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BUSINESS SAFETY IN POST-TRANSFORMATION ECONOMIES

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***Abstract.** The article examines the historical aspects of the business security formation in the post-transformation economies of Europe. The general features and ways of adaptation of Central and Eastern European countries to the European Union, the directions of the activities of state authorities in strengthening economic security at the post-transformation stage of development, and countering the criminalization of the economy have been determined.*

***Keywords:** business, CEE countries, post-transformation economy, security, socio-economic and political transformation, legal and social support.*

JEL Classification: O10, O20, K20, L26

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Introduction. Problem Statement

The formation of the entrepreneurial environment in most of the post-transformational economies of Europe took place at the end of the 1980s. The countries of Central-Eastern Europe, leaving the socialist camp, along with political and social changes, introduced economic ones – transforming command-administrative relations into market ones. Countries that previously belonged to the same camp have re-selected various development models that meet their historical, mental, socio-cultural, and economic needs. A common feature that united most CEE countries was their desire to Europeanize: first, to enter spiritually into the community of European states, associate themselves with successful Western states and their development vectors, and then – to become full members of the European Union, adapt to its economic conditions, conduct business and develop according to his model. To determine the features of ensuring the security of business in today's conditions, it is first of all necessary to know all the disadvantages and advantages of forming a security system for enterprises in CEE countries.

Scientific Sources Review

The conceptual foundations of the problems of the formation of an entrepreneurial environment are studied in the works of such domestic and foreign scientists as E. Boyko, Z.

Varnaliy, L. Vorotina, V. Geyets, M. Zhyvko, V. Kravtsov, N. Mikul, M. Nyzhnyi. However, the current conditions of the post-transformation stage of economic development and complications of financial relations as a result of the global financial and economic crisis actualize the need to substantiate the most effective research priorities for the entrepreneurial sector of the domestic economy. According to a large number of researchers today we are "on the threshold of a new era of synthesis." In all intellectual spheres of activity, from the exact sciences to sociology, psychology, and economics, especially economics, we are likely to see a return to large-scale thinking, to a general theory, to putting parts together" [1, p. 190].

Purpose of the Article

Explore the historical aspects of the formation of business security in the post-transformation economies of Europe. To determine the general features and ways of adaptation of Central and Eastern European countries to the European Union, the directions of the activities of state authorities in strengthening economic security at the post-transformation stage of development and countering the criminalization of the economy.

Presentation of the Main Material

In the early 1990s, for the CEE countries, the adaptation of the European development model meant passing through four stages: 1) restoration of European institutions, 2) establishment of structural compatibility at the institutional and legal level, 3) formation of regional associations and regional cooperation, 4) transformation of civil society, culture, behavior patterns and the implementation of democratic values.

Table 1. Institutional Support for the Transformation and Development of Economic Security Systems in CEE Countries

Organization, association	Year of foundation	Purpose of creation, the direction of action	Number of participants
Central European Initiative	1992 (based on the "Quadrogonale" association, created in 1989)	Establishment of multilateral cooperation in the political, socio- economic, scientific, and cultural spheres and assistance on this basis to the strengthening of stability and security in the region: - Assistance in the adaptation of state mechanisms of the participating countries to European standards; - Enhancing the participation of enterprises in the implementation of projects singing cooperation within the framework of the Initiative; - Strengthening the security of the region.	18 countries: Albania, Austria, Belarus, Bulgaria, Bosnia and Herzegovyna, Italy, Macedonia, Moldova, Poland, Romania, Serbia, Slovakia, Slovenia, Croatia, Czech Republic, Montenegro, Hungary, Ukraine (the year of Ukraine's representation in CEI is 2012)
BSEC (Organization of the Black Sea Economic Cooperation)	1992	Development of cooperation in the Black Sea region: - Promotion of joint integration projects (regional free trade zone, transport corridor, energy projects). One of the 4 key areas is entrepreneurial: there is the BSEC Business Council – a body for coordinating entrepreneurial initiatives	12 countries of the Black Sea region: Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Romania, Serbia, Turkey, Ukraine
Cooperation of the Carpathian Regions (Carpathian Euro Region)	1993	- implementation of infrastructure projects on the state border, in the field of transport, tourism, environmental protection, - assistance in the implementation of an innovative model of regional development, - strengthening of economic ties and entrepreneurial activity	19 border administrative-territorial units from 5 countries of Ukraine, Poland, Slovakia, Hungary, Romania:

Socio-political and economic transformations required the simultaneous formation of an effective theme of protection and security. The security of Central and Eastern European countries gradually became an integral part of general European security and entered the key interests of the politics of great states, which in turn could not but affect the state of security in the region.

