

FORMING A FOREIGN TRADE PARTNERSHIP STRATEGY IN THE CONTEXT OF STRENGTHENING NATIONAL ECONOMIC SECURITY: A CASE STUDY OF UKRAINE

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ABSTRACT

Economic security is an important factor in the economic development of a country. Though it relates to all countries, it plays a key role in relation to emerging economies in particular. Given this fact, the purpose of the study is to analyse the main indicators of Ukraine's development of foreign economic activity and to formulate the country's foreign trade partnership strategy in the context of strengthening its economic security. Based on the analysis of the country's potential in the sphere of foreign trade activity, the foreign trade strategic partnership matrix for Ukraine was formed. This helped to identify the countries with asymmetric interaction and relatively low potential of partnerships, as well as the most attractive strategic partner countries. The matrix shows that countries such as Hungary, Italy, China, Great Britain, and the Russian Federation are characterised by relatively lower potential for strengthening partnerships with Ukraine, whereas the USA, France, Canada, Austria, Germany, Poland, Slovakia, the Baltic States, Belarus, Georgia and the Czech Republic are among the priority countries in the context of strengthening foreign trade relations. The results achieved have wide practical implications for politicians and decision-makers.

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Introduction

For the developed countries of the world, security is an important factor in their further successful economic development and the creation of additional opportunities for the profitable allocation of capital and production capacities abroad (Armstrong and Drysdale, 2014). However, when it comes to developing countries, this impact has ambiguous implications. On the one hand, globalisation contrib-

utes to the modernisation of their economies (Oppel'd, 2011), and accelerates the development of export-oriented industries (Deprez, 2018) and the spread of Western standards of management and production of goods (Bezkorovajna, 2004); on the other hand, this leads to changes in social and economic orientation towards the openness of the economy through integration into the world market, increased com-

petition on the domestic market, increased consumption of goods and services and reduced rates of accumulation of financial resources (Ankudinov and Lebedev, 2013; Androniceanu and Tvaronavičienė, 2019). As a result, national goals and priorities are not resolved or developed, individualism rapidly gains importance and progresses accordingly, and socio-economic problems are exacerbated.

Most of the problems that have arisen in Ukraine since accession to the WTO had existed beforehand, due to inconsistencies between domestic and global trends in economic development, the lack of modern high-tech infrastructure and market investments, as well as the inability and unwillingness of the national economy to integrate into the world economy. There are also other factors, such as reform of the national system of public administration (Shpak et al., 2019). Since Ukraine's accession to the WTO, however, these economic problems and risks have turned out to be more significant and essential. We can highlight the key points. The first of these is minimising the protection for domestic producers against competition from foreign companies on the domestic market, reducing tariffs, introducing a moratorium on anti-dumping procedures and resulting in a reduction of revenues to the state budget due to the reduction of import duty. These problems are most widespread in developing economies.

Certain problems still need addressing, however, such as integration process issues with non-WTO countries, the importing of obsolete technologies which are no longer competitive or efficient in their countries of origin compared to the latest technologies, and the inability of the state to guarantee equal economic freedoms and rights to all economic entities in the course of its financial and economic activities, including foreign investors (Androniceanu et

al., 2019). When it comes to the Ukrainian economy, one may observe the lack of a stable and unified strategy for economic and political development, carrying out "eternal reforms", the decrease in production and demand for Ukrainian products on the world market, the decline of non-competitive domestic industries and economic entities, a significant growth in low-quality imported goods and counterfeit products on the national market, the inability of the authorities to create a favourable investment climate on the internal market due to economic and political instability in the country, the lack of and inefficient use of available technical, infrastructural, transport and transit capabilities of the Ukrainian economy to ensure its active participation in foreign trade, and the rising cost of imported energy.

The structure of exports remains consistent with a large share of raw materials, which – in response to the economic crisis – has led to a significant fall in demand for foreign raw materials and a negative trade balance. As a result of the liberalisation of its regimes, we can observe a limitation of the possibilities of the state in terms of the regulation of its foreign economic activity.

The solution to these problems may be found in the participation of the states in regional integration associations and the signature of regional trade agreements for the implementation of a deeper integration scheme aimed at creating mutually beneficial economic and political ties within interstate alliances. Integration is achieved through the unification of national financial and economic systems of states, the creation of joint supranational institutions or establishments, as well as monetary funds. Integration processes combine stimulating and protective factors, as international unions do not accept all applicants, but only those that meet high indicators of economic development, legal systems and the social sphere.

Before considering each country's particular experience in foreign trade, we need to analyse the leading positions in global trade. The volume of exports in 2018 increased by 9.7%, amounting to 19.5 trillion USD compared to the previous year's figure of 17.9 trillion USD. The top three, both in terms of exports and imports, remain the same, consisting of the USA, China and Germany. Their total export share amounted to 5.712 million USD. In 2018, imports for the US, China and Germany equalled 6.036 million USD (World Trade Organisation, 2019).

Table 1 represents the world's largest exporters in the trade of goods. The share of 10 leading countries exporting mainly finished goods with a high index of technological and scientific intensity makes up 51.1% of all international trade. With its exports mainly consisting of raw materials, Ukraine ranks 36th with a 0.3% share, which is a very small indicator, considering the full potential of the domestic economy.

