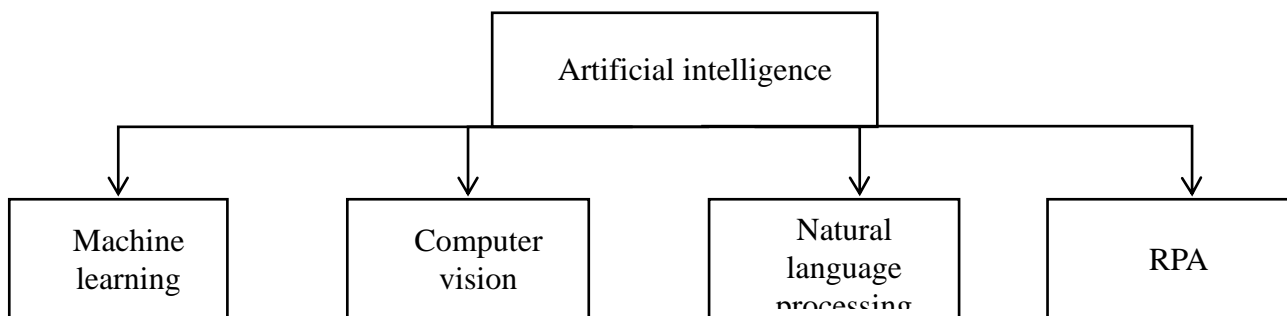


Fig. 1 Elements of AI

Machine learning is a subfield of AI that uses algorithms based on large data sets to create systems that allow performing tasks that were previously only possible for humans, such as data analysis (3. *The online Master of Information and Data Science from UC Berkeley, 2022*). Scientists note that it is advisable to use it to automate accounting processes, as machine learning algorithms are able to scan large amounts of information and find patterns in the financial and analytical system of an enterprise (Korol S., Romashko O., 2024). It is expected that the introduction of machine learning will increase the efficiency of business entities due to greater accuracy in forecasting financial indicators and timely identification of risks.

A promising area of AI application in the field of accounting is computer vision, which is defined as the ability to perceive visual data, such as digital character recognition or image detection (Khocha, N. et al., 2023). Computer vision allows AI to read textual information, which makes it possible to automate document recognition and processing, such as processing check details, checking the correctness of invoices, calculating taxes, etc. Computer vision can significantly reduce the time required to create various types of documents, as AI is capable of processing large amounts of data. In addition, digital technologies improve reporting by quickly collecting data from different sources and combining them to create consistent financial statements. AI can also improve the accounting of production processes, which is expected to facilitate inventory in warehouses, increase the accuracy of defect detection in the enterprise, and help prevent property theft (Korol, S., Romashko O., 2024; Kolesnikov, A., Karapetyan, O., 2023).

One of the areas of use of artificial intelligence technologies in accounting is forecasting future cash flows to determine the present (discounted) value of individual financial statement items. Different approaches can be used for forecasting tasks, namely classification, regression, ranking, and clustering algorithms (Tracheva T., Davydiuk T., Demchuk O., 2023).

The ability of AI to process natural languages deserves special attention. The technology has significant potential in the field of accounting, in particular for automating work with counterparties. The prospect of creating an autonomous system that could independently process applications from customers and, based on the information received, generate relevant documents at the stage of discussing the transaction with the counterparty via telephone or network

communication is being considered (Korol S., Romashko O., 2024; Khocha N. V. et al., 2023). This approach can also be used to ease the interaction of management with various departments of the enterprise, for example, when issuing orders, creating letters, negotiating contracts, etc.

Robotic process automation (RPA) is a set of tools that AI uses to automate any repetitive activity, often by automating manual operations performed in excel spreadsheets or other systems (Balamurugan, A. et al., 2022). RPA in accounting is implemented using software bots aimed at automating repetitive accounting tasks. It is noted that RPA is similar to a macro in Microsoft Excel, but, unlike it, it can work in different information systems simultaneously to improve the efficiency and accuracy of the company's accounting processes (Blaney, B., 2020). Another example of the use of AI in accounting is voice assistants, which, in combination with natural language processing and computer vision, allow creating automated callcenters and chatbots to work with clients (Kolesnikov, A., Karapetyan, O., 2023).

In addition to entrepreneurs, governments of different countries are often interested in the development of AI in accounting and the economy in general. A significant number of countries see AI technologies as having strong potential to improve business processes. In 2018, a number of countries published their own national strategies for the development and use of AI, according to which new technologies are seen as a driver of economic growth, where one of the most important aspects for the rational use of AI will be the updating of the legislative base (Pistrakevych, O., 2021). It was under the influence of the growing interest in AI that in 2019 the Organization for Economic Cooperation and Development (OECD) approved the OECD Council Recommendation on Artificial Intelligence, which set the general direction for the use of AI in the global economy. The document defined general principles for the use of AI in various industries. In particular, attention was paid to such points as benefits for people and the planet, inclusive growth, and sustainable development. It is emphasized that AI-based programs must comply with human rights and legislation, and transparency and accountability for proper compliance with the principles must be ensured. In accordance with the above-mentioned guidelines, the OECD also provided governments with a list of recommendations, including stimulating investment in the AI industry, as well as ensuring the exchange of information on development both within industries of individual countries and between countries in general (OECD Legal Instruments, 2019).

A significant amount of work in regulating the use of AI technologies has been done by the European Commission, which published an AI White Paper in 2020, explaining its position on the development and use of AI technologies. With this document, the European Commission starts wide consultations with citizens of the Member States, industry, and academia on specific proposals for a European approach to AI. However, already in April 2021, the European Commission proposed to introduce regulatory measures for the use of AI-based products, in particular, to remove programs with a high risk to society from the public (European Commission, 2021). In May 2024, the Council of Europe approved the Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law, which is the first international legally binding agreement in this area (League Law 2024).

Ukraine is one of the leading countries in Eastern Europe in the use of AI technologies in many areas. At the state level, certain steps have been taken towards the development and implementation of AI. At the same time, the Government of Ukraine has also taken some steps towards the development and implementation of AI. In particular, in December 2020, it adopted the Concept of Artificial Intelligence Development in Ukraine (Concept). The legislative document is based on the OECD principles of AI use and contains detailed information on the goals and problems to be solved to achieve the rational use of AI in various sectors of the economy, namely, increasing the level of digital literacy among the population, increasing investment in AI development, improving information security, and developing a unified approach to the ethical use of AI (Cabinet of Ministers of Ukraine, 2020). On the basis of the Concept, the Institute of Artificial Intelligence Problems developed the National Strategy for the Development of AI in Ukraine 2021-2030, which detailed what work AI could do in various sectors of the economy, such as defense, education, industry, medicine, agriculture, and ecology. In particular, the strategy emphasizes the

potential of AI to optimize accounting processes. In addition, an action plan for the rational use of AI in the economy is proposed, including updating AI legislation to the standards of the European Union and the OECD, increasing market security, attracting investment in the development of a national data system, and expanding the role of the Artificial Intelligence Committee in the industry (*Institute of artificial intelligence problems, 2020*).