After the collapse of the socialist system, various sub-regional organizations arose and bilateral interaction between individual states deepened. The CEE countries have become participants in the Central European Initiative, BSEC, and the Carpathian Euroregion. For example, Romania developed a specific policy of subregional cooperation back in the 90s of the twentieth century – the System of "triangles" – mutually complementary trilateral cooperation pacts (with Poland and Ukraine, Bulgaria and Turkey, Moldova and Ukraine, Hungary and Austria), which allows it to be as effective as possible and take full advantage of such narrow cooperation. Each of the associations that was formed in those years focused on issues of security, protection, activation of entrepreneurship as the basis of the economy of individual member countries (Table 1).

The subregional interaction (initially covering the spheres of the economy, foreign policy and security policy) of the Visegrad Group countries was ineffective, but quite intensive, on the basis of which the Central European Free Trade Zone was created in 1993 (Slovenia entered it in 1995). Ultimately, it did not contribute to a significant revival of regional trade, so the countries began to focus on broad economic cooperation – within the EU.

Entry into various systems of social, economic, political, and cultural development allowed the CEE countries to gradually merge into the common European space, carrying out structural integration, and, consequently, systemic integration into the EU. The process of transformation of the economy and society of the CEE countries can be viewed in several dimensions (Fig. 1).

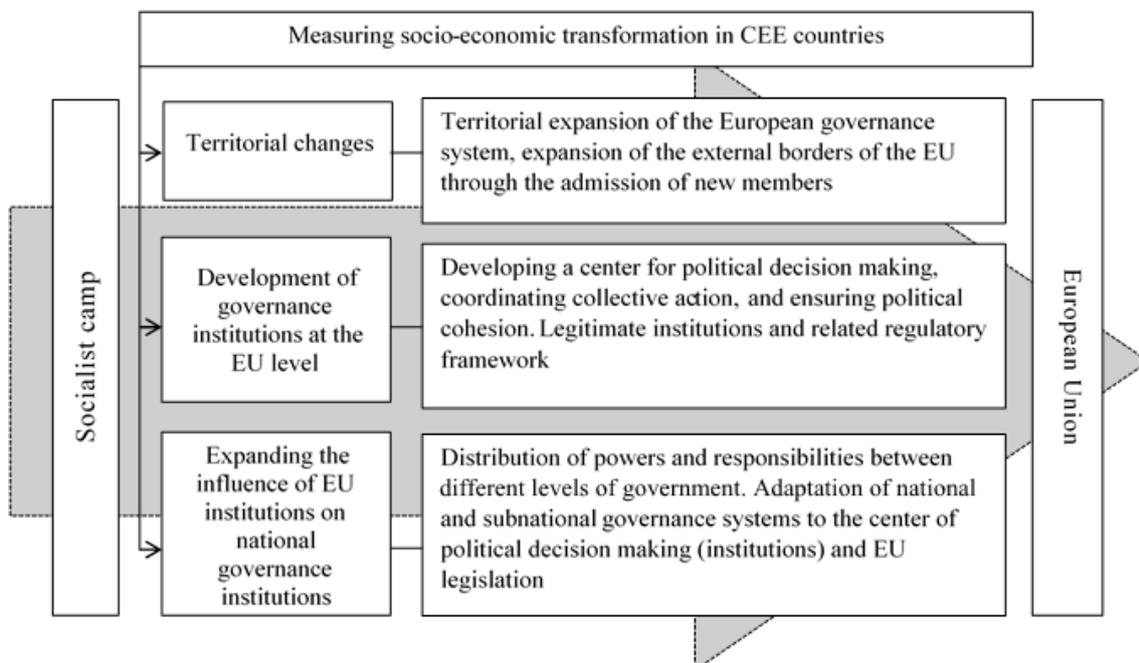


Fig. 1. Directions of transformation of the socio-economic system of CEE countries

Going through the listed stages of transformation in order to develop and form a new system of economic development and security, the states simultaneously entered a certain

political project, according to which their future in Europe was built, and Europe itself strengthened its political power and weight in the world economic order.

