

THE IMPACT OF RUSSIA'S MILITARY AGGRESSION ON THE ECONOMIC CRISIS AND RISKS OF UKRAINIAN ENTERPRISES (ECONOMIC AND LEGAL ASPECTS)

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Annotation. The article is devoted to the study of the problems of the impact of Russia's military aggression on the activities of enterprises in Ukraine. Considerable attention is paid to the study of economic risks and legal consequences for the activities of Ukrainian enterprises in the crisis period of 2022-2024. The current economic crisis in Ukraine arose as a result of Russia's military invasion. As a result of such actions, many Ukrainian enterprises were destroyed. A significant number of enterprises lost the possibility of effective functioning on the economic market. However, there is still a certain part of enterprises that continue to function, but their activities are under threat.

Key words: crisis, risks, military aggression, Commercial court, satisfaction.

1. Formulation of the problem.

Economic crises are cyclical in nature and can recur over a certain period of time. So, crises can be divided into economic, political, cultural, etc. Today, it is especially important to study the economic risks and consequences of the economic crisis for Ukrainian enterprises that suffer material losses from military aggression by Russia, which outlines the relevance of our research.

2. The state of elaboration of the problem.

Such scientists as A.M. Tkachenko, Yu.V. Kalyuzhna, I.V. Datsyuk, O.P. Yelets, and P.V. Kukhta dealt with the problem of crisis economic phenomena. However, due to the relevance of the problem of the impact of military aggression on the economy of Ukrainian enterprises, this area of knowledge requires further research.

3. The aim of the article is substantiation of modern foundations and approaches in the study of crisis economic phenomena in the processes of war and their impact on the economic and legal component of the activities of enterprises.

4. Presentation of the main material.

As a rule, the general concept of "crisis" means a severe state of aggravation of contradictions in the socio-economic system, which is of a threatening nature for the functioning of subjects and objects of social relations. According to Tkachenko A.M. and Kalyuzhnaya Yu.V. crisis is "...an objective process of qualitative and quantitative changes, which usually lead to potentially negative results of activity in the event of the enterprise's inability to adapt to new conditions..." [7]. Datsyuk I.V. holds the same

opinion [1]. Tkachenko A.M., Yelets O.P. believe that “a crisis is a large-scale, unforeseen, turning-point event that leads to both negative consequences in economic activity (causing the imbalance of the enterprise system) and to positive consequences that increase the efficiency of the enterprise, setting in motion transformative forces that contribute to its evolution” [8].

Crises can be classified according to various characteristics. By the way, depending on its scale and area of distribution, the crisis can be national, international, or global. Depending on its duration, the crisis can be divided into long-term and short-term. Depending on its sphere of influence, the crisis can manifest itself in the economy, politics, finance, state formation, and society. This division is not final and may interact with each other. The economic crisis can be both at the international level and at the national level. In addition, crises can exist in parallel and be the cause of development one after the other. So, an economic crisis can give rise to a political crisis and vice versa [5].

The purpose of our article is to demonstrate the impact of the economic crisis on the activities of enterprises in the conditions of political and military instability in Ukraine in 2022-2024.

Most of the Ukrainian enterprises that are still operating are located in the central and western part of Ukraine. However, their activities are hampered due to the fact that relationships in the field of sales of manufactured products are lost.

It is worth noting that the procedure of enterprise activity also depends on the type of their activity. There are also types of economic activity that are less affected by the military threat. For example, enterprises involved in the field of IT technologies are endowed with signs of mobility, and their activities are not tied to a specific location. Thus, a large number of IT companies in the eastern region of Ukraine have moved to safer regions and continue to operate in a relatively normal mode.

However, there are also types of economic activity that are vulnerable to the influence of military aggression due to the fact that their functioning is related to a specific location and activity. Such enterprises include economic activity in the field of agrarian business.

The peculiarity of agrarian business is that it has a seasonal nature and its activity takes place at a specific location, and the effectiveness of its management depends not only on weather conditions.

The agrarian business suffered special losses in the territories of the southeastern and eastern parts of Ukraine, when agricultural machinery was destroyed or simply stolen as a result of military aggression. In this way, agro-industrial enterprises found themselves in a situation where the products that were to be sown were destroyed, as well as the means of production.

Each economic system covers two main trends: the trends of functioning and development. Their relationship provides an opportunity to manage and overcome the crisis. In the case of understanding the nature of the crisis, there are real opportunities to minimize its consequences.