Table 1. Leading exporters in global merchandise trade, 2018

Rank	Exporters	Value, billion USD	Share, percentage	Annual growth rate percentage
1	China	2487	12.8	10
2	United States of America	1664	8.5	8
3	Germany	1561	8.0	8
4	Japan	738	3.8	6
5	Netherlands	723	3.7	11
6	Korea, Republic of	605	3.1	5
7	France	582	3.0	9
8	Hong Kong, China	569	2.9	3
	Domestic exports	13	0.1	-30
	Re-exports	556	2.9	5
9	Italy	547	2.8	8
10	Great Britain	486	2.5	10
36	Ukraine	47	0.3	9
	EU (28 countries)	2309	15.1	9
	World	19475	100	10

Source: Own elaboration based on: World Trade Statistical Review 2019.

Considering the above data, one can argue that there is a correlation between the openness of international trade and the economic growth that is needed for the national economy to overcome poverty and increase its level of economic security. Table 2 shows the world's leading commodity trade importers. The share of 10 leading countries whose imports consist mainly of raw stock, materials and natural resources is 52.8% of the total indicator. The United States, whose import value of goods exceeds its export value by 950 mil-

lion USD, is well worth mentioning here, as it shows that the US national economy is unable to fully satisfy its domestic market. The world's main merchandise trade flows between the United States of America and China, and among their relevant bordering markets. In 2018, goods valued at 563 billion USD were imported from China by the United States (World Trade Organisation, 2019).

Table 2. Leading importers in world merchandise trade, 2018

Rank	Exporters	Value, billion USD	Share, percentage	Annual growth rate percentage
1	United States of America	2614	13.2	9
2	China	2136	10.8	16
3	Germany	1286	6.5	11
4	Japan	749	3.8	11
5	Great Britain	674	3.4	5
6	France	673	3.4	9
7	Netherlands	646	3.3	12
8	Hong Kong, China	628	3.2	6
9	Korea, Republic of	535	2.7	12
10	India	511	2.5	14
50	Ukraine	57	0.3	15
	EU (28 countries)	2337	14.9	11
	World	19867	100	10

Source: Own elaboration based on World Trade Statistical Review 2019.

When investigating the relevant problems, it is also impossible to overlook the assessment of international experience in the global trade in commercial services gained by the world's leaders (Table 3).

Table 3. Leading exporters and importers in the global trade in commercial services, 2018

No.	Country	Value, billion USD	Share, percentage
<i>Export</i>			
1	United States of America	808	14.0
2	Great Britain	373	6.5
3	Germany	326	5.6
4	France	291	5.0
5	China	265	4.6
6	Netherlands	241	4.2
7	Ireland	205	3.6
8	India	204	3.5
9	Japan	187	3.2
10	Singapore	184	3.2
<i>Import</i>			
1	United States of America	536	9.8
2	China	521	9.5
3	Germany	350	6.4
4	France	257	4.7
5	Great Britain	230	4.2
6	Netherlands	229	4.2
7	Ireland	218	4.0
8	Japan	198	3.6
9	Singapore	187	3.4
10	India	175	3.2

Source: Own elaboration based on World Trade Statistical Review 2019.

As one can see from Table 3, US export-import performance is highest among other countries in the context of trade in services in 2018: the share of its exports in world trade was 14.0%, with a 9.8% share of imports. However, these figures are lower than those obtained during the same period in 2017: 14.4% and 10.2% respectively.

The world's chief services exporter in 2018 was the United States of America, which sold services valued at 828 billion USD, representing 14 per cent of international services exports. They were followed by three European countries which together accounted for 17 per cent of the world market. China, the top exporter among developing economies, rated fifth. The top five developing economies in terms of exports were Asian, including India, Singapore, China, Hong Kong SAR and the Republic of Korea. These countries accounted for nearly 15 per cent of the global total, the same as all other developing economies combined (World Trade Organisation, 2019).

The combination of an almost continuous growth rate of 6 per cent in China, an acceleration of trade tensions and the supposed acceleration of main commodity-exporting countries was predicted to drive international growth in 2020 up to 2.7 per cent, despite the persistently weak growth of developed economies. Now that the shock of Covid-19 has altered the situation, all prognoses for 2020 are being revised downwards. China has become a significant source of funding for developing countries, with loans to emerging market and frontier economies increasing tenfold (from 40 billion USD in 2008 to 400 billion USD in 2017). For countries such as Pakistan, Ecuador, Zambia, Venezuela, Mongolia, Kenya, Angola, Sri Lanka, Bolivia and Jamaica, China is now the largest official creditor (UNCTAD, 2020).

Beneficiary countries may be affected in future should the COVID-19 shock to the Chinese economy prove to have sustained consequences, not least for its ability to continue long-term lending to developing countries. Given the facts presented, the purpose of the study is to analyse the main indicators of Ukraine's development of foreign economic activity and to formulate the country's foreign trade partnership strategy in the context of strengthening its economic security.

1. Literature review

The problems inherent in state foreign economic activity, as well as its development prospects at the global level, have been studied in many scientific works, a considerable number of which contain theoretical and methodical materials. These scholars focused on the applied aspects of the retrospective analysis of foreign economic activity (FEA) development throughout the world (Armstrong, 2012), but did not present their own forecasts regarding the prospective dynamics of foreign economic operations in the context of security. Thus, many research papers have covered foreign trade operations development issues (Fleychuk et al., 2019; Armstrong and Drysdale, 2014; Li et al., 2019; Islam et al., 2020). However, by analysing the works concerning the topic of the article (Ranjan et al., 2013; Deprez, 2018; Siew, 2015), one can conclude that empirical analysis is not sufficiently substantiated by proposals for prospective changes in the economy or is insufficient to formulate any methodological and applied proposals for the development of foreign economic activity.

