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FOREIGN PRACTICE OF BUSINESS DEVELOPMENT DURING THE WAR

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It is obvious that wars lead to mass destruction and the death of a huge number of people. Here's some information on the damage and death tolls of the biggest wars of the 21st century. In the war in Afghanistan (2001-2021), according to the US Congress, the government has spent more than \$140 billion in total aid to Afghanistan since 2002, and the Pentagon has assessed the cost of combat operations at more than \$820 billion over the same period. In addition, it is worth adding here the funds that were sent to Pakistan, because the US used part of its territory as a base for operations in Afghanistan. Great Britain and Germany, which also involved a significant amount of resources in Afghanistan, spent approximately \$30 billion and \$19 billion, respectively, on this war. According to a Brown University study, the total human loss was approximately 175,000 killed [1].

The US government spent 725 billion dollars on the military operation in Iraq (2003-2001), more than 100,000 Iraqi citizens and at least 4,480 US soldiers were killed. In the Second Lebanon War (2006), which lasted two weeks, economic damage to Lebanon exceeded \$6 billion, estimated by the country's government, and resulted in the deaths of more than 1,200 Lebanese, 119 soldiers, and 44 Israeli citizens. There are also ongoing destructive wars in Syria, Yemen, the war between Israel and Hamas, and other conflicts. It is also worth noting that "war" in the classical sense is an armed confrontation between states, but now the ways of conducting military conflicts are undergoing significant changes: from traditional confrontation to hybrid wars, with a predominance of economic, psychological and informational levers.

Most experts, in particular the Correlates of War project, which studies the history of wars, recognize that the war in Ukraine (since 2014, active phase since February 2022) could become one of the most destructive in modern history, determined by the greatest intensity in European chronology XXI century. As of the beginning of 2023, according to Prime Minister Denis Shmygal, Russia caused losses and destruction to Ukraine amounting to \$600-750 billion, and according to

World Bank estimates, as of June 1, 2022, losses had already reached \$350 billion. It is obvious that the war had a devastating impact on the state of Ukrainian business - loss of markets, expensive loans, mobilization of labor, lack of energy resources - these are the biggest problems of Ukrainian business during the war. In view of all these factors, there is an increasing need for constant support for the functioning of entrepreneurship as the most important link in the structure of the national economy to ensure its sustainability. In particular, the issue of supporting national business became a topic of discussion for a number of domestic scientists, where priority was given to the Ukrainian state practice of stimulating entrepreneurial activity during martial law, the main problems and prospects for reviving the economy. Such scientists as Arefieva. O., Dikan V., Gryshchenko I., Kovalchuk N., Kulinich T., Loiko V., Murovana T., Panukhnyk O., Stefan N., Skopenko N., Strilec V., Vasiuta V. and others work in this direction.

As of the fourth quarter of 2023, the government support complex for enterprises includes "Affordable loans 5-7-9", "Relocation of domestic enterprises", "eRobota", the Advantage Ukraine investment platform, grants of the "Small and medium-sized business support fund" (up to 50 000 hryvnias) etc. But at the same time, part of the tax benefits were suspended, in particular, the possibility of avoiding the single tax for sole proprietor I and II groups was stopped (from 01.07.2023), the effect of the single tax at the rate of 2% for sole proprietor III group ended (from 01.08.2023), the moratorium on tax audits was canceled (as of July 1, 2023), etc [2]. In addition, there are a number of areas that require special attention: expansion of state financing initiatives and investment promotion, reduction of the tax burden for small and medium-sized enterprises, grant programs for privatized enterprises of the defense-industrial complex, creation of state institutions for monitoring unfair competition and shadow economy, development of effective methods of combating corruption, a favorable environment for the return of qualified specialists from abroad, development of underground industrial parks and research centers and a network of decentralized alternative energy stations, etc. Given the imperfection of encouraging entrepreneurial activity in Ukraine during the state of war, foreign business support strategies in the active phase of the armed conflict require a more detailed study.

Among the directions of state regulation in the field of business support, two can be noted, namely direct (government programs to stimulate innovation, simplification of bureaucracy, support of scientific and research infrastructure) and indirect (tax benefits, provision of loans, grants, subsidies) [3]. Due to the need for the continuous supply of military needs and the increase in international trade, the most widespread in the foreign practice of the war period, a combined method was acquired, using both direct and intermediary regulation.

Ukraine ranks 12th among the countries with the most competitiveness in the Information technology and communication (ITC) sphere in Central, Eastern, North-Eastern Europe in 2023, as well as a share of 7.3% in the share of the country's total exports by the end of 2022 [4], therefore there is a growing need for the militarization of state ITC scientific research centers and the creation of mechanisms for the reintegration of veterans into commercial enterprises of the ITC

industry, an example for the development of which can be the Israeli experience. After the War of Independence (1947-1949), the Israeli government created innovation incubators and research institutes aimed at supporting the military industry: in 1959, the Israel Defense Forces established Mamram (Center for Computing and Information Systems), where young servicemen receive professional skills to create software for military purposes [5]. As we know, Israel's military technologies are currently extremely competitive and capable of protecting the country. It is also very significant that demobilized program participants often occupy working positions in promising high-tech enterprises or create their own.

