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INTERNATIONAL INVESTMENTS AND VENTURE CAPITAL IN THE CONTEXT OF GROWING ECONOMIC SECURITY: CHALLENGES FOR TRADE ORGANIZATION IN EU COUNTRIES

This document extensively examines the challenges faced by EU countries in organizing trade amidst the presence of international investments and venture capital within the context of increasing economic security. The article discusses the impact of venture capital and international investments on the development of the country, analyzing their influence on economic security in EU countries. As a result of investments, on one hand, the country gains more opportunities for positive development across various sectors and promotes active engagement in implementing new ideas into the realm of trade. On the other hand, new tasks arise for the country regarding the regulation and organization of trade, as well as control over capital and the overall state of the economy. Additionally, the article explores strategies that can be utilized to ensure effective trade organization amidst growing economic stability. The pace of modern trade development always demands proactive measures to improve trade processes. Therefore, countries need to continuously evolve, implement new ideas, and ensure the economic security of the nation to remain competitive and foster trade growth. The state of investment and innovation security of Ukraine was considered. The main challenges and threats in the field of investment and innovation security were identified. As a result of the systematization of the main provisions related to international investments and venture capital in the conditions of growing economic security, the main tasks in the field of ensuring the economic security of the state and for the organization of trade in the EU countries were proposed.

Keywords: economic security; international investment; venture capital; innovative projects; competitiveness; product quality; development strategies

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МІЖНАРОДНІ ІНВЕСТИЦІЇ ТА ВЕНЧУРНИЙ КАПІТАЛ В УМОВАХ ЗРОСТАЮЧОЇ ЕКОНОМІЧНОЇ БЕЗПЕКИ: ВИКЛИКИ ДЛЯ ОРГАНІЗАЦІЇ ТОРГІВЛІ В КРАЇНАХ ЄС

У цій статті детально досліджуються виклики, що постають перед країнам ЄС для організації торгівлі за наявності міжнародних інвестицій та венчурного капіталу в умовах зростаючої економічної безпеки. Стаття обговорює питання впливу венчурного капіталу та міжнародних інвестицій на розвиток країни, аналізує їх вплив на економічну безпеку в країнах ЄС. За рахунок інвестицій перед країною з одного боку з'являється більше можливостей щодо позитивного розвитку у багатьох сферах, та сприяє активній діяльності щодо впровадження нових ідей в сферу торгівлі. З іншого боку перед країною виникають нові завдання щодо регулювання та організації торгівлі та контролю над капіталом та загальних станом економіки. Також стаття розглядає стратегії, які можуть бути використані для забезпечення ефективної організації торгівлі в умовах зростаючої економічної стабільності. Темпи сучасного розвитку торгівлі завжди потребують активних дій щодо удосконалення процесів торгівлі, тому країнам необхідно постійно розвиватися, впроваджувати нові ідеї та забезпечувати економічну безпеку країни для того, щоб залишатися конкурентоспроможним та розвивати торгівлю. Розглянуто стан інвестиційно-інноваційної безпеки України. Було виявлено основні виклики та загрози у сфері інвестиційно-інноваційної безпеки. У результаті систематизації основних положень пов'язаних з міжнародними інвестиціями та венчурним капіталом в умовах зростаючою економічної безпеки були запропоновані основні завдання у сфері забезпечення економічної безпеки держави та для організації торгівлі в країнах ЄС.

Ключові слова: економічна безпека; міжнародні інвестиції; венчурний капітал; інноваційні проекти; конкурентоспроможність; якість продукції; стратегії розвитку

Introduction. The process of production internationalization and the aspirations of economic entities to expand their activities within the framework of international relations contribute to exacerbating the issues of sustainable development in most countries. Ensuring economic security conditions is one of the first aspects that require adjustment and adaptation in times of widespread development of international economic relations.

Actuality. As of January 2022, the share of international investments in European Union (EU) countries was typically significant. This included both foreign direct investments and other forms of investments, such as portfolio investments.

Foreign direct investments typically played a crucial role in the development of EU economies, contributing to job creation, the adoption of new technologies, and enhancing competitiveness. Portfolio investments can also be of great significance, especially for the development of the financial sector in EU countries.