The security aspects were disclosed in the work of McGuire (1995), who studied safety economics and global security, where the emphasis is on developing actions to counter external threats or adjusting foreign economic policy to globalisa-

tion challenges. Tang (2015) researched economic safety in the international sphere. Long (1992) explored the problems of national security in competition with national prosperity in foreign trade and industry policy. Varnaliy et al. (2016) explored questions pertaining to the threat prevention mechanisms of Ukraine's economic security, etc. This problem was also reflected in the works of Ellull (2015), Langfield et al., (2014): the database was a cooperative initiative by the IMF and the World Bank and was planned to support the creation of methods for the early analysis of the weaknesses of financial markets and to change operative actions to deal with the expansion of potential problems in the financial area.

The forecast made by Fleychuk et al. (2019) evaluates the changes in the significant features of Ukraine's economic security from a short-term perspective, proposing that there are aggressive tendencies due to increased export dependency and a rising high-tech dependence of the country due to the unproductive structure of the economy and the limited competitiveness of internal personal property on both the national and foreign markets.

We also use the work of Grigoreva and Garifova (2015), who attempted to measure the economic security of Russia and a system of indicators that imitate its place in the international economic system (Ranjan et al., 2013). They reflect the gap in the indicators that describe the scopes of territorial space and potential resources, and, on the other hand, economic potential, gross domestic product and external trade, as well as quality of life and standard of living. However, the state security theory of the Russian authors does not include a review of financial and tax corruption or the shadow economy. Meanwhile, the political, social and economic conditions reflected in this paper, both in Russian regions and

the rest of the world, have changed significantly. This means that the standards of economic security stay constant, thus maintaining the dynamic safety balance between the interests of the state economy and the population (Grigoreva and Garifova, 2015). Nevertheless, aspects and conditions of economic security are changing continually, reflecting the progression of changes in the national economy, which leads to the development of new threats and risks in terms of socio-economic growth. The "Covid-19" shock will initiate a collapse in some countries and a slowdown of annual global growth to below 2.5 per cent - often taken as evidence of decline in the global economy. The subsequent hit to international income when compared to what had previously been projected for 2020 will be around the trillion-dollar mark. From this perception, the actual reaction to the economic consequences of Covid-19 will necessarily include not only dynamic and targeted macroeconomic measures, but a sequence of helpful policies and institutional transformations needed to form a strong, sustained, justifiable and climate-friendly growth course that would decrease the chances of a subsequent economic collapse (United Nations Conference on Trade and Development, 2020).

Our paper is also built on the work of De rez (2018), who undertook an evaluation of the positioning of Vietnam in international trade. The paper tackles the significant question of how Vietnam uses its involvement in international trade agreements as an instrument to guarantee and spread state interest and safety through increased economic influence. Our assumption is that the leading politicians of Vietnam have recognised trade, export-oriented development and global economic integration as universal strategy preferences and have used global trade integration as a strategic tool to maximise these state

priorities within both the local and global trade spheres. As a result, Vietnam has an appropriate strategic outlook on global trade integration and uses it as a tool to confirm its state safety through increased economic authority (Derez, 2018).

We also drew upon a study by Armstrong and Drysdale that relates to stochastic frontier investigation of the gravity model of trade as well as an FDI model (grounded on micro-fundamentals from Baltagi et al. (2007)) in order to create trade and investment limits that can be used to comprehensively assess the possible levels of trade and investment for every bilateral affiliation. The model used herein closely follows that of Armstrong (2012) and is based on merging the gravity model of trade with stochastic frontier analysis.

In our study, we formed a new model of foreign trade partnership strategy in the context of strengthening the economic security of the country (based on the ex-

ample of Ukraine). Data obtained from the World Trade Organisation (WTO), the World Economic Forum (WEF), the Organisation for Economic Co-operation and Development (OECD), and scientific papers on the economic security of the country and its foreign trade, as well as materials from the Internet, served as the informative basis for this research paper.

2. Methodology

In view of the deliberations presented, it was considered advisable to form a matrix of the country's strategic partnerships in foreign trade relations in the context of strengthening the country's economic security. In order to build a strategic partnership matrix, let us consider the FTA indicators of Ukraine with its largest foreign trade partners as of January 2020 (according to official data from the State Statistics Service of Ukraine) (Table 4).

Table 4. Ukrainian international trade (global merchandise exports and imports), January 2020

Merchandise trade by group of economies				
total – country of origin				
Country	Export		Import	
	Value (Billion USD)	Annual growth rate (Percentage)	Value (Billion USD)	Annual growth rate (Percentage)
Italy	141232.3	54.8	105122.8	77.4
Great Britain	61212.8	117.7	52546.1	89.7
Germany	157949.3	88.8	395677.4	116.1
France	48168.1	135.8	116905.3	99.0
China	448356.2	278.7	650368.5	105.6
Japan	22973.3	133.6	89262.3	166.3
United States of America	63864.1	59.7	274664.4	114.2
Austria	41615.0	86.0	32692.6	59.9
Poland	269894.9	101.5	269928.2	101.7
Czech Republic	58456.0	79.3	60364.7	91.6
Slovakia	49979.7	70.6	41378.4	107.2
Hungary	104557.7	80.6	97303.2	116.6
Baltic States (total)	61799.8	308.2	96595.2	267.0

Latvia	17841.5	92.8	6261.2	56.6
Lithuania	31961.1	82.3	82417.6	74.8
Estonia	11997.2	133.1	7916.4	135.6
Russian Federation	187444.0	84.5	418307.1	68.9
Georgia	27431.2	121.4	12362.9	79.3
Turkey	283137.1	138.9	175981.3	133.0

Source: Own elaboration based on: State statistics Service of Ukraine, 2019.