Programs to support medium and small businesses, the establishment of Investment Promotion Agencies, the introduction of tax holidays, deferral of reporting for subsequent periods, etc., are of decisive importance in wartime conditions. In addition, the growth dynamics of medium-sized and small enterprises significantly depends on state and direct foreign investments, which are reliable in creating export-oriented business models with a focus on high-tech implementations. For example, in 1962, the government organization Korea Trade Investment Promotion Agency was founded, the main purpose of which is to promote the development of trade of SMEs companies of South Korea with other countries of the world through the search for investment projects, participation in the organization of exhibitions, conducting trade delegations, etc. [6]. A similar program was introduced also in Israel, in particular, since 1993, the Yozma program began to offer attractive tax incentives for foreign venture investments in Israel, in particular during the period of the first Arab-Israeli conflict. 10 new Israeli venture capital funds were created with Yozma incentives between 1993-1997, Yozma-backed investments in more than 200 start-ups between 1993-1998, etc. [7]. As a result, the annual investments of venture capital in Israel grew almost 60 times, from 58 million dollars to 3.3 billion dollars (in the period between 1991 and 2000). The number of companies launched with the help of Israeli venture capital funds grew from 100 to 800. Israel's income from the introduction of high technologies grew from \$1.6 billion to \$12.5 billion.

Despite the fundamental difference in the scale and features of warfare, Ukraine can borrow elements of Israel's taxation model in order to revive business, namely the reduction of the income tax rate for innovative and strategically important enterprises and regions. Also, in the fight against the shadow economy, the Israeli government uses a six-tier progressive personal income tax system, where people who receive a minimum wage (\$1,000) are exempt from income tax, income taxation starts at 10% for citizens' incomes of 6,310 shekels (US\$1,715), while for wealthy citizens (monthly income over US\$12,000) the income tax reaches 48-50% [8]. Applying the Israeli corporate taxation system, it is possible to propose the construction of scientific research centers in relatively safe territories of Ukraine bordering the support regions (Vinnytsia, Khmelnytskyi, Kyiv oblasts), the concentration of innovative enterprises on the territory of the support regions (Cherkasy, Kirovohrad, Mykolaiv, Dniprovsk, Poltavstka oblasts), as well as a reduction in tax pressure for enterprises conducting their commercial activities within border or partially occupied territories, in particular Chernihiv, Sumy,

Kharkiv, Zaporizhzhia oblasts. With the help of decentralization, it is possible to harmonize the existing overload of the western regions, as well as contribute to the gradual restoration of the front-line territories, the creation of an attractive climate for the return of educated labor and scientific personnel from abroad, as well as the restoration of the pace of development of the Ukrainian economy and the attraction of foreign investments.

It is worth noting that the consequences of the Russian intervention on the territory of Ukraine would have had a greater scale of destruction, if not for the help of the allied countries. According to the data provided by Ukraine Support Tracker, it is known that military, financial and humanitarian aid is provided by 41 countries, including EU member states, other G7 members, Australia, South Korea, Turkey, Norway, New Zealand, Switzerland, Turkey, China, Taiwan, India and Iceland, etc. [9]. Humanitarian aid, provision of external loans, supply of arms and ammunition, cancellation of customs payments, acceptance of refugees and provision of temporary protection for the population of Ukraine, support of investment projects make a colossal contribution to strengthening the status of Ukraine as a sovereign state. In the post-war reconstruction of countries in the 20th century, it was foreign financing that played a role, although the most important importance in the dynamics of economic development is allocated to the effective distribution of the provided resources. Among other foreign practices of promoting the development of entrepreneurship, which can be applied at the current stage of the war in Ukraine, are the analysis and attention to the process of reintegration of veterans (as an example, the war for the independence of Croatia, 1991-1995), effective planning of expenditures of public funds and strict financial discipline (restoration of Japan and Germany after the Second World War), tax relief for the devastated north of the country (post-war recovery of Italy), development of quality staffing (South Korea, Korean War 1950-1953), transparency of the use of the state budget, support of the digitalization process, etc. [10].

At the same time, the asymmetric war with the Russian Federation requires the Ukrainian government to have a clear vision of post-war reconstruction in order to identify priority investment sectors of the economy, which, in turn, will speed up de-occupation and then reconstruction. Analyzing the foreign experience of the post-war reconstruction of Germany, Korea and Israel, it is possible to distinguish three ways of increasing the competitiveness of the economy: reindustrialization, orientation towards the provision of services and the development of high-tech startups.

Considering the constant risks of the destruction of the production infrastructure and moral wear and tear of production equipment, it is advisable to increase the share of the tertiary sector of the economy with the introduction of centers of scientific and technical support, starting with higher educational institutions.

World experience has confirmed that in conditions of asymmetric armed conflicts, a combination of direct and indirect state intervention, namely the provision of high-tech technologies, increased subsidies and preferential programs for small and medium-sized businesses, and innovation support is effective. Clear

allocation of resources is also the task of extreme importance. In addition, it is necessary to implement initiatives regarding the differentiation of regional development of enterprises and the creation of business incubators in the de-occupied territories. The full-scale war caused catastrophic changes in business activity in Ukraine, so the Ukrainian economy needs to improve state regulation, control over the use of foreign subsidies and digitalization of the bureaucracy, as well as increase the share of the cashless economy. It is necessary to introduce a feedback system between research centers and enterprises, where the largest share of the investment package will be directed, to replace the fixed income and income tax with a progressive one, and also to create a separate institution to oversee the effectiveness of the implementation of state programs in support of entrepreneurial activity, constantly reviewing existing innovations and improving them.

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