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MANAGING THE ECONOMIC CHANGES CAUSED BY THE WAR THROUGH THE CREATION OF GAMBLING ZONE IN UKRAINE

УПРАВЛІННЯ ЕКОНОМІЧНИМИ ЗМІНАМИ, СПРИЧИНЕНИМИ ВІЙНОЮ, ШЛЯХОМ СТВОРЕННЯ ГРАЛЬНОЇ ЗОНИ В УКРАЇНІ

This article examines the potential of legalizing the gambling business and establishing a free gambling zone in Ukraine as strategic tools for managing the economic challenges posed by the military conflict. In the context of post-conflict economic recovery, the search for unconventional and effective sources of state budget replenishment becomes particularly relevant. The article analyzes in detail the possible economic benefits and potential risks associated with the legalization of the gambling sector, considering aspects such as increased tax revenues, job creation, attracting foreign investment, and stimulating the development of related economic sectors. The study is based on a thorough analysis of the international experience of countries that have successfully implemented gambling legalization models, taking into account the specifics of the Ukrainian economic context. To develop an optimal free gambling zone model that aligns with Ukraine's national interests, a comprehensive examination of economic models and an assessment of the current state of the gambling market were conducted. The authors propose a conceptual framework for creating a free gambling zone that ensures transparency, control, and accountability in the gambling sector. The study emphasizes the importance of a comprehensive and systematic approach to the legalization of the gambling business in Ukraine, which involves taking into account economic, social, legal, and ethical aspects. The authors argue that with proper regulation and control, the legalization of the gambling sector can become a significant factor in the recovery and stabilization of the Ukrainian economy in the post-conflict period, as well as contribute to attracting the necessary investments for the country's reconstruction.

Keywords: gambling business legalization, free gambling zone, economic changes, war, investment, regulation, social consequences, Ukraine, post-conflict recovery, blockchain, responsible gaming.

Стаття присвячена дослідженню потенціалу легалізації грального бізнесу та створення вільної гральної зони в Україні як стратегічних інструментів для управління економічними викликами, викликаними військовим конфліктом. В умовах постконфліктного відновлення економіки, пошук нестандартних та ефективних джерел поповнення державного бюджету набуває особливої актуальності. У статті детально аналізуються можливі економічні переваги та потенційні ризики, пов'язані з легалізацією грального сектору. Розглядаються такі аспекти, як збільшення податкових надходжень, створення нових робочих місць, залучення іноземних інвестицій, а також стимулювання розвитку супутніх галузей економіки. Одним з ключових аспектів дослідження є розгляд питань мінімізації негативних соціальних наслідків легалізації, таких як зрос-

тання рівня ігрової залежності, відмивання коштів та поширення злочинності. Стаття пропонує розгорнути механізми регулювання та контролю, що включають систему ліцензування операторів, обмеження рекламної діяльності, впровадження ефективних заходів протидії відмиванню коштів, а також створення системи відповідальної гри, спрямованої на захист вразливих груп населення. Особлива увага приділяється створенню сприятливого інвестиційного клімату для залучення міжнародних компаній до участі у розвитку гравального бізнесу в Україні. Розглядаються можливості використання інноваційних технологій, для забезпечення прозорості, безпеки та надійності гравального процесу. Пропонуються конкретні кроки щодо створення ефективної регуляторної бази та запровадження міжнародних стандартів у сфері гравального бізнесу. Дослідження підкреслює важливість комплексного та системного підходу до легалізації гравального бізнесу в Україні, що передбачає врахування економічних, соціальних, правових та етичних аспектів. Автори стверджують, що за умови належного регулювання та контролю легалізація гравального сектору може стати вагомим чинником для відновлення та стабілізації економіки України у постконфліктний період, а також сприяти залученню необхідних інвестицій для відбудови країни.

Ключові слова: легалізація гравального бізнесу, вільна гравальна зона, економічні зміни, війна, інвестиції, регулювання, соціальні наслідки, Україна, постконфліктне відновлення, блокчейн, відповідальна гра.

Statement of the problem. The ongoing conflict in Ukraine has precipitated profound economic disruptions, necessitating innovative strategies for fiscal revitalization. While the legalization of the gambling industry has been implemented, the sustained efficacy of this policy remains contingent upon its ability to attract significant foreign investment and contribute to long-term economic stability. A critical challenge emerges in determining whether the establishment of a designated free gambling zone can serve as a viable mechanism to mitigate the economic repercussions of war, stimulate foreign direct investment, and promote sustainable economic growth, while effectively managing the inherent risks associated with expanded gambling activities.

Analysis of recent research and publications. Many domestic and foreign scientists, practitioners and theorists have studied the specifics of the gambling market. Their list includes, first of all, Sperkach N.A., Kitun A.P., Toporetska Z.M. [1], Getmantseva D.O., Chernikova P.M. [2], Gishchuk R.M., Boyko I.D., Ivanova A.M. [3], Rands J. and Hooper M. [4], Rosecrance J. [5], Su-Bee Lee [6], Wardle G., Kolesnikov A. [7].