Such a common strategy and policy was important for the European continent to unify common rules and approaches to the formation of security systems since emerging threats in one of the countries of the Union spread and affect others, and usually go beyond the union.

At the stage of institutional and legal entry into the EU, the CEE countries brought their national standards in line with the requirements of the EU single market, created appropriate agencies and institutions for supervision, and joined the rules and procedures in the field of competition. The Ministry of Economic Competition was established in the Czech Republic in 1990, and the Competition Department was established in Estonia in 1993, subordinated to the Ministry of Finance [2].

The countries of Eastern Europe in the period of socio-economic and political transformation felt the need for a model of economic policy with an emphasis on the encouragement and development of entrepreneurship, which was absent during the communist regime, and when a market economy was emerging, demanded priority attention. In a state that creates favorable conditions for the development of entrepreneurship, initiatives appear to form a powerful middle class based on small and medium-sized businesses, and then the entire civil society moves on to creating a common democratic and socially fair governance system.

Trying to promote the development of private initiatives and entrepreneurship, the countries of Eastern Europe introduced such strategic approaches to economic management, which were promoted at the level of political programs: (1) legitimizing the inalienable right of personal economic initiative, access to legal incorporation for people who worked in informal or illegal sectors; providing legal and social support for economic activities to citizens who worked in the informal sector, and creating conditions for them to receive such support; creation of accessible lending institutions, which could also provide recommendations for organizing a successful enterprise; promoting the establishment of private house and land tenure with property rights (including the right to buy and sell real estate) through an appropriate legal and tax framework; allocation of shares of enterprises for employees of state-owned enterprises in accordance with previously drawn up plans; privatization of most state-owned enterprises through the creation of a broad system of public ownership; emphasis in educational programs on the advantages of initiative, entrepreneurship, invention and social cooperation, including the corresponding items of social spending in budgets of various levels, strengthening the non-state sector by laws and a tax system, contributing to the creation and development of funds and other forms of private support as an additional source of innovation and satisfaction of social needs; introduction of clear rules for compliance with copyright protection legislation to maintain innovative activity in society and to emphasize the contribution of inventors to scientific and technological progress [3].

Such priority program measures allowed citizens to engage in private entrepreneurship and form a powerful system of entrepreneurial activity, which formed the basis for the formation of a developed market economy.

During the transition from communist to capitalist economic management and the entry of the CEE states into the European and world economic space, it was necessary to take into account the global trends of economic development, which extended the processes of globalization to regions, individual countries, and business entities. The interaction of enterprises, governments, social groups, and movements in the system of forming a strategy for the development of the global economy is disclosed in Fig. 2.

New forms of global economic relations have prompted the countries of Eastern Europe to adopt adequate strategies for the development and strengthening of entrepreneurship. Although during the existence of the socialist camp in the CEE countries, entrepreneurship developed (in trade, agriculture, services), it was based on the principles of self-development and was perceived as a "relic" of the capitalist past. With the change in the global environment, there is a need to intensify entrepreneurial activity, modifying it and using Western business

models. Thus, in the early 1980s, small cooperatives began to appear in Hungary (employing about 40 people). To support the development of small businesses in Hungary, a legislative limitation was introduced on the number of people working in small businesses – up to 100 people. Such restrictive measures were necessary due to the defectiveness of the existence of cooperatives in this country in communist times, when under the influence of "giant mania" they grew to the scale of large firms. Due to the support of small business, the use of the advantages of small forms of management was ensured – through the simplification of the management of production processes, the combination of management and production functions, and the fairness of income distribution.