In October 2023, the Ministry of Digital Transformation of Ukraine presented the Roadmap for the Regulation of Artificial Intelligence in Ukraine, which envisages two stages of this process. The first stage is aimed at gaining practical experience, assessing risks, and raising public awareness in this area. The second stage is the introduction of regulatory frameworks, in particular, the implementation of the EU Regulation on Artificial Intelligence into Ukrainian legislation by 2027 (Liga Zakon 2024).

The current approach to AI at the global level was updated during the Hiroshima Artificial Intelligence Process. In particular, the meeting resulted in the publication of the International Guidelines for Organizations Developing Advanced AI Systems and the International Code of Conduct for Organizations Developing Advanced AI Systems. The documents provide instructions for organizations using AI systems, such as basic models and generative AI, to promote digital security and product trust. The main principles include commitments to mitigate risks and misuse, information sharing, investment in cybersecurity, and the development of an identification system that allows for the recognition of AI-generated content (*European Commission, 2023*) (*European Commission, 2023*).

Despite such a wide range of applications of cognitive technologies in the field of accounting, there is a certain list of factors that may affect the use of AI in this area. The main obstacle in this situation is the significant need for financial, time and human resources to develop and test cognitive technologies, as well as to adapt them for use in existing accounting systems. One of the main disadvantages of implementing AI in accounting is the high cost of implementation. This includes the cost of purchasing the necessary hardware and software, and the cost of training employees in the new technology. In addition, there may be ongoing maintenance and upgrade costs to keep the AI system up to date and functioning properly. While the long-term benefits of AI in accounting can bring greater efficiency in the long run, the high upfront costs can be a barrier for many organizations, especially smaller ones with limited resources (*Reilly, J., 2024*).

Another negative aspect of AI implementation is the need for large databases on which artificial intelligence itself is trained. Although cognitive technology systems can be very powerful, their capabilities are still limited and may not be very flexible at certain points, as they learn to perform specific tasks based on a given set of data. The quantity and quality of training information is fundamental to AI learning. Many tasks require significant amounts of data. Previous breakthroughs in areas such as computer vision and natural language processing are based on large sets of high-quality training data (*Korol S., Romashko O., 2024; ICAEW., 2017*).

In addition, there is an indirect risk of human mistakes, as these datasets often reflect certain social and personal prejudices. This phenomenon can affect the correctness of further decision-making by artificial intelligence, as in this case it relies on incomplete training data. Another problem is that not every problem is suitable for the machine learning approach, because to identify a pattern, the problem must be repeatable so that AI can generalize the knowledge gained and apply it to similar cases. At the same time, for unique or new queries, the result may be less useful, as the cognitive technology system may not have the necessary experience (*Korol S., Romashko O., 2024; ICAEW, 2017*).

The use of artificial intelligence in accounting raises concerns about data privacy risks. The first step in using data is to address privacy concerns, as not all users can trust artificial intelligence, especially when it is developed by a third-party corporation. Security of personal information is also an important issue on the part of employees. Accountants should be aware of the risks of data leakage and take measures to protect important financial information from unauthorized access and use of cognitive technologies in the enterprise (*Korol S., Romashko O., 2024; Kolesnikov A.; Karapetyan O., 2023*).

Also, scientists (*Shapovalova A., Kuzmenko O., Prokopova O., 2024*) consider the specialists of the accounting industry themselves to be an obstacle to the use of artificial intelligence technologies. Professionals may consider new technologies as a potential risk of layoffs in the industry or a significant change in the role of an accountant in the company. As a result, employees may oppose the use of AI technologies in business accounting processes. Accordingly, it is advisable for entrepreneurs to develop a strategy for use of AI technologies in order not to cause imbalances in the company.

In addition to the previously mentioned obstacles to the introduction and use of cognitive technologies, there is another group of risks that are primarily related to the developers of artificial intelligence systems. In the field of cognitive technologies, there is a whole category of people who work in the field of testing cognitive technology systems. Such employees are often hired to train AI, but in the end, during the training process, they do most of the work that AI should do on its own. One of the cases of a certain mismatch of AI work was the Just Walk Out technology from Amazon. The product was designed to allow customers to pay for goods in the store without having to stand in line at the cash desk or self-service terminal. According to the developers, AI counted the products that customers put in the cart, and after leaving the store, the corresponding amount for the purchased goods was debited from the bank account. As it turned out later, more than a thousand people worked behind the scenes of Just Walk Out to correct AI inaccuracies (*Olson, P., 2024*). Of course, the product was innovative and there was a high risk that certain problems would arise during development, but this example proves that to develop and support products using cognitive technologies, it is necessary to involve a significant number of people to monitor AI learning.

There are also cases in the field of AI technologies when developers artificially increased the performance indicators in AI reports. One of them is Devin AI. It was introduced as the first software engineer in the role of an AI and quickly attracted the attention of the tech community with its claims of automating complex software engineering tasks. This system did indeed make some progress in the field of programming. However, the more people studied the application of Devin AI in practice, the more doubts arose about the system's performance. Critics discovered discrepancies between its advertised capabilities and actual usage practices, which resulted in growing skepticism about the accuracy of the information that was on demonstration. According to them, the AI not only failed to meet the actual requirements of customers, but also generated incorrect code and made mistakes, which further complicated the task. In addition, a significant difference was found in the speed of AI. It turned out that the demonstration presented as a quick 30-minute task actually lasted at least six hours (*Kramer, N., 2024*).

To introduce AI in an enterprise, it is necessary to overcome a number of barriers related to the complexity of putting AI technologies into operation. At the same time, there is a need to train hired specialists to work professionally with AI to improve the efficiency of the enterprise as a whole, and this requires a detailed consideration of the interaction of specialists with such technologies.

Researchers agree that the development of AI technologies will continue to affect accounting processes. It is expected that the share of AI in the accounting industry will increase significantly in the future, so the best strategy for accounting and finance professionals in general is to master professional skills, adapt and accept changes with the development of AI. As a result, the role of accountants will continue to change depending on the development of AI, with more emphasis on technological skills, data analysis and innovative thinking. The use of AI can significantly increase the efficiency of professionals. It allows professionals to focus on better planning and execution of important tasks by automating repetitive processes such as data entry, reconciliation, and reporting (*Peng, Y. et al, 2023*). AI-based technologies can detect inconsistencies and possible fraud, thus improving the quality of financial audits.