As mentioned above, crises can be classified according to different indicators and causes. When it comes to its external causes, it is primarily closely related to trends at the macroeconomic level, which includes the development of the world economy, the military-political situation inside the country and abroad, the development of competition, etc. The internal causes of the crises are related to the risks of the marketing and production system, gaps in the organization of production and the sphere of management, ineffective innovative policy of involving modern technologies in the production, storage, transportation and sale of manufactured products.

Having found out the causes of the crisis, you can proceed to the procedure for overcoming it. For this, it is necessary to take a set of actions aimed at minimizing the impact and consequences of the crisis.

In the context of events in Ukraine, starting from 2022, the main cause of the crisis at enterprises within the state was Russia's military aggression, which continues to this day.

It is worth noting that the economic cycle of the functioning of enterprises alternates with the processes of both decline and development. This alternation acts as an objective form of economic development at both the macro and micro levels. In other words, such cyclicity acts as a natural movement of equilibrium in the economic system of countries.



The crisis itself acts as a violation of the economic balance due to the presence of an imbalance in the reproduction of resources. The crisis causes a reduction in production, which entails a decrease in profits and may be accompanied by a reduction in employees.

The crisis at the enterprise consists in the imbalance of the economic system of the organization, which negatively affects the functioning of the enterprise and requires complex intervention on the part of management.

As for the analysis of the problems of the impact of the war on the crisis consequences of Ukrainian enterprises as a result of the war, these consequences have both an economic and a legal nature.

When it comes to trends in the influence of economic factors on the emergence of a crisis at enterprises, such factors can be predicted and strategies for a smooth exit from this crisis can be developed. However, war makes such adjustments when businesses find themselves in a state of uncertainty.

As we mentioned, agrarian business has its own characteristics, which are the seasonality of work and the duration of the production cycle. Agricultural producers are faced with the question of whether to sow land areas for the next year, because the next year's crop may be destroyed, or its collection will become less efficient due to the lack of fuel for harvesting.

As you know, large agricultural enterprises take bank loans for the implementation of a seed company. In such a case, when an entrepreneur receives a loan from a bank, he secures it with his movable and immovable property. In this case, all the risks of harvesting the future harvest fall entirely on the business. An entrepreneur can calculate future profits taking into account risk factors that may occur in the case of normal business conditions. It takes into account the risk of weather conditions, rising or falling trends in the prices of manufactured products, fluctuations in the prices of fuel materials, the inflation rate, etc. However, the situation for agrarian business in Ukraine is complicated by the fact that the producer of agricultural products is not sure that he will be able to harvest the crop due to the fact that, as a result of the war, hostilities may already be taking place in this territory, which can destroy not only the general infrastructure of the region, but also completely destroy the results of the activity of the producer of agricultural products.

Under such conditions, the producer faces huge risks in the prospects of his activity. It may be faced with a choice - either to stop his own entrepreneurial activity, or at his own risk to attract loans for further business operations without any guarantees of future profits.

In addition to production risks, agrarian business faced another problem that arose as a result of the war in Ukraine. As you know, the successful agricultural business of Ukraine is ensured by its export operations. Ukraine is a well-known exporter of grain throughout the world.

In the current conditions, the export of grain by sea has become impossible for Ukrainian producers. After all, the blockade of the sea routes of the Black Sea and the Sea of Azov puts the transportation of agricultural products at risk. The export of large batches of products by sea ensured the profitability of enterprises, since the transportation of products by land method significantly increases the cost of its transportation.

In the conditions of blockade of sea routes, grain exporters find themselves in a difficult economic situation, when products are already manufactured, contracts are concluded, but due to the impossibility of exporting products, the producer of agricultural products finds himself in a situation of economic and financial collapse.

Due to this, the blockade of sea routes is another risk factor that arises before the producers of agricultural products.

As a result, to the risk of the death of manufactured products is added the risk of the impossibility of exporting them outside of Ukraine.

Business is closely connected not only with economic risks, but also with legal consequences that arise for enterprises as a result of such business activities.

Economics and law are closely related, because economic processes are regulated by legislation, and non-fulfillment of assumed obligations in relation to business results in legal consequences.

The sale of products is accompanied by contractual legal relations, which are regulated by laws and codes. When it comes to the performance of contracts, in most cases the contracts also provide for the imposition of sanctions for non-fulfillment of the assumed obligations. In the system of Ukrainian legislation, there is a distinction between the fulfillment of obligations and the payment of fines for non-fulfillment or late fulfillment of obligations.