Problem statement. It is implied that international investments typically have a positive nature, as their general aim is to improve the situation. Consequently, the country's economic security should not deteriorate as a result. International investments can contribute to economic growth and the development of infrastructure in the EU, as well as raise the standard of living, create new jobs, and enhance

overall economic prosperity. Attracting international investments can also foster technological development and the emergence of new technologies, thereby increasing the country's competitiveness and potentially opening up new export markets [1].

Countries may risk losing control over key sectors of the economy, national wealth, or cause harm to the environment. Therefore, countries face the important task of improving control and implementing new methods of financial reporting management, among other measures.

Main part. For a better understanding of the impact of international investments and venture capital on a country's economic security, it is essential to consider the concept of economic security within the country's context and its main components. Economic security of a country refers to the state of the national economy in which all the state's needs are met in various aspects and the ability to withstand potential internal or external threats is preserved.

The main components of a country's economic security include:

- Economic independence, which refers to the ability of a country to independently manage its resources and create competitive advantages in the international market.
- Stability and resilience of the national economy, characterized by the presence of a reliable economic system

that protects property rights, creates favorable conditions and guarantees for entrepreneurial activities, and timely responds to factors affecting the stability of the economic system.

– Capacity for self-development and progress, encompassing the development of technological capabilities, effective investment and innovation activities, the enhancement of intellectual and labor potential, and continuous modernization of production [2].

International investments refer to capital that moves from one country to another with the aim of supporting business activities and ultimately gaining profit. Typically, investors are very cautious about their capital and carefully study the target they are investing in, as well as the overall economic condition of the territory where the target is located. The main indicators analyzed include:

- the investment climate of the country;
- investment potential (opportunities of economic, natural, resource, and social nature);
- investment risk (considering internal and external factors that hinder the realization of investment opportunities) [3].

Attracting international investments into a country makes its economy more open and transparent, which fosters trust and attracts other investors. Through investment in the country, additional capital can be provided for the development of financial institutions and various projects, creating more opportunities for business growth and enterprise activities within the country. To monitor these operations, the country requires a high level of control over the activities of economic entities to minimize risks.

Venture capital shares similar goals with international investments; however, it is focused on young companies that are just starting their operations but have significant growth prospects in the future. Typically, startups and innovative enterprises operate with such capital, which have a clear development plan and have secured investor support. Venture capital may be significantly smaller compared to international investments, but they can be substantial for a specific project or company. However, the success of such innovative projects can make a significant contribution to the technological and innovative development of a country, positively impacting its overall progress.

Investing in international ventures and venture capital can help countries to diversify their economies, reduce dependency on a single industry, and create new opportunities for growth. By addressing the challenges and embracing the opportunities, countries can position themselves for long-term economic success.

When considering international investments and venture capital as a positive influence on the growth of a country's economic security, the following challenges and opportunities arise in trade organization [4].

Elevating economic security contributes to *enhancing competitiveness*, thereby enabling the country to:

- Ensure a stable income stream;
- Open up new export markets;
- Forge new regional partnerships;
- Develop new distribution networks.

Increasing economic security in the country will also positively *impact the quality* of manufactured goods. Improving product quality helps attract new clients.

Furthermore, as economic security grows, for effective trade, EU countries should focus on establishing an efficient *logistical structure* to reduce costs and transportation time of goods [5].

Consequently, the growth of economic security in the EU countries opens up new opportunities for international investment and venture capital development. A few specific strategies for organizing trade in the face of growing economic security in the EU countries are given in table.

Table - Trade organization strategies

Strategy	Activities
Attracting investors	Participation in international investment networks, this includes international conferences, forums, exhibitions and other events where you can meet with a potential investor.
Creating partnerships	Cooperation with businesses on local markets, to reduce the risks that are associated with new markets.
Introduction of new technologies	Use of innovative solutions and technologies
Diversification of markets and suppliers	Diversify their own markets and suppliers in order to reduce the risks associated with economic security.
Adapting to change	Study of rules and laws, and adaptation of own strategies and plans in accordance with changes in the EU regulatory environment
Cooperation with local public organizations	Will help to increase its efficiency and make a profit in the local market

The most effective strategies are:

- adaptation to the local market (understanding of needs and its features);
- partnerships (creation of joint ventures or partnerships to reduce risk);
- investing in technology (innovative solutions and new technologies ensure competitiveness);
- diversification of suppliers (will help ensure a sustainable income);
- risk management (developing strategies to minimize risks and ensure sustainable business development);
- cooperation with local authorities (attracting support in local markets).