In particular, companies are considering the potential of combining human resources and AI tools. After all, despite the fact that cognitive technologies are designed to mimic human thinking, they function differently: while AI can overcome such human characteristics as emotional influence on work or tiredness, the human mind can prevent AI errors due to the incorrect information base

on which it relies. Where technology provides a better understanding of data, AI helps experts make better decisions and provide more relevant advice. Research shows that people and AI working together are more effective than people or AI alone. As a result, leading companies IMA and Deloitte are developing the concept of synthesizing human intelligence and AI, called «collaborative intelligence» (Duong, Q., 2023). According to this concept, both sides work together to achieve results. Humans are responsible for training AI, preparing it to perform tasks, and monitoring the correctness of their performance with the possibility of correcting detected defects. For its part, AI enhances the efficiency of specialists by applying all available tools for automating accounting processes.

In order to fully use the potential of AI to empower members of the accounting and finance team, accounting and finance professionals must be creative in their use of AI technologies. This requires accounting professionals to acquire adequate knowledge of both the benefits and limitations of the AI that the enterprise plans to use. Understanding the programming languages used to develop AI algorithms can be even more helpful in adopting and implementing AI models. In addition, a thorough knowledge of the accounting and finance industry, as well as the economic environment in which the organization operates, is required to facilitate decision-making on the application of AI technologies across the organization (Peng, Y. et al, 2023).

Conclusions. First of all, accounting professionals need to understand the importance of keeping the accounting industry open to new technologies. Despite the fears of some industry representatives, AI is not a cause of layoffs or the complete displacement of accountants from accounting processes. Researches prove that AI is currently unable to cover all accounting processes without human control or adjustments to its work. That is why it is advisable not to oppose the use of AI technologies but to actively use it to improve accounting work.

It is expected that the efficiency of accounting will significantly improve with the assistance of AI by automating complex tasks, improving accuracy, systematizing information in real time, accelerating reconciliation procedures, and supporting fraud detection. As a result, the use of AI will allow accountants to manage their time and expertise more effectively and focus on analytical activities, improving resource efficiency and contributing to the growth of business financial results.

At the same time, AI regulation is an important aspect. Despite the fact that the international community has already taken significant steps to update the legislative framework, problems remain unresolved, primarily related to copyright, the use of AI in information wars, and the lack of public awareness of the use of AI. Ukraine has all the conditions for building an effective system of regulation of relations in the use of AI that will be in line with the best international practices and European legislation.

Highly qualified accounting professionals are needed to meet the future challenges associated with the implementation and use of AI. They need to learn a new set of skills related to working in AI systems, such as training AI systems, including correcting the data set on which AI will be based, and monitoring the completion of tasks. Only under such conditions can we be sure that AI technologies will develop in accordance with the needs of the accounting industry.

The issue of AI application requires further research. In particular, it is advisable to consider in more detail the problems of integrating cognitive technologies with existing accounting systems of an enterprise. The issue of using AI in tax accounting to improve the interaction between companies and fiscal authorities is still outstanding. It is also advisable to consider the prospect of introducing programs for its use in state accounting systems. In addition, it is necessary to investigate the issue of advanced training of accounting professionals in the use of AI.

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M&A PREDICTIONS: RECONSIDERING THEIR VALUE, END-USERS, AND METHODOLOGIES

ПРОГНОЗУВАННЯ ЗЛИТТІВ ТА ПОГЛИНАНЬ: МЕТОДОЛОГІЯ ОЦІНКИ ВАРТОСТІ ТА ЕФЕКТИ ДЛЯ УЧАСНИКІВ

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***Abstract.** The article explores market participants who may benefit from M&A predictions and how their goals may impact the requirements for M&A predictions. These participants (also called end-users of M&A predictions) are company shareholders considering selling their business, shareholders and company management considering acquiring one or a few other companies, shareholders and company management competing with potential M&A targets or buyers, and advisory firms providing investment banking services in the industries where M&A deals occur. Analyzing their goals while applying M&A predictions, the article concludes that the requirements for M&A predictions can be changed depending on these goals. These end-users may benefit from M&A predictions even if the deals they predict won't happen. These end-users have the potential to significantly influence the outcome of the M&A events they are predicting. The M&A prediction quality criterion imposed by earlier research - the M&A prediction is correct only when a predicted M&A deal happens - can be relaxed depending on the end-users of M&A predictions and their goals. An M&A prediction will be more valuable for end-users if it includes information on both potential targets and potential buyers. M&A prediction may have a more significant value for end-users if it allows for predicting multiple counterparties for a potential party to an M&A deal. The article analyses the existing theoretical basis behind the M&A predictions and concludes that these theories are insufficient to cover all possible reasons behind the deals from the buyers' and sellers' perspectives – additional reasons exist that trigger M&A deals. Also, the existing theories are not always proven by the existing research, showing that their correctness may depend on the context. The article explores the current stance of M&A prediction methodologies, such as: binary state prediction models based on a linear combination of independent variables, starting from the earlier works focused on prediction variables for M&A targets to later works dedicated to adding new company-specific prediction variables of the targets and reflecting the context; alternative*

computational techniques to predict M&A targets, like non-parametric computational techniques, including machine learning; methodologies to predict M&A buyers; methodologies to predict pairs of buyers and targets, researching the relatedness between them. The article concludes that the M&A prediction methodology shall consider and reflect additional motivations for the M&A deal for targets and buyers and shall always include the context. Predicting only targets seems like a one-sided approach. On the contrary, predicting both parties of the deal seems like a promising prediction methodology. Non-parametric computational techniques based on a broader range of prediction variables, reflecting the motivations of the M&A deal's parties and the context, look like a promising basic prediction methodology that should be further developed. Testing new M&A prediction methodologies within a specific sector for a longer time looks promising for increasing the robustness of the model's prediction ability. Finally, out-of-sample tests done over a longer time are necessary to check the models' prediction ability.