According to Part 2, Article 218 of the Economic Code of Ukraine, a party to economic relations shall be liable for non-performance or improper performance of an economic obligation or violation of the regulations of economic activity, unless it proves that it has taken all measures to prevent an economic offence. Unless otherwise provided by law or agreement, for breach of economic obligation an economic entity shall bear economic and legal liability, unless it proves that proper performance of the obligation was impossible due to force majeure, that is extraordinary circumstances beyond control under these conditions of economic activity. Breach of obligations by the offender's counterparties, deficiency of goods in the market required to fulfill the obligation, absence of required funds in a debtor shall not be classified as such circumstances [3].

Except it, according to Article 14¹ of the Law of Ukraine "On Chambers of Commerce and Industry in Ukraine" dated December 2, 1997, No. 671/97-VR: The Chamber of Commerce and Industry of Ukraine and its authorized regional chambers of commerce and industry certify force majeure circumstances (irresistible force) and issue a certificate of such circumstances within seven days from the day of the business entity's request for cost estimation. A certificate of force majeure circumstances (irresistible force) for small business entities is issued free of charge.

Force majeure circumstances (force majeure circumstances) are the extraordinary and unavoidable circumstances that objectively unable to fulfil the obligations stipulated in the terms and conditions of the agreement (contract, treaty, etc.), obligations under the legislative and other regulatory acts, namely: the threat of war, armed conflict or a serious threat of such conflict, including but not limited to enemy attacks, blockades, military embargoes, actions of a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions of a public enemy, indignation, acts of terrorism, sabotage, piracy, riots, invasion, blockade, revolution, mutiny, insurrection, mass riots, curfew, quarantine established by the Cabinet of Ministers of Ukraine, expropriation, forced seizure, seizure of enterprises, requisition, public demonstration, blockade, strike, accident, illegal actions of third parties, fire, explosion, long breaks in transport operation, regulated by the terms of relevant decisions and acts of state authorities, the closure of sea straits, embargo, ban (restrictions) of export/import, etc. as well as caused by the exceptional weather conditions and natural disasters, namely: epidemic, strong storm, cyclone, hurricane, tornado, hurricane, flood, snow accumulation, ice, hail, frost, freezing of the sea, straits, ports, passes, earthquake, lightning, fire, drought, subsidence and landslide, other natural disasters, etc [6].

The President of the Chamber of Commerce and Industry of Ukraine issued a document regarding the resolution of the issue of recording force majeure circumstances due to Russia's military aggression. In this document dated February 28, 2022, it is indicated that the Chamber of Commerce and Industry of Ukraine (hereinafter - the CCI of Ukraine), based on Articles 14, 14¹ of the Law of Ukraine "On Chambers of Commerce and Industry in Ukraine" dated December 2, 1997, No. 671/97-VR, the Statute of the CCI of Ukraine, hereby certifies force majeure circumstances (irresistible force): the military aggression of the Russian Federation against Ukraine, which became the basis for the introduction of martial law from 05:30 on February 24, 2022, for a period of 30 days, in accordance with the Decree of the President of Ukraine dated February 24, 2022, No. 64/2022 "On the Introduction of Martial Law in Ukraine." Considering this, the CCI of Ukraine confirms that the specified circumstances from February 24, 2022, until their official conclusion, are extraordinary, unavoidable, and objective circumstances for economic entities and/or individuals under a contract, specific tax, and/or other obligations/duties, the performance of which has become due according to the terms of the contract, agreement, legislative or other regulatory acts, and the fulfillment of which has become impossible within the specified period due to the occurrence of such force majeure circumstances (irresistible force) [2].

This document identified the fact of Russia's attack on Ukraine in 2022 as a force majeure circumstance. Therefore, in resolving disputes regarding the imposition of punitive sanctions on debtor enterprises,



courts should be guided by this fact and reject claims for the imposition of additional punitive sanctions for non-performance or untimely performance of obligations.

Using this mechanism, the Commercial Court of Lviv Region addressed the plaintiff's claims, refusing to enforce the imposition of punitive sanctions for the debtor's untimely performance of obligations under the contract [4].

5. Conclusions.

In the current circumstances arising from Russia's military aggression, Ukraine's state authorities face the task not only of protecting its territory but also of addressing economic crises that arise within the country. The modern Ukrainian legislation provides a set of measures that enable Ukrainian manufacturers to confront new economic challenges, which are unprecedented for Ukraine. Therefore, legal regulation of economic relations in the state of Ukraine in the years 2022-2024 will help maintain the financial stability of Ukrainian enterprises, which will not be as critical for the realities of the present.

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