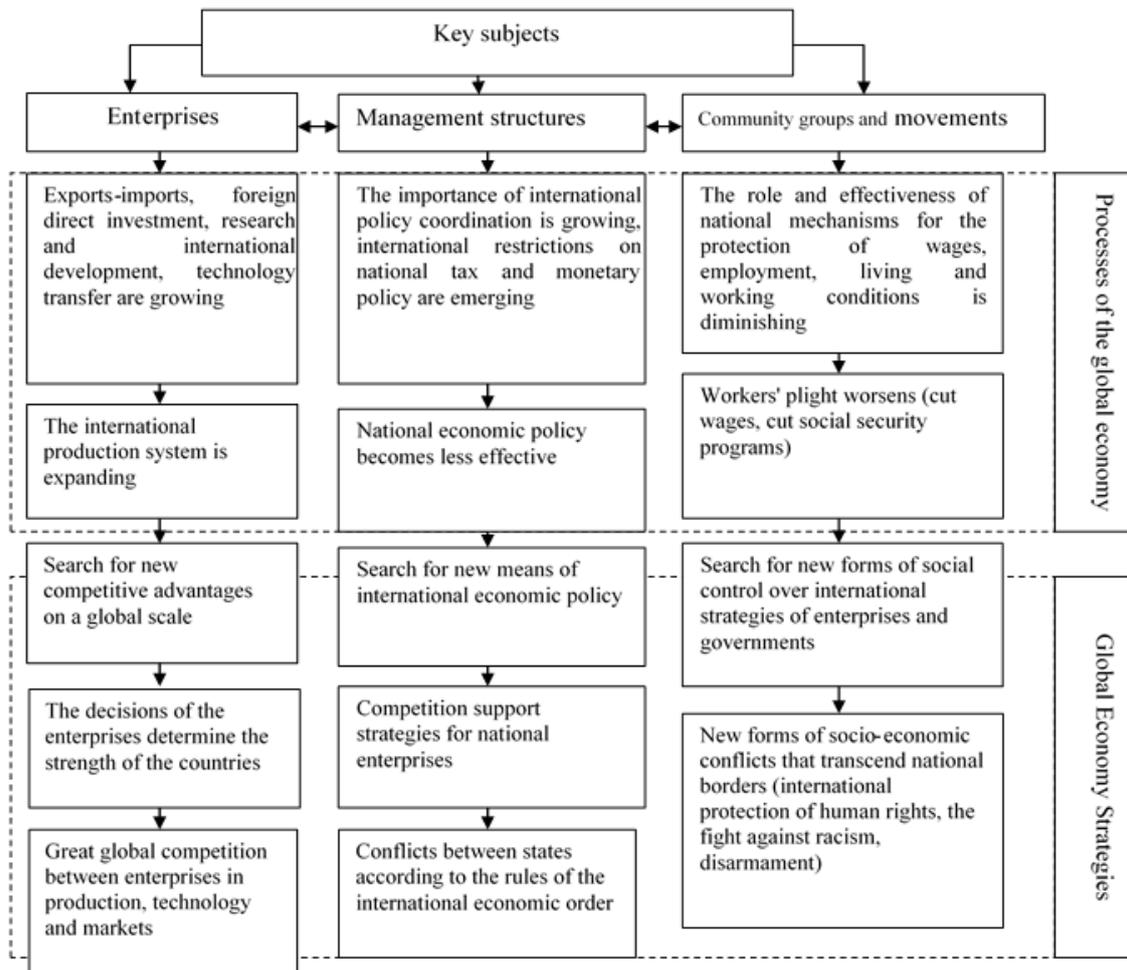


Fig. 2. Entrepreneurship and the economic management structure of the CEE countries in the system of forming the global economy (compiled according to [4])

In parallel with the creation of new small cooperatives (more than 2 thousand of them were created before 1987), the already existing large cooperatives were fragmented.

Specific associations of large and small businesses – the "symbiosis" of a large enterprise with several small specialized cooperatives (SC), have significantly applied to the formation of business security systems in Hungary. Concerning small cooperatives, large firms played the role of "protector and controller", and, if necessary, could liquidate them. In fact, as a separate legal entity, such SCs were not provided with a sufficient level of protection and were dependent on the activities of large partner firms. Despite the "legal

instability" of the existence of such forms of management, specialized cooperatives in the post-transformation period of the Hungarian economy gained great popularity and until 1986 there were more than 2 million of them.

The system of entrepreneurial activity in Bulgaria was formed similarly – there the emphasis was on the development of small enterprises (but not cooperatives, as in Hungary), which were created according to clear rules and requirements. To open such a business, an entrepreneur had to first pass a competitive selection – applications were assessed according to 20 criteria, which concerned both the possibility of export, the production of import-substituting products, and the possibility of rational use of local raw materials and labor resources. Most of these enterprises in the country were established based on state ownership, which significantly distinguished them from the entrepreneurial structures of developed Western countries. This form of entrepreneurship was one of the most widespread in Eastern Europe and became a kind of "transitional stage" from a command-administrative form of management to a market economy. This intermediate stage in the development of entrepreneurship was typical for most countries with economies in transition.

