

ECONOMIC DEVELOPMENT STRATEGY

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Oksana Ilienکو**ANALYSIS OF THE METHODOLOGICAL APPROACH OF STRENGTHENING OF INTERNATIONAL ECONOMIC SECURITY**

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Abstract. *The article analyzes the methodological approach of strengthening of international economic security as the main direction of achieving high economic results in the modern conditions of active expansion of globalization processes in the world economic system.*

Keywords: competitive strategy, economic security, financial security, risks.

1. Introduction

As of today the world economy is at the stage of its active development and expansion of globalization processes, which are complicated by severe economic crisis; furthermore, the latter phenomenon significantly increases uncertainty, volatility and instability of the present situation and strengthens directions of development of the world economic system. In its turn, intensive development of economic globalization facilitates sharpening of competition not only between separate entrepreneurs, enterprises, countries, sectors, but also between integration associations, and this facilitates division of the world economic system and has an impact on competitiveness of national economies, sectors, globalized associations, and thus on the level of competitiveness of international business, that is on all the levels of business-relations of the world economy: mega-, macro-, meso- and micro-.

2. Problem Statement

For countries with transformational economies this process develops with more difficulty than in the countries with developed economies because, on the one hand, they are the most vulnerable to crisis economic conditions (as evidenced by results of previous studies), and on the other hand – the phase of market relations formation has not yet finished in this group of countries (which requires radical changes of views on the whole process of business activity management, especially on the international scale).

The whole complex of these factors leads to significant growth of economic perils level and

risk of formation, organizing, managing and development of business processes of both national and international level.

3. Analysis of main researches and publications

A great number of papers of domestic and foreign academic economists is dedicated to basics of modern philosophy of economic security formation; these scientists include L. Abalkin (1994), T.N. Agapova (2001), Yu. Altukhov (2004), H.O. Baranovskyi (1999), V. Bohomolov (2006), V. Evdokimov (2002), V. Heits (2003), V. Kyrylenko (2006), V. Sienchahov (2005).

4. Unsolved problem of the general problem

The majority of current approaches and methods of assessment of economic security of entrepreneurship is of one-sided orientation that assumes activation of only particular business functions, and this gives no way for ensuring of their coordination between each other, and thus this leads to large deviations of received business results from the expected ones.

5. Objective of the article

To analyze the complex methodological approach of strengthening of international economic security as the main direction of achieving high economic results (profitability) with maximum reduction of risk on ensuring constant development and self-development of the business activity, and in modern conditions of active expansion of globalization processes in the world economic system.

6. Presentation of the main material of the research

While developing international economic security theory (which is especially timely for the countries with transformational economies) and forming the concept of “international global economic security of entrepreneurship” it is necessary to consider specifics of market economy and their adaptability to modern trends of the world economy development in the direction of globalization and integration.

Under these conditions a significant preference is given to innovative development which is carried out in production technologies, consumer advantages and competitive environment (Abalkin 1994; Altukhov 2004).

7. Analysis of financial security

The majority of existing models of assessment of economic security level of a country, region, sector, business entity (the variety of which is very large) in one or another phase are based on technique of comparison of the actual indicator values with indicators of destabilization level, that is with finite (threshold) values of security.

In support of this viewpoint V.K. Senhachov (2005, p. 83) states that indicators are development benchmarks defining a limit of negative processes by giving a signal to market participants of possible unfavorable fields, decline of global level of national security.

And this is the case, especially concerning assessment of financial security level, because these indicators will allow making a quantitative judgment of financial security and prompt signals of future hazard in this direction of business activity, and developing of the relevant program of stabilizing measures.

Modern academic economists have developed the whole complex of financial indices of the kind with the established level of the relevant indicators (Tables 1 and 2).

While analyzing macroeconomic indices of Ukraine we observe sharp deterioration starting as early as from 2005.

Thus, based only on GDP analysis the negative downward dynamics is obvious: if in 2004 GDP growth is 12,1 %, in 2005 – 1,7 %.

This all is indicative of the fast-moving diminution of the national economic security of Ukraine. Starting from 2007 the economic level of Ukraine dropped even lower due to beginning of the crisis phase.

Thus, economy of Ukraine is cost-based in the last few years (which is indicated by decline in performance and effectiveness of economic activity), and it has a significant negative impact on the investment image of the country, economic potential, and thus, on its economic security level.

8. Classification of approaches to the management of the business and economic security

Use of such an approach of economic security research makes it possible to estimate perils of investment in business activity on the territory of any country that indicates investment security level of a particular national economy or region, however issues of assessment of competitive environment in the target market of the particular country, nature and specifics of prospective customers' needs and their variability level, level of innovation risk of operating in a country of the target market etc. (that is, marketing issues) while making such an assessment of economic security of entrepreneurship of international level, remain open.