Keywords: *M&A, predictions, buyers, sellers, targets, deals, takeovers, models.*

Анотація. У статті досліджується учасники ринку, які можуть отримати вигоду від прогнозування злиттів та поглинань (M&A), а також вплив їх цільових очікувань на вимоги до прогнозів M&A. Ці учасники (їх також називають кінцевими користувачами прогнозів злиття та поглинання) - акціонери компанії, які розглядають можливість продажу свого бізнесу, акціонери та керівництво компанії, які розглядають можливість придбання однієї чи кількох інших компаній, акціонери та керівництво компанії, що конкурують із потенційними об'єктами злиття та поглинання чи покупцями, а також консультаційні фірми, що здійснюють інвестиційну діяльність та надають банківські послуги в галузях, де відбуваються угоди M&A. В результаті дослідження автори дійшли висновку, що вимоги до прогнозів M&A можуть бути змінені в залежності від цілей та очікувань учасників. Ці кінцеві користувачі можуть отримати вигоду від прогнозування угод злиття та поглинання, навіть якщо прогнозовані ними угоди не відбудуться. У статті аналізується існуюча теоретична база прогнозів M&A та робиться висновок, що цих теорій недостатньо для того, щоб охопити всі можливі причини угод з точки зору покупців і продавців – існують додаткові причини, які викликають угоди M&A. У статті досліджується поточна позиція методологій прогнозування M&A, таких як: двійкові моделі прогнозування стану, засновані на лінійній комбінації незалежних змінних, починаючи від попередніх робіт, зосереджених на змінних прогнозування для цілей M&A, до пізніших робіт, присвячених додаванню нових прогнозів для конкретної компанії змінні цілей і відображення контексту; альтернативні обчислювальні методи для прогнозування цілей M&A, наприклад непараметричні обчислювальні методи, включаючи машинне навчання; методології прогнозування M&A покупців; методології для прогнозування пар покупців і цілей, дослідження спорідненості між ними. Очевидно, що методологія прогнозування M&A повинна враховувати та відображати додаткові мотиви для угоди M&A, завжди включаючи контекст. Непараметричні обчислювальні методи, засновані на ширшому діапазоні прогнозних змінних, що відображають мотивацію сторін угоди M&A та контекст, виглядають як багатообіцяюча базова методологія прогнозування, яку слід розвивати далі. Тестування нових методологій прогнозування злиттів і поглинань у певному секторі протягом тривалого часу виглядає багатообіцяючим для підвищення надійності прогнозної здатності моделі.

Ключові слова: *M&A, прогнози, покупці, продавці, цілі, угоди, поглинання, моделі.*

Introduction. M&A deal predictions have been researched since the late 1960s. The primary purpose of that previous research was to correctly predict the future targets - the companies to be acquired via M&A deals. Predicting the M&A target correctly and investing in its shares way before the M&A deal announcement may help an investor achieve abnormal returns. However, neither of the prediction methodologies has proven effective over time and across different contexts. According to (PWC, 2024), the annual size of M&A deals globally during the last 5 years was in

the range of \$1.8tn-\$3.7tn while the annual number of deals was in the range of 50,000-65,000. Given the size of the M&A market globally and the number of firms involved, these deals have a massive impact on all market participants worldwide. That leads us to assume that M&A predictions may benefit broader market participants. Extending the range of M&A prediction end-users and understanding their goals while using M&A predictions leads to changes in requirements for M&A predictions. The existing theoretical background explaining the reasons for M&A deals does not cover all possible reasons. Additional reasons exist that trigger M&A deals. Thus, the reasons behind the M&A deals shall be researched further. The same applies to the impact of context on M&A deals. The prediction methodologies shall consider and reflect additional motivations for the M&A deal for targets and buyers, reflecting context and fixing the methodological flaws found by the existing M&A predictions research.

The purpose of this article is to elaborate on market participants who may benefit from M&A predictions, define their goals/motivations while using M&A predictions, and how these goals impact the requirements of the M&A predictions. We will also compare the existing theoretical basis of M&A predictions vis-à-vis some other motivations of market participants to proceed with M&A deals. Finally, we will analyze the current stance of M&A prediction methodologies and conclude about promising ways to develop them, considering the practical perspectives.

Recent literature review. The theoretical basis of M&A predictions was provided by (Jensen and Ruback, 1983; Manne, 1965), who suggested the market for corporate control theory, and (Shleifer, Vishny, 2003), (Dong, Hirshleifer, Richardson, Teoh, 2006) who elaborated on the misvaluation theory. The first studies on M&A prediction variables were done by (Taussig and Hayes, 1968; Vance, 1969; Monroe, R. J. and Simkowitz, M. A. 1971; Stevens, D. L. 1973; Singh, A. and Singh, T. D. 1971; Tzoannos, J. and Samuels, J. M. 1972; Kuehn, D. 1975). The remarkable work by (Palepu, 1986) fixed the methodological flaws of the previous studies but still showed it is difficult to predict M&A targets correctly and proposed a methodological approach for predictions that became mainstream. The further works of (Ambrose and Megginson, 1992a and 1992b), (Meador, Church, Rayburn, 1996), (Ouzounis, Gaganis, Zopounidis, 2009), (Espahbodi, Espahbodi 2003) and others elaborated on new company-specific characteristics (prediction variables) of the targets. (Powell, 1997), (Barnes, 2000), (Cudd and Duggal, 2000), Powell (2001) and others found how the context impacts M&A predictions of targets. (Ragothaman, Naik, Ramakrishnan, 2003), (Tsagkanos, Georgopoulos, Siriopoulos, 2007), (Pasiouras, Tanna, Zopounidis, 2007) and others proposed alternative computational techniques for M&A predictions of targets. (Pasiouras, Gaganis, 2007), (Ben Slama, Saidane, Fedhila, 2012), (Ozer, Okur, Çam, 2022) and a few others proposed methodologies to predict buyers. (Wei, Chiang, Yang, 2009, 2014), (Futagami, Fukazawa, Kapoor, Kito, 2021), (Arsini, Straccamore, Zaccaria, 2023) proposed methodologies to predict pairs of targets and buyers, researched the relatedness between them.

Presentation of the main research outcomes. The relevance and practical usage of M&A predictions. Mergers and acquisitions (M&As) are deals with a firm's stock that fit two criteria: (i) changing ownership over a firm's stock, and (ii) changing corporate control over the firm. Such a firm is also called a target.

An acquisition occurs when the acquirer (or buyer) company buys the target's stock and receives corporate control over the target. A merger occurs when two firms transfer their stock and assets to a newly formed entity. However, shareholders of both firms in the merger rarely receive equal stakes in the newly formed entity-shareholders of one of the firms usually prevail in the newly formed entity. Such a merger is de facto an acquisition, as described above.

An M&A deal develops the acquirers' businesses in various ways, such as extending their product or service offering, entering new markets, improving competitiveness, acquiring resources critical for their business, realizing synergies, and several others. For the owners of targets, an M&A deal means the possibility of exiting their business and capitalizing on it-receiving cash or other liquid assets in exchange for their shares sold.

The research on M&As is quite extensive, covering many topics. Among these are motivations for M&As, risks and outcomes from M&As for acquirers and targets, and predictions of M&A deals.

The latter research was stimulated by the fact that the M&A deal announcement significantly impacts the target's share price if the target's shares are traded on the stock exchange. (Tunyi, 2021) suggests that the target's share price gains upwards of 20% on average immediately after the announcement of the M&A deal. Thus, predicting the M&A target correctly and investing in its shares way before the M&A deal announcement may help an investor achieve abnormal returns.

That explains why most M&A deal prediction research focuses on predicting M&A targets.