Small business has also spread in Poland, where, although it was earlier, it received a high rate of development in the 80s. In the mid-1980s, small entrepreneurs here provided about 66% of household services to the population. With the beginning of the market transformation of the command and administrative system of management, private enterprises began to expand their scope of activity, entering the market of high technology products. Polish private enterprises started producing high-quality chemical products, certain types of medical equipment, and computer technology. In turn, the state provided guarantees for the existence of such enterprises: a law on business societies was adopted and tax benefits were provided (Table 2).

Table 2. Forms of organizing entrepreneurship in Eastern Europe during the period of socio-economic and political transformations

№	The country	Forms of organization of entrepreneurship	Types of government support	Requirements and Limitations
1.	Poland	Cooperatives, small and joint ventures, individual entrepreneurship	Tax incentives	Business Companies Law
2.	Hungary	Small cooperatives, specialized cooperative groups, small businesses, labor societies, individual entrepreneurs	Tax incentives	The Law on Business Companies, the creation of a small business on a competitive basis, the presence of a feasibility study
3.	Bulgaria	Small businesses, joint stock companies, individual entrepreneurship	Centralized capital investment fund (15% of the total volume of investment in the sphere of material production), bank of economic initiatives, funds of ministries, tax incentives	Law on business companies, founding a small enterprise and joint-stock company on a competitive basis, a feasibility study

* Compiled according to [5]

The key approaches to the formation of the entrepreneurship system in the countries of Eastern Europe were: 1) denationalization, 2) privatization, 3) restructuring of the economy with

an increase in the share of the private sector (for example, in Hungary, the share of private property in the industry was planned to increase 20 times). In general, the results of the functioning of entrepreneurial structures in the context of transformational shifts have confirmed their ability to quickly solve key socio-economic problems associated with ensuring employment of the population during the period of the state sector reduction and privatization of state-owned enterprises.

However, the period of transformations in the CEE countries, along with positive ones, had negative consequences. The sudden transition from one type of management to another and, in general, a different perception of the world does not provide the same rapid restructuring of the economic thinking of the majority of citizens of the former socialist camp. In addition to the difference in economic approaches to economic management, such a feature as the lack of basic economic knowledge and work experience as independent entrepreneurs or leaders of independent business entities has a negative impact on the entire business sector: along with the growth of entrepreneurial activity, fraud also developed actively. Entrepreneurs with different approaches and unconventional thinking turned out to be ready for such changes, but the commercial structures they created were previously focused on illegal activities and the rapid (often illegal) enrichment of their owners.

In the period preceding the formation of the economic activity protection system, both entrepreneurs and ordinary citizens suffered from illegal actions. In particular, the beginning of the 90s is known for (1) financial "pyramids" built on funds received from the population, which subsequently disappeared without a trace, (2) fictitious agreements that often caused the financial collapse of the enterprise, (3) opaque privatization of enterprises, which entailed significant losses for the former CIS countries.

In Russia, examples of such losses (lost funds to the budget) from privatization include the following key powerful business entities: Uralmash (34,000 employees – was privatized for \$ 3.7 million); Chelyabinsk Metallurgical Plant (135,000 employees – 3,700,000 each); Ostankino Meat Processing Plant (privatized for 3.1 million rubles, and in 1990-1992 purchased equipment for more than 35 million US dollars). The results of the privatization process for January 1992 – July 1994 indicate that during this period in Russia, on average, 109 enterprises were privatized every day and most of them with significant violations. For one and a half years in Russia in the field of privatization, approximately 77 crimes were registered every day), while in the Czech Republic, over three years of privatization, 104 court cases were initiated.

Transformational processes in entrepreneurship not only in Russia but also in most post-socialist countries were characterized by criminality. In Ukraine, in particular, economic crime began to gain momentum in 1993 and reached a peak in 1996. The impediment to the development of entrepreneurship was the imperfection of the legal framework and illiterate actions of businessmen themselves, which did not contribute to business security: among the surveyed entrepreneurs at that time were well prepared for work in market conditions only about 9%, satisfactory – 43%, poor – 48%. A survey of managers of large and medium-sized enterprises in Ukraine confirmed that only 19% of respondents believe their business is protected from criminal encroachment and more than 70% of respondents are unable to fully trust partners and staff because they are not confident in their safety [6]. The consequences of such economic behavior and thinking are short-sightedness in planning their own business and lack of desire to improve production.