Despite the attractive opportunities that arise for countries when attracting international investments, numerous challenges also emerge, which countries need to address. It is essential to control the inflow of international capital into the country to avoid dependency on foreign investors. Special attention should be paid to key sectors such as energy, transportation, communications, etc.

The state of investment and innovation security (with the average value of security state assessments for this period at the level of 32 percent of the optimal value) was also characterized as dangerous.

According to the results of 2023, there were no qualitative changes in the state of investment and innovation security. The level of investment and innovation security indicates the impossibility of ensuring sustainable economic

growth in the conditions of the current insufficiency and resource orientation of investments.

The main challenges and threats in the field of investment and innovation security are:

- lack of favorable conditions for attracting investment and reinvestment, as well as insufficient institutional support for these processes;
- lack of a mechanism for evaluating (screening) direct foreign investments involved in objects of strategic importance for the national security of Ukraine;
- the imperfection of the regional and purposeful image investment policy, the lack of scientifically based monitoring of the investment potential of Ukraine and its regions;
- poorly developed innovation infrastructure in general, and in particular for conducting business and introducing innovations by small and medium-sized enterprises;
- lack of favorable conditions for the creation and development of technological companies and innovative enterprises, startups;
- unsatisfactory state of research infrastructure facilities;
- insufficient volume of financing of scientific, scientific and technical and innovative activities;
- insufficient volume of fixed capital financing to ensure intensive development of the economy in the long term;
- lack of effective economic incentives, favorable conditions for innovative renewal of production, low demand for innovative products in the domestic market;
- insufficient level of protection of intellectual property rights;
- illegal directions to domestic technological developments and innovations by foreign entities and the risks of their unauthorized leakage abroad;
- low protection of property rights;
- corruption.

The main tasks in the field of ensuring economic security are: carrying out economic reforms, promoting economic cooperation with NATO member states to acquire membership in the North Atlantic Treaty Organization by continuing the implementation of key democratic and institutional transformations:

- legislative stimulation and creation of a regulatory and legal environment to strengthen the ability of domestic enterprises to compete on global markets, especially in conditions of growing protectionism as a response to the challenges of the pandemic;
- implementation of measures to counteract attempts to sell goods and services from the temporarily occupied territories of Ukraine on international markets;
- improvement of the sanctions policy to increase the effectiveness of the influence on the object of the application of sanctions and to minimize damage to its national interests;
- ensuring monitoring of the effectiveness of the implementation of the applied special economic and other restrictive measures (sanctions);
- ensuring a quick response to violations by foreign states of investigations in the field of trade protection regarding Ukrainian exports;
- creation of a system for countering image losses and campaigns to discredit Ukraine on world markets;

- creation of a complete network of institutions supporting foreign trade on the basis of the private joint-stock company "Export Credit Agency", an information center, affiliated institutions supporting trade and the operation of a single export web portal;
- ensuring the appropriate level of representation of the state's interests in international organizations, in particular the WTO, active participation in multilateral negotiations and the work of WTO bodies;
- expansion of international trade and economic relations and implementation of an active policy of concluding free trade agreements on favorable terms for Ukraine, revision and expansion of the scope of current trade agreements;
- deepening economic integration with the EU by strengthening the trade and economic opportunities of the Association Agreement between Ukraine and the EU;
- ensuring the protection of the rights and interests of Ukraine in the trade and economic sphere during the resolution of disputes within the framework of the WTO and international treaties of Ukraine;
- support and development of foreign economic relations at the multilateral and bilateral levels with strategic partners: states of the "Big Seven" and "Big Twenty", priority countries of Asia, Africa and Latin America;
- carrying out a foreign policy aimed at reducing the number of goods subject to new carbon taxes, as well as minimizing the burden of carbon tax rates on these goods;
- intensification of processes of adaptation of Ukrainian technical regulations to EU legislation, completion of approximation of national legislation on sanitary and phytosanitary measures to EU legislation and ensuring its implementation.