Thus, the listed approaches and systems of economic security assessment are applicable to financial and investment sectors, as well as for assessment of economic security of the national economy in general in the context of level of stability of macroeconomic indicators.

Also, for other directions of economic hazard a great number of models and methods was offered (see figure), each of them has its advantages and disadvantages, but they all have one main drawback in common (which is crucial in modern conditions of expansion of globalizing processes in the world economy system, in the process of which not just a level of generally accepted economic perils is increasing, but also a number of new specific perils are emerging) – their closed nature with respect to external environment of international competitive landscape and lack of mechanism of considering level of influence of external markets factors on international business entity (taking into account their own specifics and specifics of effect on a subject of research considering and ensuring their identity to the maximum extent), which significantly undermines competitiveness of domestic economic units.

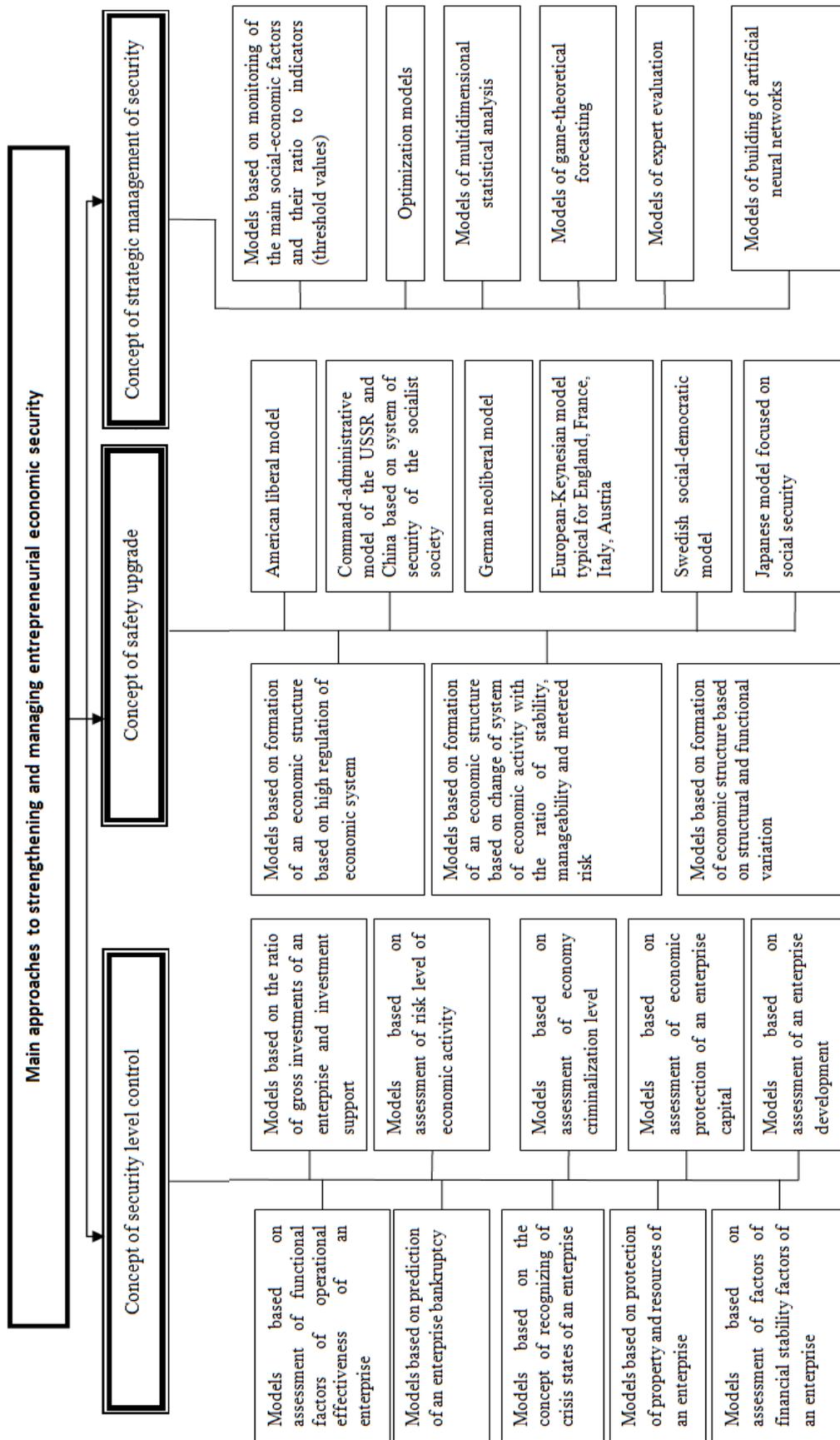
For participants of international business processes from countries with transformational economies it is very timely, because these countries are on the stage of complex adaptation to the general world economic market system (which is complicated by severe economic crisis with a number of its risks and hazards) after longtime existence in conditions of stable, controlled, highly regulated economic system.