As one can see from Table 4, Ukraine's largest trade partner in 2020 is China, both in terms of imports and exports (650,368,500 USD and 448,356,200 USD respectively). Compared with the previous period of 2019, there has been a noticeable growth in exports to the Baltic States and China (308.2% and 278.7% respectively) and imports from the Baltic States and Japan (267% and 166% respectively).

Based on theoretical studies, it is established that the undisputed leaders in the global commodities trade today are the United States and China. Somewhat flexible FTA mechanisms of fiscal regulation, which were focused exclusively on the protection and development of the national economy, are applied in modern transformational conditions of development. It should be noted that a major problem for the US is the significant dominance of its imports over exports. The main sources of imbalance in its foreign relations are liabilities in trade with Japan, Western European countries and new industrialised countries, and more recently with China. In this regard, the US administration is taking extra measures to promote exports. A state program of advisory assistance to US exporters on the characteristics of individual foreign markets has been approved. A large-scale campaign has been launched to overcome barriers to foreign goods in the markets of Japan, China, and some new industrialised countries (UNCTAD, 2020).

The methodology for determining the potential of the country's strategic partners involved two main steps: preparatory and

direct evaluation (Yurii, 2008). At the preparatory stage, we developed a list of parameters (partnership features) of the evaluation, which reflect the main parameters of the strategic partnership matrix in order to identify the countries which are the most attractive strategic foreign trade partners of the country (for example, Ukraine), as well as the list of countries that the authors believe may be strategic foreign trade partners. The criteria and the list of countries were offered to economic security experts. The expert group was tasked with studying the parameters of the evaluation on the main parameters of the strategic partnership matrix internationally and selecting the most appropriate content.

The expert group consisted of seven experts: practitioners and security scientists with five or more years of experience. The selection of experts was carried out on the basis of the Kendall methodology, which provides a distribution free test of independence and a measure of the strength of dependence between two variables (Kendall, Gibbons, 1990). It allows one to set the level of coherence of experts' opinions: "experts' estimates are agreed" or "experts' estimates are not agreed", using the coefficient of correction calculated by the formula:

$$W = \frac{12S}{n^2(m^3 - m)} \quad (1)$$

– where W is the coefficient of concordance, S is the sum of the squares of the deviation of the sum of the rank of each object of examination from the arithmetic

mean, n is the number of experts, and m is the number of objects of examination.

The coefficient of concordance can be in the range from 0 (in the absence of an agreement) to 1 (with complete unanimity of estimates). Initially, the experts evaluated the features of the partnership proposed by the authors, considering to what extent the proposed features reflect the potential of the partner in terms of foreign trade, followed by a list of major countries.

According to the results of the expert evaluation, a list of the mentioned parameters of evaluation, the characteristics of the partnership, was formed. They reflect the social, economic and political aspects which had not previously been studied (historical community, mental unity, common interests, conflicting interests, positive experience of solving conflicts, degree of parity (symmetry) of socio-economic relations, level of asymmetry of relations, and the presence of an influential Ukrainian diaspora). As a result, eight criteria for partnerships were identified, which primarily identify countries with asymmetric interactions and relatively low potential for partnerships.

The list of the most attractive countries for strategic foreign trade partnerships with Ukraine, including both industrialised and transition economies, whose strategic partnerships with Ukraine – according to official data from the State Statistics Service of Ukraine, which provides a detailed analysis of the latest developments in the main economic and social indicators - are quite pronounced (USA, France, Germany, Great Britain, Italy, Austria, Poland, the Czech Republic, Slovakia, Hungary, the Baltic States, Belarus, Georgia, China, the Russian Federation, and Turkey) (State Statistics Service of Ukraine, 2020).

At the immediate stage of the evaluation, another expert group was formed (applying Kendall's method), which evaluated all

components of the strategic partnership matrix by means of a questionnaire in order to identify the most attractive countries among Ukraine's strategic partners. This group included leading experts and scholars in the field of economic security, who carried out evaluation using the procedure proposed by the authors as well as the abovementioned parameters. The bottom line was that the expert fixed each parameter to the real situation of interaction between the countries and chose the one that best suited the situation in reality using qualitative evaluation criteria.

Each criterion (evaluation feature) was evaluated by the expert both qualitatively and quantitatively, using the criteria and a scale from 0 to 1 (for each individual criterion, zero means no interconnection, and one means the presence of a strong interaction with the country in question in terms of strategic partnership).

To build a strategic partnership matrix to identify the most attractive strategic foreign trade partner countries, we used Formula 2 (Yurii, 2008), which was adapted to the task and features of the study.

$$K_{pft} = \left(\frac{\sum_{i=1}^{K_e} \sum_{j=1}^N E_{oij}}{K_e} \right) / N \quad (2)$$

– where K_{pft} is the coefficient of potential of the country's strategic partnerships in foreign trade; K_e – the number of experts; N is the number of evaluation criteria; E_{oij} – expert evaluation of the i – expert of the j – evaluation criterion; $\sum_{i=1}^N A_{ij}$ – the sum of the scores obtained according to the results of the evaluation of all criteria and the expert ($i=K_e$); $\sum_{i=1}^{K_e} \sum_{j=1}^N A_{ij}$ – the sum of the scores obtained from the results of the evaluation of all criteria by the expert group.