World practice shows that the economic security of entrepreneurship, along with state bodies, is also ensured by a wide network of non-state structures. The share of non-governmental organizations of economic security in Western countries is from 50 to 80% of the total number of organizations to combat crime. In Ukraine, the formation of a system for ensuring the security of entrepreneurship at the state level began with the creation of the Security Service of Ukraine (based (on the replacement of the State Security Committee of the Ukrainian USSR) by a parliamentary decree "On the establishment of the National Security Service of Ukraine" on September 20, 1991), the priorities of which include: (1) joining efforts to expand the civilized

provision of economic security; (2) assisting the authorities in implementing programs to combat crime and strengthen the rule of law; (3) protection and representation of the legitimate interests of its members in state bodies and public organizations, etc.

During the period of socio-economic transformations, the complexity and inconsistency of the processes of political, economic, and social shifts, the strengthening of criminal encroachments in the field of entrepreneurship hampered the implementation of reforms in the country, restrained the inflow of investments into the economy, scaring off foreign investors and partners. This situation has created the preconditions for the development of criminal structures that have undertaken to control the processes in the economy, solving problems by force. Such a spread of criminal influence occurred not only in the sphere of small business, but it was also introduced into the most profitable areas of legal business: financial, banking, export-import operations, fuel, and energy complex. Along with the development of the economy and market structures, the development of criminal gangs took place, with the use of all the achievements of world progress through professionalization, improvement of the organizational structure, internationalization, and the introduction of criminal lobbying.

Since such actions caused serious economic damage to the country's economy and individual business entities, an objective need arose for the formation of a system: (1) detection of illegal economic actions and their further prevention (concluding unfair transactions, identifying fraudulent companies), (2) promoting legal solutions to problematic issues, (3) the establishment of an information base for monitoring accounts receivable and payable and (4) providing access to information (for example, to form a joint creditor in bankruptcy cases).

The next period of economic transformations was 2009-2010, where reforms were required by the economy, which suffered from the global financial crisis. Among the priority issues that required an immediate solution were: a high level of non-payments, the existence of a significant number of non-viable enterprises, and excess production capacity, support, and development of small and medium-sized businesses. Large and medium-sized enterprises began to pay more and more attention to issues of economic security: they created their security services, equipped with expensive tools, and were provided with a large staff. However, this creation of local security systems at enterprises turned out to be insufficiently effective, the reasons for which were the following factors: insufficient economic training of former law enforcement officers, since they became the basis of the security services; complications in the organization of activities due to the lack of legislative regulation of the activities of security services and non-state structures, the lack of established ties between organizations working in the field of ensuring the economic security of entrepreneurship.

The choice of a model of geoeconomic development was crucial for the CEE countries at the stage of post-transformational development, as it determined the further directions of the formation of their system of the national economy and ensuring national security and, in particular, its component such as economic security. In the CEE countries – members of the former socialist camp in the period after the collapse of the communist system, Model 1 was never taken as the basis for large-scale socio-economic reforms. However, there were attempts to apply this model locally in the field of payment relations: primarily through projects to create a multilateral payment system to overcome the difficulties that arose in connection with a sharp transition to settlements in freely convertible currency. In these countries, the economic, social, and political gap with the countries – former partners in the socialist camp was perceived calmly, without causing excessive difficulties, especially where systemic transformations and macroeconomic stabilization were successfully carried out (Poland, Hungary, Czech Republic). These countries have officially refused to consider any initiatives in the direction of the above model.

On the other hand, the countries of the former Soviet Union, without choosing the model of a complete geo-economic reorientation, actually remained in the same geo-economic space, retaining the approaches to economic management and business activity behind the former Soviet approaches, making an unsuccessful attempt to combine the "capitalist" and

“communist” methods of forming the economic system and experiencing the negative consequences of the "criminogenic" stage of the formation of entrepreneurship in the countries. Having abandoned the model of geo-economic reorientation, these countries have lost the opportunity to take advantage of the implementation of a decisive structural maneuver in economic reforms, the attraction of modern technologies to the economy, and orientation to markets with higher demands as an incentive to accelerate competitiveness.

Conclusion

According to the analysis, practically each of the countries – republics of the former USSR, which agreed to continue the joint path of socio-economic development within the CIS, went through an identical negative period of criminalization of business, which preceded the stage of developing a civilized strategy for ensuring the economic security of both the state as a whole and entrepreneurial activity in particular.

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