Besides earning an abnormal return if the M&A target is predicted correctly and in advance, (Tunyi, 2021) suggests a few other reasons for the relevance of M&A predictions of the targets:

I. The need for managers to be aware of their firms' risk of becoming the target of a takeover bid to take action to safeguard the interests of their shareholders or extract excess managerial rent or achieve the valuation premium;

II. The potential for target prediction models to aid regulators in their bid to narrow down potential cases of insider trading ahead of takeover announcement;

III. Knowledge of the likelihood that a firm's competitors and supply chain partners will engage in M&A activity is perhaps important for the firm's long-term strategy development.

We believe that predicting M&A deals, especially in case such predictions would include not only the potential targets' but also the potential buyers' information, may have practical usefulness for the broader range of market participants (or end-users of M&A predictions) while they plan and execute their strategy:

1. Company shareholders who consider to sell their business;
2. Shareholders and company management considering to acquire one or a few other companies;
3. Shareholders and company management competing with potential M&A targets or buyers;
4. Advisory firms providing investment banking services in the industries where M&A deals occur.

Below, we elaborate on how these end-users may benefit from M&A predictions:

1. Company shareholders considering exiting the business may need to predict potential buyers for their business before deciding to start the sale process. The more buyers they could engage in the process via getting bids from them, the higher the chances they would close their sale successfully. Also, the number of potential buyers involved in the competitive sale process may help the sellers achieve a higher valuation for their company.

2. Shareholders and company management considering proceeding with the acquisition may need to predict potential targets before starting to approach them. Suppose there are no strict preferences for a particular target at the beginning. In that case, the more predicted targets are open to considering a sale to this acquirer, the higher the chances that this acquirer will close its acquisition successfully.

3. Shareholders and company management should consider their competitors' M&A plans. If an M&A occurs, it changes the market landscape for all market participants, impacting their business and future development. While predicting competitors' M&As, the company may change its strategy, including starting its own M&A process, bidding to buy its competitor, or offering its business to the bidders participating in the competitor's sale process.

4. Advisory firms that provide investment banking services may need to predict potential M&A targets and buyers in order to engage with them and help them execute their M&A deals, working either on the seller's or buyer's side.

The value of M&A predictions varies depending on the end-users and their goals. The same is true about their influence on the M&A events they try to predict.

For investors willing to earn abnormal returns by investing in the stock of a potential M&A target, the M&A prediction brings value if a predicted M&A target becomes a target of the

completed M&A deal. Otherwise, investing in wrong targets would generate losses instead of abnormal returns (Palepu, 1986). Such investors usually do not impact the outcome of the M&A deals they try to predict.

Let's elaborate on the potential value of M&A predictions for each group of end-users suggested above, and how these end-users influence the M&A events they may try to predict:

1. For business sellers, the M&A prediction brings value if at least one predicted buyer bids for their business. As explained above, this value increases if a few such bidding buyers are predicted. However, obtaining bids from these buyers depends also on the sellers' actions. The outcome of the sale process - whether the sale happens and who acquires the company-also depends on the sellers' actions.

2. For shareholders and the management of an acquirer, the M&A prediction brings value if at least one predicted target would be open to considering a sale to this acquirer. Depending on the acquirer's M&A strategy, as described above, the value of such prediction may increase if a few such targets are predicted. However, the target's openness to be acquired depends on the acquirer's actions. The same is true for the outcome of the further acquisition process.

3. A prediction of a competitor's M&A deal brings value to the company's shareholders and management that made it if it helps to reveal the competitor's M&A process. For example, the company predicted that its competitor would likely exit the business. So, the company starts gathering information from the market and gets a confirmation that its competitor is for sale. In that case, the company may want to bid for it. Alternatively, the company may wish to initiate its sale process, attracting bidders already participating in the competitor's sale process. In either case, predictions about potential bidders for the competitor would help the company execute its chosen M&A strategy. Also, the company may not proceed with any of those M&A strategies, but will adjust its business strategy to prepare for the competitor's sale. The company's actions may impact the outcome of the competitor's M&A process. All the above logic applies to the situation when the company predicted a likely acquisition made by its competitor.

4. For an investment banker, the M&A prediction brings value if it helps him initiate or engage in the M&A process as an advisor on either side of the project. For example, a banker predicts that a specific company is likely to be sold. In that case, a banker may approach this company and, if his prediction about the company's intentions is correct, get engaged by the company to help it execute the sale process. Alternatively, the banker may be engaged by a potential buyer willing to buy this company. Finally, there can be a situation when there is no sale process with the company predicted as a target, but the banker still may use his prediction to persuade the party he is engaged with to start the M&A process. In all these cases, predictions of potential bidders for this company will help the banker increase its chances of getting engaged with either party. The same logic as above works regarding a prediction about an acquirer. In all these cases, the banker may impact the intentions of the party it is engaged with, and the outcome of the M&A process.

Based on this, the following changes to M&A prediction requirements shall be considered:

1. The end-users may benefit from M&A predictions even if the deals they predict won't happen;

2. The end-users may impact the outcome of the M&A events they are predicting;

3. Points 1 and 2 above mean that the M&A predictions quality criterion imposed earlier - i.e. the M&A prediction is correct only when a predicted M&A deal happens - can be relaxed depending on the end-users of M&A predictions and their goals;

4. There will be a more significant value of an M&A prediction for end-users if it includes both potential targets' and potential buyers' information;

5. M&A prediction may have a more significant value for end-users if it allows for predicting multiple counterparties for a potential party to an M&A deal. For example, a few buyers are predicted for a potential target, or a few targets are predicted for a potential buyer.

The theoretical basis for M&A predictions. (Tunyi, 2021) concludes that there are two main theoretical perspectives behind the takeover likelihood modeling, based on earlier research: the market for corporate control theory and the misvaluation theory.

The market for corporate control theory (Jensen and Ruback, 1983; Manne, 1965), or the management inefficiency theory, suggests that management teams compete to manage the firm's resources in the interest of shareholders. Thus, the management team that performs poorly for the firm's shareholders is subject to takeover bids from more efficient management teams.

(Shleifer, Vishny, 2003) and (Dong, Hirshleifer, Richardson, Teoh, 2006) used the misvaluation theory to explain the reasons for M&A deals. The buyers strive to buy the targets which they believe are undervalued, i.e., valued below their fundamental value, if the deal is done in cash, or less overvalued when compared to the buyer's own value, if the deal is done in shares (Dong, Hirshleifer, Richardson, Teoh, 2006).

We believe there could be other reasons triggering the M&A deals not covered by the theories mentioned above:

1. Owners want to sell the business at the best possible market momentum and while it performs excellently to maximize the valuation and achieve other attractive deal terms for the sellers. Example: the exits in the IT services sector globally during 2018-2021 at peak valuations when the sector has grown fast.