According to the results, two groups of strategic partner countries are identified: a) countries with low partnership potential (where the strategic partnership potential coefficient is 0 - 0.5) and b) countries with high partnership potential (where the strategic partnership potential coefficient is 0.51 - 1) (Yurii, 2008). This approach is explained by the fact that if a prospective foreign trade strategic partner country has at least 31% of indicators of such a partnership, then it is expedient for Ukraine to develop such a partnership. Otherwise, when the partnership potential is estimated at 30% or less, it is not feasible, because the

resources that will be invested in the strategic partnership will be unprofitable, thus resulting in economic losses.

By assessing the potential of each country's strategic partnerships to form a strategic partnership matrix to identify the most attractive candidates to become Ukraine's strategic partners, one can form a complete picture of the level of this potential, as well as its weak points as revealed by each of the evaluation criteria. For example, the calculation of the potential of a strategic partnership with the USA would look like this:

$$K_{pft} = \frac{0.7 + 0.8 + 0.7 + 0.1 + 0.6 + 0.8 + 0.8 + 0.9}{7} = 0.67$$

K_{pft} , the coefficient of strategic partnership potential is 0.67, and therefore is within the recommended range of 0.5 - 1.

the country being studied (in this case Ukraine). It is also possible to distinguish weak points in this potential, that is, the lowest quantitative evaluation of a particular (partnership attribute) criterion. The table mentioned shows a coherent picture for each country, which is reflected in the quantitative indicator of the strategic partnership potential factor.

3. Research results

The results as given in Table 4 are then used to build a matrix of strategic partnerships (Table 5) to determine the most attractive strategic partner countries for

Table 5. Matrix of Ukraine's strategic partnerships

Partnership signs / country	EU countries										Other countries					
	USA	France	Germany	Great Britain	Italy	Austria	Poland	Czech Republic	Slovakia	Hungary	Baltic States	Belarus	Russian Federation	Georgia	China	Turkey
Historical commonality	0.7	0.55	0.6	0.3	0.3	0.55	0.8	0.8	0.7	0.3	0.7	0.55	0.3	0.1	0.55	0.35
Mental unity	0.7	0.6	0.7	0.4	0.25	0.6	0.9	0.9	0.7	0.25	0.6	0.25	0.6	0.25	0.35	0.3
Common interests	0.8	0.6	0.9	0.35	0.35	0.6	0.9	0.9	0.8	0.3	0.6	0.35	0.6	0.35	0.3	0.3
Conflicting interests	0.1	0.1	0.4	0.4	0.3	0.1	0.5	0.5	0.1	0.3	0.1	0.3	0.1	0.3	0.3	0.5
Positive experience in resolving contradictions	0.6	0.6	0.6	0.6	0.4	0.6	0.8	0.8	0.6	0.3	0.5	0.2	0.6	0.3	0.35	0.35

Degree of parity (symmetry) in socio-economic relations	0.8	0.7	0.7	0.4	0.2	0.7	0.9	0.8	0.8	0.2	0.8	0.6	0.3	0.7	0.2	0.4
Relationship asymmetry level	0.8	0.6	0.8	0.6	0.3	0.6	0.5	0.5	0.8	0.2	0.8	0.6	0.4	0.6	0.25	0.35
Presence of an influential Ukrainian diaspora	0.9	0.6	0.4	0.1	0.1	0.6	0.9	0.8	0.9	0.1	0.9	0.5	0.1	0.6	0.2	0.55
Total	0.67	0.54	0.63	0.39	0.27	0.52	0.77	0.74	0.69	0.25	0.61	0.51	0.3	0.51	0.29	0.42

Source: Own elaboration.

The results of the evaluation show that countries such as Hungary, Italy, China, the United Kingdom, and the Russian Federation display relatively lower potential for strengthening economic partnerships with Ukraine, whereas the USA, France, Canada, Austria, Germany, Poland, Slovakia, the Baltic States, Belarus, Georgia, and the Czech Republic are among the priority countries in this context.

According to the research results and application of matrix methodology for determining the potential for partnerships between strategically important countries, key partners of Ukraine in the field of foreign trade activities are:

The European Union. Such a partnership would mean both internal reforms and more mature relations with Ukraine's international partners: strengthening diplomatic contacts with Germany, improving bilateral relations with the EU Member States, becoming a leader within the framework of the Eastern Partnership, creating the Ministry of European Integration under the authority of the First Vice Prime Minister or combining the posts of Foreign Minister and First Vice Prime Minister, implementing constitutional, administrative, territorial and judicial reforms, improving executive discipline, and addressing issues related to European integration at every Cabinet meeting.

The United States of America is moving from an ideological, democratically oriented foreign policy to a more pragmatic one

aimed at pursuing its interests. If Ukraine wants to maintain normal relations with the United States, it must cease to wait for US aid and become a true partner able to interest the United States with specific proposals such as: creating a single coordinating body responsible for developing relations with the United States, identifying clear and specific priorities for bilateral cooperation, creating favourable conditions for foreign investors by combating corruption and protecting foreign capital, focusing on the execution of joint projects rather than the announcement of joint statements, making Ukraine understandable to the United States by promoting a Western-oriented English-speaking political elite, and finally by ceasing to consider the United States a philanthropist and instead working to build a mutually beneficial partnership.

Development of regional partnerships. Ukraine is sufficiently large, well-developed and favourably situated to claim a key role in the region. In order to do so, it must forge closer relations with its neighbours: Poland, Romania, Moldova, Belarus, Turkey and Georgia. Moreover, these partnerships will also be useful for Ukraine's European integration aspirations. However, there are considerable obstacles to this path.