Tasks in the field of investment and innovation security:

- development of the institutional system of accompanying investors, including informational and advisory investment support, implementation of its proper resource provision;
- implementation of a system for assessing the impact of foreign investments on national security, preventing the concentration of foreign capital in areas of strategic importance for the national security of Ukraine;
- development of a mechanism and implementation of state support for the introduction of the latest technologies developed in Ukraine in areas of strategic importance for the national security of the state and its critical infrastructure;
- creation of conditions for small and medium-sized enterprises to invest in research activities by implementing measures to develop cooperation between the research and real sectors;
- providing comprehensive verification of the origin of foreign investments in strategic objects of state importance and other objects of critical infrastructure;
- ensuring the appropriate level of protection of intellectual property rights;
- activation of measures for timely detection and termination of illegal directions to domestic technological developments and innovations by foreign entities and prevention of their unauthorized leakage abroad;
- improvement of legal protection of property rights;
- introduction of economic incentives and a mechanism to support domestic enterprises in the case of their introduction of the latest technologies;

- creation of favorable conditions for the generation and commercialization of completed scientific developments and for the production of innovative products, the provision of innovative services and the introduction of innovative technologies;
- introduction of effective economic mechanisms for stimulating subjects of innovative activity to implement the latest technologies, production (provision) of new or improved competitive types of products (services) at various stages of this activity;
- implementation of the "open innovation" model;
- ensuring inclusiveness and implementation of a new system of evaluation of subjects of scientific, technical and educational activity based on determining the level of quality of new scientific and technical knowledge, scientific and technical information, educational services, as well as a significant increase in the social status of science and education in Ukraine;
- ensuring international cooperation in the field of innovative and scientific and technical activities, promoting the participation of scientists, scientists, small and medium-sized enterprises in the European Union Framework Program for research and innovation "Horizon Europe" and the integration of Ukraine into the European research and innovation space;
- implementation of state regional policy instruments aimed at increasing the investment attractiveness of regions.

Reduction of state capital investments in Ukraine. The country's reconstruction needs stimulated the growth of the state's capital expenditures. They related to the implementation of infrastructure projects and repair work on objects that were damaged as a result of Russian aggression, the financing of state orders in the defense sector, as well as the payment of compensation to citizens for damaged property. In nominal terms, the volume of capital expenditures of the Consolidated Budget increased in 2023 by 3.1 times compared to 2022 (at the same time, expenditures on the purchase of fixed capital increased by 2.8 times, and on capital transfers by 3.5 times). State expenditures on the development, procurement, modernization and repair of weapons, equipment and military equipment in nominal terms increased by 3.7 times (up to UAH 900 billion against UAH 242 billion in 2022). According to the results of January-September 2023, the index of construction products by type "engineering structures" increased by a third compared to the corresponding period of 2022. The state's ability to finance capital investment in the country's economy will be determined by the state of the budget and the receipt of international financial aid. In 48 areas not related to defense issues, projects to rebuild critical infrastructure and programs for compensation of losses for the population will primarily be financed.

Such opportunities will be determined by the dynamics of external financial support of Ukraine, taking into account the fact that own tax revenues will be directed to the goals of defense and strengthening of the defense industrial potential. Therefore, the fullness of the state budget becomes a decisive factor for financing projects aimed at strengthening the country's defense capabilities (development of the defense-industrial complex, construction of military engineering and

technical and fortification facilities, transport infrastructure). The potential insufficiency of funds to cover planned budget expenditures is one of the main threats to the state's investment potential. Focusing the state's efforts on restoring destroyed assets and strengthening the defense and defense-industrial capacity are the main priorities for the state's capital investments in the near future. The construction of defense fortifications along the border and the front line supported the construction industry and contributed to the loading of metallurgical enterprises of Ukraine. In particular, at the end of January 2024, the government allocated UAH 17.5 billion from the reserve fund of the budget for the construction of military engineering and fortification facilities and fortification equipment of defense lines.