2. Owners want to sell the business due to longer-term threats for their business or its industry, while the business itself performs great and there are no threats on the short-term horizon. Example: specific M&A deals in the metallurgical sector in the first half of the 2010s, anticipating long-term deterioration on the market due to expected overcapacity in steel production in China and the potential end of the commodity super cycle.

3. Owners want to sell the business because of plans unrelated to the business's stance or industry per se. Examples: a PE fund needs to exit due to its expiration; the business owner wants to retire and cash out.

4. Buyers would like to buy because of the reasons not covered by the market for corporate control theory and the misvaluation theory. Examples: the acquisition of the target makes sense from the buyer's strategy point of view, achieved synergies, even if the valuation is high; the buyer's top management wants to achieve quick wins via M&A deals (Garrow, Awolowo, 2024).

Furthermore, there could be external factors impacting all buyers and sellers on the market and their decisions about M&A deals, such as:

1. Financial markets situation;
2. Macroeconomic situation;
3. Regulatory environment.

The research dedicated to M&A deals covers many of the reasons triggering M&A deals, but it has limited or no application in M&A deal prediction research.

Earlier research of predicting M&A targets - prediction variables. The first studies (Taussig and Hayes, 1968; Vance, 1969; Monroe, R. J. and Simkowitz, M. A. 1971; Stevens, D. L. 1973; Singh, A. and Singh, T. D. 1971; Tzoannos, J. and Samuels, J. M. 1972; Kuehn, D. 1975) concluded that the M&A targets usually had different characteristics before the actual deal happened when compared to non-targets. This means that the selection of the targets is nonrandom, and the targets could be predicted using their characteristics, so-called prediction variables.

These earlier studies concluded that targets usually had lower profitability, lower return on equity, lower or unpredictable dividend pay-out, lower valuation multiples (i.e. undervalued), lower growth, and were smaller in size. Some works contradicted each other; for example (Kuehn, 1975) concluded that targets had lower liquidity levels, while (Taussig and Hayes, 1968; Stevens, 1973) concluded the opposite. These were the first signs that conclusions about the targets' characteristics could be biased by the samples of companies selected for the research purposes or the research methodology itself.

These previous studies used discriminant analysis, factor analysis, and probit models to predict targets, distinguishing them from non-targets. Scholars claimed that their models were

highly predictive. However, they did not provide the theoretical framework to support the selection of prediction variables and their relationship with the likelihood of M&A deals. In contrast, they start with many prediction variables and try to find via modeling which of these variables are statistically meaningful and, thus, could be used to predict the targets, narrowing down the initial list of variables.

Palepu approach to predict M&A targets. The remarkable work made by (Palepu, 1986) found that the previous studies mentioned above had certain methodological flaws, such as the usage of non-random equal-share samples in model estimation, the usage of arbitrary cut-off points in target prediction, and the usage of equal-share samples in prediction tests. While fixing the flows mentioned above, Palepu proposed an improved approach for target prediction. He suggested defining and testing the six hypotheses to explain the selection of the prediction variables:

1. Inefficient management hypothesis. Firms with inefficient management are likely targets. Two alternative metrics for management efficiency were used: return on firm stock vs. the market and return on equity.

2. Growth resource mismatch hypothesis. Firms with a mismatch between their growth and the financial resources at their disposal are likely targets. So, there are two options for being a target: low-growth, resource-rich firms and high-growth, resource-poor firms.

3. Industry disturbance hypothesis. Firms in industries subjected to “economic disturbances” are likely acquisition targets.

4. Size hypothesis: the likelihood of acquisition decreases with the size of the firm.

5. Market-to-book hypothesis: firms with lower market values than their book value are likely acquisition targets.

6. Price-earnings hypotheses: firms with low P/E ratios are likely acquisition targets.

The modeling confirmed the first, second, and fourth hypotheses. Regarding the second hypothesis, it was found that targets are likely firms with low growth and low leverage, though liquidity has no impact.

Though not all the hypotheses were confirmed, defining and testing the hypothesis to select prediction variables has become a mainstream approach in the research over the next years.

All the Palepu prediction models, though they provide a statistically significant explanation, have low prediction power. The best model explains 12.45% (out of 100%) of the firm's acquisition probability variation. The model erroneously predicts many non-targets as targets.

Palepu concluded that it is difficult to predict targets for M&A deals using binary state prediction models based on a linear combination of independent variables.

Further works to predict targets. Several attempts were made to improve the accuracy of the target predictions. However, all the models either had low predictive ability, as claimed by their authors, or the predictive ability was undefined since the authors did not test the models out-of-sample. We provide a few examples of research works split by direction.

Adding new company-specific characteristics (prediction variables) of the targets.

(Ambrose and Megginson, 1992a and 1992b) concluded that the Palepu model has low explanatory power – none of the Palepu hypotheses were validated in the sample proposed by the authors. They concluded that the information known about targets is rather limited. This means that the existing characteristics are insufficient to separate the targets from non-targets - the new characteristics of targets should be found.

(Meador, Church, Rayburn, 1996) tested logit regression binary analysis over samples of US mergers during 1981-1985. The model for horizontal mergers (i.e., within the same industry) showed higher prediction ability, with the following target variables showing significance: long-term debt/total assets, long-term debt/market value, market value/book value, asset growth, and sales growth.

(Ouzounis, Gaganis, Zopounidis, 2009) concluded that targets had inefficient management teams, were undervalued, and less profitable, in line with previous works. However, they concluded that targets are usually larger than non-targets, which contradicted to (Palepu, 1986, Powell, 2001, 2004) but was consistent with (Powell, Yawson, 2007).

(Espahbodi, Espahbodi 2003) In addition to financial predictor variables, they tried to apply a few non-financial variables and concluded that a dummy variable defining the existence of management's golden parachutes impacts the target prediction. However, their models poorly predicted future targets.

(Ben Slama, Saidane, Fedhila, 2012) analyzed M&A activities within the banking sector in Europe during 2000-2006. Along with usual predictor variables like ROE and size, they concluded that newly introduced predictor variables characterizing banks' lines of activities are statistically meaningful for target predictions.

(Tunyi, Ntim, Danbolt, 2019) analyzed M&A deals in the UK from 1988 to 2017 and introduced new management efficiency metrics based on firms' financial indicators (i.e. ROA, ROE etc.) and stock market performance. The results suggest that the companies run by managers who focus on sustaining long-term shareholders' value, even at the expense of current profitability, are less likely to be acquisition targets. By contrast, companies run by managers who pursue profitability at the expense of long-term shareholder value creation are more likely to face acquisition.

(Ozer, Okur, Çam, 2022) analyzed M&A deals within the US insurance industry from 1990 to 2019. Along with financial predictor variables, like size and cash holdings, the newly introduced predictor variables characterizing the type of insurer activity (life, non-life) and the presence or absence of ESG (environmental, social, governance) scores were statistically meaningful for predictions.