Poland. It is important for Ukraine to maintain close relations with Poland for four main reasons. Firstly, Ukraine needs to have normal relations with its neighbours. Secondly, Poland's experience with

EU and NATO integration can be instructive for Ukraine. Thirdly, economic cooperation between Ukraine and Poland has great potential. Fourth, among all Ukraine's neighbours, Poland is most capable of strengthening Ukraine's security. For Ukraine the aims are to promote contacts between local authorities and the development of business relations between countries, draw conclusions from the Polish experience of integration with the EU and NATO, in particular regarding the implementation of the necessary reforms, move away from the idea that Poland can and should be the main or even the only locomotive in Ukraine's Euro-Atlantic integration, and focus on practical aspects such as the Baltic-Black Sea-Caspian energy space.

Poland should become a source of experience that will assist Ukraine in carrying out the necessary foreign economic reforms for the successful development of the country, which will be a prerequisite for improving its foreign economic policy and promoting the large-scale development of business relations, both industrial and cooperative, between the regions of Ukraine and Poland. Ukrainian-Polish relations should serve as a model for the development of bilateral relations between Ukraine and all EU and NATO member states.

Romania. Ukraine's relations with Romania are historically complex. Artificial tension in relations with Ukraine is part of a Bucharest strategy aimed at regional leadership that only Ukraine can challenge.

In the context of the resulting partnership, one can mention attempts to win allies in the EU and NATO, as in the partnership between Romania and France. Potential partners include the United States, Poland and Hungary, which would stop the illegal granting of Romanian citizenship to Ukrainians and disseminate information on the proper observance of the rights of the Romanian minority in Ukraine. As a result it

will clearly identify positions on key issues in relations with Romania and steadfastly defend them.

Moldova. The Republic of Moldova is the smallest, but also the most problematic, state among all Ukraine's neighbours. The unmarked border, the frozen conflict in Transnistria, the Ukrainian community on both sides of the Dniester – whose interests are not always protected – and the common challenge posed by Romania all serve to draw Kyiv's constant attention to Chisinau. The priority of Ukrainian policy towards Moldova is to preserve the sovereignty and territorial integrity of this important neighbour. It is through this prism that the Transnistrian problem is considered in Ukraine.

Selected recommendations would concern the implementation of a consistent policy aimed at preserving Moldova's territorial integrity and sovereignty to make it clear to Chisinau that full-scale dialogue with Ukraine depends on progress in the process of demarcation of the Ukrainian-Moldovan border, although the active involvement of the EU in the settlement of the Transnistrian conflict impedes back-stage attempts to implement Moldova's European integration plans along the Chisinau – Bucharest route. It is necessary to insist that Romania should sign the basic agreement and a border treaty with Moldova. Relations with Moldova and the Transnistrian issue should remain within the competence of the same department of the Ministry of Foreign Affairs.

Belarus. Although Belarus is one of Ukraine's main trading partners, Ukraine's relations with Minsk are not the best. The so-called "Last Dictatorship of Europe" is purposefully trying to play the East against the West, and vice versa. In the meantime, it is reaffirming its position as a key transit corridor between the Black and Baltic seas, not to mention the use of border is-

sues with Ukraine to influence other areas; however, in order to align Ukraine's position concerning opposition to Belarus with that of the EU, it is necessary to continue to insist on the ratification of the Ukraine-Belarus State Border Treaty by the Parliament of Belarus with the subsequent exchange of ratification instruments and to consider the possibility of laying the Odessa – Brody – Plotsk – Gdansk pipeline through Mozyr (Belarus).

Turkey. Ukraine and Turkey are neither allies nor rivals. However, they are linked by important foreign trade relations. Turkey is one of Ukraine's most important trade contacts, and its economy is one of the leaders in the region. Similar in size, close in geography and with mutual interests, Ukraine and Turkey have ideal prerequisites for developing an "exemplary" partnership. However, Ukrainian leaders still need to be aware of the importance and the need for trade and utilising the economic potential of these relations with the aim of weakening or abolishing visa requirements for Turkish citizens to strengthen cooperation on foreign trade activities in the Black Sea region, as well as encouraging Turkish support for the Crimean Tatars, and promoting the educational and professional exchange programme with Turkey for all citizens of Ukraine.

Georgia. After the revolutions in Georgia and Ukraine, ties between these countries became very close. At present, however, their relations with their most important partners are not the best, and both countries are facing economic challenges. A partnership between Ukraine and Georgia should include increased investments in the energy, transport, communications and construction industries, as well as a visa-free regime for Georgian citizens.

Ukraine sets its foreign policy priorities and builds strategic partnership systems at three major levels: with the countries of

the European Union, the leading global players (USA, China and the Russian Federation), and with other countries at the regional level (Poland, Turkey and others). All these fundamental directions of Ukrainian foreign policy are independent yet complementary. For example, Ukraine's strategic partnership with the Russian Federation is one of the important factors of stability on the continent and a valuable element in building pan-European security. Strengthening the strategic partnership with the US testifies to the relevance of international security guarantees for Ukraine, and the newly formed strategic partnership with China reflects new prospects for expanding economic cooperation. The development of strategic partnerships between Ukraine and Turkey, Hungary, Austria, Poland and several other countries is important for enhancing stability in Europe and the Black Sea, which are highly important regions for Ukraine. The establishment of a free trade area with the European Union, in accordance with the requirements of the customs union between Turkey and the EU, and its coming into effect, allows Ukrainian exporters duty-free access to the Turkish market. Achieving a mutual compromise in the issues of the agreement is a key issue that requires the establishment of a free trade area in the negotiations.