Shortening of capital investments in the corporate sector. In 2023 In 2023, the recovery of investment activity in the economy of Ukraine gradually took place, stimulated by the reduction of military threats in a significant territory of the country due to the localization of military actions, the need to restore the destruction and damage caused by Russian aggression, and the stabilization of conditions for economic activity, in particular, due to the avoidance of energy lockdowns. Let's reach out 2023 r. The financial results of enterprises improved, which contributed to the increased investment activity of the private sector. For pouches, September–Spring 2023 Income from industrial enterprises increased by 1.5 times, equal to the same period as 2022. (from 142.7 billion UAH to 217.8 billion UAH), transport, warehouse government, postal and courier activities - 1.9 times (from 25.5 billion UAH to 48.2 billion UAH), information and telecommunications – 1.5 times (from UAH 19.2 billion to UAH 29.4 billion). In particular, private sector enterprises have increased investments in the industrial and commercial vehicle transport industry, as well as in the development of logistics infrastructure. The remainder was reflected in the increase in the obligations of everyday work, first of all non-residential activities (by 20% in 2023, increased from 2022), and in the production of household materials (by 20.8%). At the same time, there was a rapid decline in the surplus of enterprises. In 2023 There was an increase in credit support for investment activity in the region. I was inspired by the change in the design of the program "Available loans 5-7-9%". The share of soft loans issued to businesses for investment purposes increased, amounting to 11.6%, or 11.8 billion UAH. This mechanism for dividing risks for investment lending may even require inflows on investments. In 2023 Under government guarantees on a portfolio basis, more than 652 loans were issued for investment purposes in the amount of UAH 2.6 billion (3.9% of the total liability). A significant boost for the country is the improvement of minds for active investment activities. Due to the collapse of the war, the decline in the financial results of investor companies, the transition to expand domestic flows and enter foreign markets, the investment environment remains a significant destructive agent for the investment potential of the economy and the renewal of the economy of the region. At the same time, an important negative assessment of the flowing investment climate on the side of business is preserved. The integral indicator of the Investment Profitability Index of Ukraine, which is compiled by the European Business Association based on the experience of top managers of companies, has

decreased further in 2023. 60% of experience Of these, top managers rated the investment climate in Ukraine as "rather unfriendly", and 24% - as "Very hostile." 7% of top managers have a neutral assessment of the current investment climate, and another 9% consider it "more friendly." At this level, half of the respondents (48%) indicate that the investment climate has improved, while 39% believe that there have been no significant changes. 86% of respondents do not expect the situation with the investment climate to worsen over the next six months. At the same time, despite the fact that the assessment of the flow rate of the investment climate in 2023 r. The number of top managers who believe that new investments in Ukraine will be profitable has grown almost twice (up to 32%).

Relocation of innovatively active companies across Ukraine is also possible. In the territories that have already been occupied, the threat to the military character increases. In 2023, 13,658 loans were taken out for 7 billion hryvnia. Index of investment profitability of Ukraine: Changes and changes. 2023. The risk of loss of innovation capital from the Ukrainian economy and maintains the trend until the relocation of business abroad. Such trends will emerge through unfriendly minds for the development of innovative ecosystems in the sector of small and medium-sized enterprises and the interconnection of financial support mechanisms. Due to the fact that economical and military changes have been made for the functioning of innovative companies in Ukraine, the likelihood of a further increase in relocation is significant. In the face of such threats, it is possible for the creation of safe minds for business, updating the financial system, creating the necessary tools and programs for the development of innovation in enterprises, businesses financial assistance from partners and foreign investors, aimed at upgrading transport, commercial and receiving infrastructure in Ukraine.

Conclusion. International investments and venture capital differ in their characteristics, goals, and risks, but both can play a significant role in the financial system and economic development. Strategically important sectors of the economy should remain sovereign and be governed solely by the country. Moreover, heavy reliance on investors can expose a country to financial risks, particularly if an investor alters their strategy or investment policies. When investing in technological development, countries also need to exercise

caution, as there's a significant likelihood of dependence on the technological advancements and intellectual property of other countries. Accordingly, to prevent the country's dependence on investors, it's crucial to develop effective strategies for national economic development and monitor policies for attracting and regulating international investments.

Therefore, international investments can have both positive and negative impacts on EU countries. It also depends on the functioning of all country structures, how thoroughly the activities of all economic entities are monitored, and how effectively resources are utilized in the country. International investments can influence the overall condition of the country and make a significant contribution to its development.

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