Table 1. Factors of financial security of the state level

Main factors of financial security	Indicators of destabilization level (threshold values of security)	Drafters
Assessment of living standards of population		
Share of population of the state, region, with income lower than poverty line	7% of general population	Institute for forecasting, Ukrainian NAS (Artiomova et al. 2003, p. 34-36)
Gap between income of 10% of the highest liquid social groups and 10% of population with the lowest income	8 times	
Assessment of financial position		
Volume of internal debt as a percentage of GDP	30%	Institute for forecasting, Ukrainian NAS (Artiomova et al. 2003, p. 38-40)
Stock of money as a percentage of GDP	50%	
Ratio of volume of foreign currency in cash to volume of cash in national currency	10%	
Budget gap as a percentage of GDP	5%	
Assessment of production volume		
Ratio of a country GDP volume in the aggregate to the average index of the «great of eight» countries	75%	Institute for forecasting, Ukrainian NAS (Artiomova et al. 2003, p. 41-44)
Volume of GDP per capita	100 % of the average world index of GDP. 50 % of the average index of the “big seven” countries	

Table 2. General financial factors of the country

Main factors of financial security	Drafters
Inflation rate (%), country internal debt ratio (%), country foreign debt ratio (%), monetarization ratio (%), bank loans value (annual interest); state budget index (%), rate of cash turnover, rate of interest on bank loan, ratio of own working capital amount, ratio of taxes in the general GDP volume, currency exchange rate, debt-to-equity ratio of an enterprise, NBU refinancing interest rate, ratio of gross international reserves of NBU to general annual import amount	V.T. Shlemko (1997), I.F. Binko (1997, p. 134)
Ratio of regional GDP to GDP of a country, amount of foreign investment to the regional development, local budget gap, balance of payments of the region	O.I. Baranovskyi (1999, p. 95)
Profit and loss of the regional organizations, volume and structure of export and import, financial activity of non-budget funds, ratio of revenues and expenses of population	A group of scientists headed by M.M. Yermoshenko (2001, p. 118)
Living standards, economic growth rate of a region, rank of a region in the world economy, level of consumer prices, ratio of regional GDP to GDP of a country	H.N. Ahapova (2001, p. 44-48)
Average level of profitability of industrial, agricultural, construction and transport enterprises, total volume of loss-making enterprises throughout all sectors of economy, profit growth rate of enterprises throughout all sectors of regional economy, own income of regional budget per capita	K.Senhachov (2005, p. 633)



Classification of approaches to assessment, strengthening and managing of entrepreneurial economic security

Today there is a critical need of consistency, flexibility, adaptability to competitive environment and agility of enterprises participating in international business relations.

Thus, in the modern crisis conditions of the world economy development (in the context of assessment of the world sales market on carrying out of international entrepreneurial processes) and national economies of particular countries (in the context of their assessment as target markets) a market risk is too big for international business entities; for assessment and reduction of such risk it is necessary first of all to focus on market indicators of economic security.

9. Conclusions

Thus, now of all times there is increased interest, on the part of both scientists and entrepreneurs, in development of the system of strengthening of entrepreneurial economic security on the national and international levels, and in development of effective competitive strategy of international entrepreneurial security which has to be focused on securing of reliable, stable competitive position in business environment (in the world market in general, and in individual markets of national economies as target markets, in particular) and maintaining them with maximum reduction of entrepreneurial risk.

Thus, based on the aforesaid, a conclusion can be made that in current conditions of market instability and uncertainty of the world economic system development there arises a need of creation of a new, more effective factor, which will become one of the key and basic components of mechanism of control and strengthening of economic security of international entrepreneurship in general and each individual business process in particular.

Such factor (to the author's opinion) may become a marketing component, in which it is necessary to consider not just approaches to assessment of economic security, but also methods and models of marketing management, analysis and control on formation of a modern strategy of marketing entrepreneurial security protection of international level (for international business processes entities).

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О.В. Ільєнко. Аналіз методологічного підходу зміцнення міжнародної економічної безпеки

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Розглянуто методологічні підходи до зміцнення міжнародної економічної безпеки як головного напрямку досягнення високого економічного результату в сучасних умовах активного розширення глобалізаційних процесів у світогосподарській системі.

Ключові слова: економічна безпека, конкурентна стратегія, ризики, фінансова безпека.

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Выполнен анализ методологического подхода к усилению международной экономической безопасности как основного направления достижения высокого экономического результата в современных условиях активного расширения глобализационных процессов в мировой хозяйственной системе.

Ключевые слова: конкурентная стратегия, риски, финансовая безопасность, экономическая безопасность.

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