4. Discussion

Foreign trade activity is characterised by a particular complexity, being expressed in the collision of different norms, rules, and standards of fiscal regulation inherent in different countries and the need to harmonise them with the economic interests of states. Therefore, countries need to find and choose the best foreign trade partnership strategy in the context of strengthening economic security, with positive consequences outweighing the negative ones.

With the help of regional trade agreements, states attempt to solve a number of problems, including those in the context of strengthening economic security, such as: slow transformation of the economy, low level of competitiveness of the economy and the lack of its advantages in the global economy, lack of mechanisms for the fiscal coordination and harmonisation of economic interests between countries, the inability of the national economy to withstand the more efficient agents of the global economy, the negative effects of globalisation, low direct investment attractiveness of the national economy, and the existence of open and hidden barriers to interstate commerce. Therefore, the signature of regional trade agreements is one of the steps towards effective and progressive development of the country's economy and enhancing its security and importance in the world economy. However, these agreements only create the conditions and benefits that should be used with the greatest possible impact to achieve a high rate of socio-economic development.

According to the WTO, of around 450 regional trade agreements in the world, about 43% are concluded between developing countries (the average is 13 signed agreements per country) (World Trade Statistical Review, 2019). After accession to the WTO, Ukraine entered into a Free Trade Agreement with the European Free Trade Association

and Montenegro, and the relevant negotiations with the Syrian Arab Republic were completed. Negotiations are under way to sign agreements with Serbia, Turkey, Canada, Singapore and other promising trade and economic partners.

The World Economic Forum's assessment of the effectiveness of Ukraine's foreign trade activities takes into account important aspects that significantly affect the status and conduct of foreign trade, as well as Ukraine's place in the global market for goods and services. Since 2008, the World Economic Forum has published a Competitiveness Index, which in 2019 was calculated for 141 countries. Ukraine ranks 85th after Argentina and the Dominican Republic (The Global Competitiveness Report, 2019), which is an unacceptable indicator given the full potential of the Ukrainian state. Ukraine finds itself in the middle or lower positions in terms of competitiveness, which indicates the decline and stagnation of the domestic economy, as well as the inability of the state to take effective action to improve the quality of socio-economic life in Ukraine. In 2017-2018, Ukraine climbed to 81st position (from 89th in 2010) among 137 countries in the rankings calculated on the basis of the Global Competitiveness Index, which consists of 12 benchmarks (Table 6), determining national competitiveness on the global market.

Table 6. Ukraine's position in the WEF's Enabling Trade Index (ETI) in 2018-2019 according to its involvement in global trade

ETI Component	Indicator in 2019	Country ranking in 2019	Country ranking in 2018	Leading country in 2019
Institutions (including security)	47.9	104	118	Finland
Infrastructure	70.3	57	78	Singapore
Information technology	51.9	78	81	South Korea
Macroeconomic stability	57.9	133	121	Several countries (33)
Health care and primary education	65.6	101	53	Several countries (4)
Higher education and vocational training	68.9	44	35	Switzerland

Market for goods and services	56.5	57	101	South Korea
Labour market	61.4	59	86	Singapore
Financial system	42.3	136	120	Hong Kong, PRC
Market size	63.0	47	47	PRC
Business dynamics	57.2	85	90	USA
Innovation and intellectual property rights	40.1	60	61	Germany

Source: Own elaboration based on: The Global Competitiveness Report 2019.

According to most indicators, in 2019 Ukraine was at almost the same level as in previous years, or had declined compared to previous indicators. From Table 6 we can conclude that the economy of Ukraine is weak and underdeveloped in the global dimension, since it is not among the top 50 countries (except for higher education and vocational training indicators, in which it is in 44th position, and those of market size - 47th position in 2019), and sometimes

cannot even be found among the top 100 world economies in the ratings.

Table 7 shows Ukraine's position in 2018 on the Inclusive Development Index (IDI), both in the overall ranking as a whole and its main components. In this rating, Ukraine has dropped by four positions in five years, thus assuming 49th position among 103 countries (The Inclusive Development Index, 2018).

Table 7. Inclusive Development Index (IDI) Indicators for Ukraine, 2018

Indicator	As of 2018	Compared to 2017
GDP, USD	2906	-1.4
Labour productivity, USD	15845	-3.2
Life expectancy, years	64.1	1.9
Employment, %	53.9	0.0
Revenue, Gini coefficient	26.3	-0.6
Poverty rate, %	0.5	0.3
Welfare of the nation, Gini coefficient	90.1	0.1
Average income, USD	10.2	-0.6
Savings level, USD	1.0	-0.7
Public debt, USD	81.2	43.7

Source: Own elaboration based on: The Inclusive Development Index 2018.

The effective and stable regulation of foreign trade partnerships for attracting foreign investments in the national economy will allow authorities to solve a number of social problems, provide a high level of employment for the population, technologically renew production, modernise and increase enterprises' fixed assets, as well as implement new technologies, thus resulting in a strengthening of the country's economic security.

The Doing Business rating presents quantitative indicators on business regulation and property rights protection that are comparable across 190 economies (Doing business, 2020). Ukraine is ranked 64th out of 190 in 2020, with a score of 70.2, after Saudi Arabia and India (Poland and Russia rank 40th and 28th respectively) (Table 8).