(Xiang, Zheng, Wen, Hong, Rose, Liu, 2012) was the first work to use historical textual information from news about M&A targets and non-targets to predict future targets. The research focused on technology companies and used TechCrunch and Crunchbase web-sites to collect company news information. Though research claimed a high true positive rate between 60% to 79.8% with a false positive rate between 0% and 8.3% to predict M&A targets, no out-of-sample experiments were done to evaluate whether this approach can predict targets there.

Reflecting the context.

(Powell, 1997) concluded that the characteristics of the target change over time and that Palepu's models have a low prediction ability.

(Barnes, 2000) tried to apply industry-relative financial predictor variables for targets. However, neither of his models (industry-specific and general) can correctly predict targets out of the sample.

(Cudd and Duggal, 2000) found out that industry-specific distributional characteristics are important for modeling based on financial ratios. As a test case, the study replicates (Palepu, 1986), who employs financial ratios in logit models to investigate the usefulness of six acquisition hypotheses in predicting takeover targets. Without adjustment for industry-specific distributional characteristics, only one of six Palepu's acquisition hypotheses was confirmed by this research. After adjustment, the four of six Palepu's acquisition hypotheses were confirmed. The adjusted model produced a classification accuracy significantly greater than chance and significantly greater than that observed for the unadjusted model.

Powell (2001) tested whether it is possible to generate abnormal returns from investing in a portfolio of targets predicted using models similar to those proposed by (Palepu, 1986). However, unlike (Palepu, 1986), the portfolios were formed using different out-of-sample cut-off probabilities, which took into account the investment objective of prediction modeling. That resulted in smaller portfolios with higher average takeover probabilities. However, the model predicted too many false targets out of the sample.

The work of (Espahbodi, Espahbodi 2003), cited earlier, concluded that a dummy variable reflecting the anti-takeover regulation showed statistical significance in target prediction.

(Tsaykanos, Georgopoulos, Siriopoulos, 2007) which analyzed M&A deals in Greece and concluded that the local targets usually boasted higher productivity, were long present on the market (i.e., have higher experience when compared to non-targets), and were larger and had good financial performance. It is interesting that these conclusions contradict the previous research we referred to

earlier, meaning that the context – in this case, the geography – has a meaningful impact on the predictions.

(Ben Slama, Saidane, Fedhila, 2012) concluded that the following target's country contextual variables introduced into the model were statistically significant while predicting targets in cross-border banking M&A in the EU: the countries' level of restrictions on the banking activity, growth rate of GDP, the growth rate of population, the inflation, and the FDI size. The research concluded that banks, which were the targets in M&A deals, operating in countries with higher levels of restrictions in the banking sector, lower inflation, and lower FDI but with higher growth in GDP and population.

(Tynyi, 2019) concluded that the target size has a nonlinear but rather U-shape dependence on the deal probability. An important conclusion of this work is that acquirers tend to buy larger targets when the stock market is growing and there is ample liquidity. Thus, the environment (in this case, market momentum) impacts the likelihood of the deal and the parameters of the target (in this case, its size).

Separation of the targets depending on M&A type (friendly or hostile) and other major corporate events different from M&A deals (bankruptcy restructuring)

(Powell, 2004) assumed that the characteristics of hostile and friendly takeover targets are different since there are other motives for such takeovers. Thus (Powell, 2004) applied a multinomial model that considered the M&A bid type (friendly or hostile). However, the study reports poor model predictive ability as all models (multinomial and binomial) misclassified many non-targets as targets.

(Powell, Yawson, 2007) found out bankrupt firms had declining stock returns similar to takeover targets. That means earlier prediction hypotheses and related prediction variables did not completely capture the motives behind the takeovers.

(Danbolt, Siganos, Tynyi, 2016) suggested using the screening technique to separate potential takeover targets from distressed firms using three parameters: size, leverage, and liquidity.

Applying alternative computational techniques

While many of the works mentioned above used parametric models, such as discriminant, logit, and probit models, some of the works dedicated to M&A target predictions used alternative computational techniques.

For example (Espahbodi, Espahbodi 2003), in addition to well-known parametric models, also applied recursive partitioning for target predictions based on the prediction variables we described above. However, these alternative computational techniques did not improve the ability of the models to predict.

(Ragothaman, Naik, Ramakrishnan, 2003) applied rule induction techniques such as IXL and ID3 to predict acquisition targets and compared these techniques with a classical discriminant analysis model and a logit model using the same data. They concluded that the prediction ability of the new techniques is comparable to classical approaches, but there is no superiority of the new techniques.

(Tsagkanos, Georgopoulos, Siriopoulos, 2007) used recursive partitioning techniques, that is, decision-tree models, with certain changes when compared to (Espahbodi, Espahbodi 2003) applying the machine learning algorithm J4.8. The results shown that J4.8 outperforms the classical regression tree, although the predictive accuracy is not promising.

(Pasiouras, Tanna, Zopounidis, 2007) applied Multicriteria Decision Aid methods such as MHDIS, PAIRCLAS, and Utilities Additives Discriminantes (UTADIS) to predict M&A targets in the EU banking industry. (Ouzounis, Gaganis, Zopounidis, 2009) used UTADIS, Artificial Neural Networks and Support Vector Machines methods along with classical discriminant analysis to predict targets.

There was limited evidence that alternative methods significantly outperform the parametric models.

(Xiang, Zheng, Wen, Hong, Rose, Liu, 2012) used a topic extraction method called latent Dirichlet allocation to analyze news about M&A targets and non-targets. The algorithm allowed to

find out which topics relate to M&A targets and which do not, which is how M&A targets could be predicted using historical news information about the companies. However, there was no evidence of testing this method on out-of-sample companies and the news related to them.

Prediction of M&A buyers. The first works to find characteristics of M&A buyers that differentiate them from non-buyers were done simultaneously with the first works about the characteristics of M&A targets.

For example, (Tzoannos, Samuels, 1972) concluded that M&A buyers usually have low levels of capital and reported falling gearing (leverage) ratios, growing dividends and growing profitability. (Kuehn, 1975) concluded that M&A buyers usually were over-valued and demonstrated high growth levels but had low profitability ratios when compared to their industry average.

Similarly to M&A targets, M&A buyers' selection is nonrandom-the M&A buyers could be predicted using their characteristics. Additional buyer-specific and context variables can be applied to predict buyers.

(Pasiouras, Gaganis, 2007) analyzed the M&A deals in the banking sector. They used regression models to determine the factors that define targets and acquirers. They concluded that acquirers are usually bigger in size, have higher profitability and cost efficiency when compared to non-acquirers. It is interesting, however, that when they split their sample for two sub-periods, only one characteristic remained robust for acquirers over time – the size. This reminds us of an earlier conclusion relevant to the targets – the context impacts the prediction variables. That's relevant for the buyers' prediction variables as well.