Table 8. Comparative characteristics of Ukraine's indicators according to the Doing Business reports, 2019-2020

Ratings by Category	DB-2019 rating	DB-2020 rating
Registration of enterprises	52	61
Obtaining construction permits	35	20
Connection to the energy supply system	128	128
Property registration	64	61
Lending	29	37
Investor protection	81	45
Tax payment	43	65
International trade	119	74
Contract enforcement	82	63
Insolvency settlement	149	146

Source: Own elaboration based on: Doing business (Measuring business regulation).

Let us consider some criteria of this rating (based on the example of Ukraine). Firstly, Ukraine has modernised the procedure for building permits by eliminating the necessity of hiring an external administrator and introducing an online report system. Secondly, Ukraine has made it easier to receive electricity by rationalising the issuance of technical conditions and by applying a geographic information system. Ukraine also upgraded the reliability of the power supply by presenting an outage compensation instrument. Thirdly, Ukraine has made property registration easier by increasing the transparency of the land management system. Fourth, Ukraine improved access to credit data by creating a new public credit register office in the National Bank of Ukraine. Fifth, Ukraine strengthened the protection of smaller investors by requiring greater disclosure of transactions from the parties involved. Sixth, when it comes to trading across borders, Ukraine has reduced the time required for import activity by streamlining conformity certification requirements for auto parts (Doing business, 2020). These criteria are essential to strengthening the economic position of the country, as well as in forming foreign trade partnership strategy in the context of strengthening the economic security of the country.

The current regulation of foreign trade activity in the context of strengthening the economic security of Ukraine is imperfect, which, in our opinion, is supported by significant facts. A considerable share in the total volume of goods turnover is accounted for by smuggling (in 2018, the volume of export-import transactions through Ukrainian customs amounted to 10 billion UAH, while property seized and confiscated equalled 1.1 billion UAH and 1.3 billion UAH respectively, while losses amounted to 578.2 million UAH, with 310.7 million UAH in damages and compensation).

The inability to effectively bring down the level of offending in the field of intellectual property has led to the creation of a negative image of the state and ongoing lawsuits against Ukrainian companies and state institutions by global producers of intellectual property (in 2018, Ukraine ranked 114th in the world in terms of intellectual property protection (Social Expenditure Database OECD, 2019)). If not addressed promptly, this issue may result in the imposition of economic sanctions on Ukraine by developed countries.

There is a high level of corruption within public authorities (according to Transparency International's Corruption Perceptions Index, Ukraine ranked 130th among 180 countries in 2019, but subsequently returned to its 2017 position).

The shadow economy constitutes a large sector of the economy and contributes to the significant shadowing of foreign economic activity of domestic producers (the size of the shadow economy of Ukraine in 2019 amounted to 30% of GDP, which is 5% less than in 2017).

Export operations are commonly funded through offshore companies and tax evasion (over 100 billion UAH is annually withdrawn from circulation by offshore means (Corruption Perceptions Index, 2019)).

In the context of enhanced integration processes of the country, "strategic partnership refers to a strategy that contains general, basic guidelines that are important for the preparation and implementation of anything". The issues of partnership principles, criteria for choosing partners, and strategic attributes of partnerships remain unresolved.

Conclusions

Forming a foreign trade partnership system in the context of strengthening the economic security of the country is an important component of economic development. For its impact to be positive, it is necessary to restrain its volume and structure in certain frameworks that will bring financial resources to the budget, as well as profit for the subjects of foreign trade; create conditions for the development of civilised competition; provide access to global markets for goods and services; fill the national market with necessary goods; do no harm to national producers; revitalise export-oriented industries; and create conditions for the most effective use of the potential benefits and opportunities of the economy in order to ensure economic security.

When analysing the global trends in the regulation of FTAs, we may formulate the basic principles that can be effectively used by the countries: non-discrimination towards trading partners, goods and serv-

ices of national and foreign origin, as well as homeland citizens and those of other countries; promoting openness by reducing trade barriers, including customs duties (or tariffs) and measures such as import bans or quotas, which set selective quantitative restrictions; ensuring the predictability and transparency of trade policy in order to avoid arbitrary barriers to trade, which in turn leads to increased investment and benefits for consumers who receive a larger range of goods and services with lower prices as a result of increased competition; promoting competitiveness by counteracting export subsidies and the sale of products through price dumping in order to gain market share. WTO rules define what is fair or unfair and how governments can respond to dishonest actions, in particular by imposing additional import duties to offset the losses caused by unfair trade.

The subjects of foreign trade activity in forming the strategic directions of development of the country's export potential and strengthening of competitiveness on the world markets should take into account the established structure of external factors analysed in the paper that will determine the dynamics of the FTA and affect the economic security of the country. For example, for Ukraine, they include: increasing global demand for ferrous metallurgy products; increasing the supply of cereals by domestic farmers on foreign markets; the steady growth of global demand for mineral fertilisers; increased demand for investment products; and the stable demand for products of the domestic food industry.

A two-stage (preparatory and evaluation) matrix methodology for classifying partnership potential in countries that are important to Ukraine is deliberately developed and methodically substantiated. For foreign trade management entities, it is advisable to use the authors' matrix-based

methodology for identifying partnership potential among strategically important countries. The application of this methodology makes it possible to categorise countries into two groups: a) countries with low partnership potential; b) countries with high partnership potential. In particular, from the point of view of security studies, this method allows us to ascertain the expediency of such relations at the preliminary stages of the organisation of foreign trade activity with a specific country, and to avoid the corresponding threats.

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