(Ben Slama, Saidane, Fedhila, 2012) analyzing M&A deals in the banking sector concluded that buyers in the banking sector are usually universal banks. They used logit multinomial models to predict whether a specific bank is a target or a buyer.

(Ozer, Okur, Çam, 2022) used multinomial logistic regression to identify the determinants associated with becoming targets or acquirers in the US insurance industry. Insurance firms are more likely to be acquirers if they have higher profitability, higher cash flow, and higher intangibles, as well as if they are non-life and do not have ESG scores. Moreover, the likelihood of becoming an acquirer decreases in times of global financial crises (GFCs) as compared to non-GFC times (Yan, Xiao, Li, Jin, Wang, Ke, Yang, Zha, 2016) tried to predict M&A buyers using historical information about the firms' activities as buyers in M&A deals and news from Crunchbase. More specifically they applied a mutually-exciting point process with a regression prior to quantify the investor's M&A behavior. The work was motivated by the so-called contagious 'wave-like' M&A phenomenon, which has been well-recognized by the economics and management communities. A tailored model learning algorithm is devised that incorporates both static profile covariates and past M&A activities.

Prediction pairs of M&A buyers and targets, links between buyers and targets. While extensive research was done on predicting M&A targets and rarer works to predict M&A buyers, there were limited attempts to predict both parties of an M&A deal – a target and a buyer. These latter works can be a basis for developing models for predicting a set of buyers for a specific target or a set of targets for a particular buyer.

(Wei, Chiang, Yang, 2009, 2014) the basic idea was that in the technology sector, M&A deals happen when the target's technology profile complements the technology profile of the bidder. Thus, the prediction of the targets in this sector should be made with consideration of the technological profile of the bidder company or its compatibility with the candidate target companies' technological profiles. The M&A prediction technique that encompasses technological indicators as independent variables and accounts for the technological profiles of both bidder and candidate target companies was proposed. These technological indicators were derived from patent documents. The ensemble machine learning method was developed for the proposed technology M&A prediction technique to predict pairs of bidder and candidate target companies based on their technological profiles.

(Futagami, Fukazawa, Kapoor, Kito, 2021) assumed that buyers and targets have similar features. Thus, the future pairs of buyers/targets can be predicted based on this assumption using historical M&A deals and features of their buyers and targets. However, to train a machine learning algorithm to predict future pairs, the negative samples shall be included in its learning process. The authors proposed to generate negative samples (the pairs of companies that did not do M&A deals in the past as buyers and targets) based on the similarities between such companies, same as for positive samples (the actual pairs of buyers and targets from the historical M&A deals). This allowed learning minor differences between companies from negative and positive samples to improve the prediction ability of the algorithm. The authors evaluated their prediction model using 2000–2018 acquisition logs collected from CrunchBase. Based on the analysis of the high SHapley additive explanation (SHAP) value features, they found that the newly considered network and company relation features had high significance (10 out of 22 top key features). They also clarified how these novel features contributed to the prediction of acquisition occurrence by interpreting the SHAP value. (Arsini, Straccamore, Zaccaria, 2023) similarly to (Wei, Chiang, and Yang, 2009, 2014) assumed that M&A deals happen more frequently between buyers and targets similar to each other from the technological perspective. The authors used patent data to compile technology profiles about the companies and predict future M&A pairs based on this information. They tested machine learning and network-based algorithms, showing that a simple angular distance with the addition of the industry sector information outperforms the other approaches. Finally (Albora, Straccamore, Zaccaria, 2024) is the third work we wanted to refer to similar to (Wei, Chiang, Yang, 2009, 2014) and (Arsini, Straccamore, Zaccaria, 2023) which used patent data to predict M&A deal pairs. The authors developed a new algorithm called MASS to calculate the similarity between companies and made predictions based on it. MASS is based on a simplification of tree-based machine learning algorithms and naturally incorporates intuitive criteria for deals. By applying MASS to the Zephyr and Crunchbase datasets, the authors showed that it outperforms LightGCN, a "black box" graph convolutional network algorithm. When similar companies have disjoint patenting activities, on the contrary, LightGCN turns out to be the most effective algorithm.

Conclusions.

1. The existing literature assumes quite a narrow value of M&A predictions for a limited number of market participants. We believe there is a broader range of market participants or end-users of M&A predictions, that can benefit from them, such as company shareholders considering selling their business, shareholders and company management considering acquiring one or a few other companies, shareholders and company management competing with potential M&A targets or buyers, and advisory firms providing investment banking services in the industries where M&A deals occur.

All these end-users may benefit from M&A predictions while planning their M&A deals or conducting their usual business.

2. These end-users may benefit from M&A predictions even if the deals they predict won't happen.

3. These end-users, armed with M&A predictions, have the potential to significantly influence the outcome of the M&A events they are predicting.

4. The M&A predictions quality criterion imposed by earlier research - i.e. the M&A prediction is correct only when a predicted M&A deal happens - can be relaxed depending on the end-users of M&A predictions and their goals.

5. An M&A prediction will be more valuable for end-users if it includes information on both potential targets and potential buyers.

6. M&A prediction may have a more significant value for end-users if it allows for predicting multiple counterparties for a potential party to an M&A deal. For example, a few buyers are predicted for a potential target, or a few targets are predicted for a potential buyer.

7. The existing theories explaining the deals' motivations are insufficient to cover all possible reasons behind the deals from the buyers' and sellers' perspectives. The existing theories

are not always proven by the existing research, showing that their correctness may depend on the context.

8. The prediction methodology shall consider and reflect additional motivations for the M&A deal for targets and buyers. One way forward is to incorporate into the M&A deal prediction methodologies the findings about M&A deal motivations suggested by broader M&A research.

9. Context shall always be a part of the prediction methodology since it directly impacts the M&A outcome.

10. From the practical standpoint, an M&A deal is impossible to accomplish if no buyer is ready to consummate it. There must be a buyer who decides to conclude the deal and has the financial capacity for that. Predicting only targets seems like a one-sided approach. On the contrary, predicting both parties of the deal seems like a promising prediction methodology.

11. This brings us to predicting pairs or even predicting potential targets for a buyer and potential buyers for a target. The latter approach (multiple potential counterparties for a selected party) may allow for the selection of the likeliest candidates for the deal based on predicted sets of targets and buyers.

12. Non-parametric computational techniques based on a broader range of prediction variables, reflecting the motivations of the M&A deal's parties and the context, look like a promising basic prediction methodology that should be further developed.

13. Testing new M&A prediction methodologies within a specific sector for a longer time looks promising for increasing the robustness of the model's prediction ability.

14. Out-of-sample tests done over a longer time are necessary to check the models' prediction ability.

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