Formulation of the research task. The principal aim of this article is to comprehensively analyze the potential of

establishing a free gambling zone in Ukraine as a strategic economic mechanism to mitigate the adverse economic impacts resulting from the ongoing war, and to assess its efficacy in fostering economic recovery and attracting foreign direct investment.

Summary of the main research material. A statewide economic benefit, Nevada's income tax is 6.25%. In principle, it is not much. In New York, for example, 10%.

There is also a tax on winnings, it is withheld by the casino when paying the player's fee, and it is about 25% of any winnings. Interest rates on winnings can also differ depending on the winnings, for example, the tax rate on winnings in the lottery was at the level of 37% of the winning amount. Based on the fact that the income tax in Ukraine in 2023 was 18%, and the owners of hotels and entertainment complexes on the territory of the free game zone of the Luhansk region will be financially well-off citizens of Ukraine and the world, this tax should be at least 30–35%. As for the tax on winnings, in Ukraine it is 19.5%, and the payment of tax on lottery winnings is a double rate of 30%, which is illustrated in detail in fig. 1.

As an example, the model of the gambling business in the city of Las Vegas was chosen. The reasons for the emergence of this idea were the following historical and

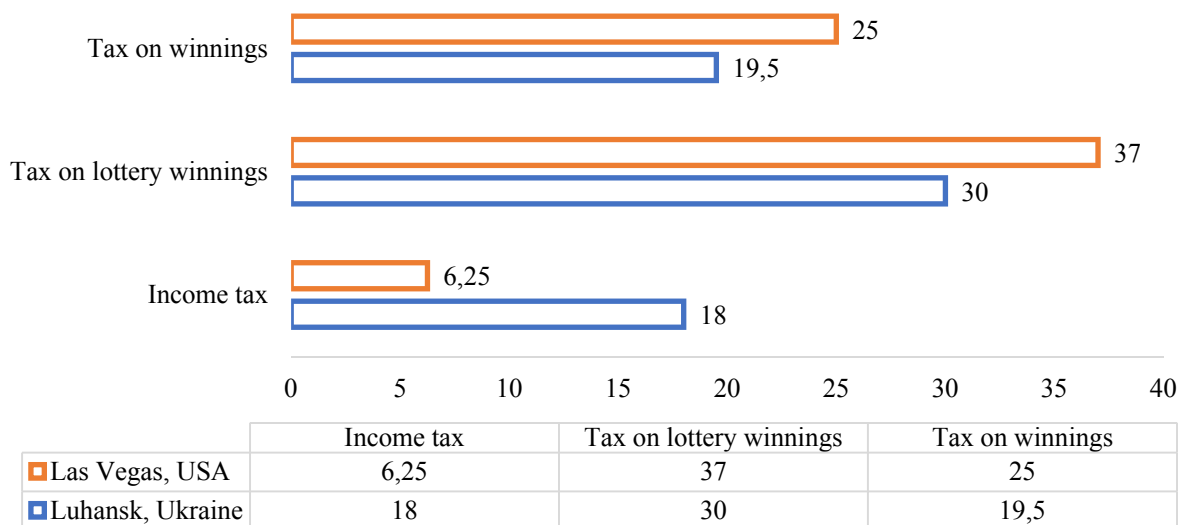


Figure 1 Comparison of the tax burden in the gambling business of Luhansk and Las Vegas

Source: compiled based on the [8]

geographical parallels of the emergence of the gambling business in the cities of Luhansk and Las Vegas:

1. Geographical location. Ukraine is located in the center of Europe, at the crossroads of a large number of trade and economic routes, as is the state of Nevada in the USA (Las Vegas is located there), which simplifies the logistics of getting to the destination.

2. Economic crisis. The gambling business in the USA reached its full-scale heyday during the Great Depression, when the legislation of several states evolved to reduce the consequences of the economic crisis of the 1930s. All the signs of the crisis are also inherent in the Ukrainian economy.

3. Social goal. The legalization of the gambling business in Las Vegas was carried out for the further construction of schools. Since the Russian army is conducting military tactics under the slogan of “scorched earth”, there are almost no usable educational institutions left in the territory of the Luhansk region, so the funds from the gambling business could be directed to the revival of schools, kindergartens and universities.

4. Cuisine. Las Vegas is known worldwide for its “Buffet” food service system, which allows you to eat an inexhaustible amount of food, while paying a fixed price at the entrance. Ukrainian cuisine is unique both in the number of dishes and in their originality (this is despite the fact that the main list of ingredients includes ingredients available to every pocket), so the use of national cuisine recipes would be a strengthening factor in the development of gambling tourism.

5. Brand. The city of sins attracted tourists with its own history of the “mafia land”, while Luhansk is known worldwide as a city of indomitable spirit. Visiting such cities is a dream for travel enthusiasts and tourism experts.

We will consider the comparative characteristics of the cities of Las Vegas and Luhansk, in order to determine the prospects of opening a free gaming zone on the territory occupied today. It is possible to carry out activities in the gambling business market only if you have a license, which is quite difficult to obtain, regardless of its long-term nature. The fee for using a license in the country is 30 minimum wages, i.e. more than UAH 2,000,000. in 2023.

In Poland, the tax on profit from the gaming business is 50%, which is illustrated by fig. 2, and annually brings revenue to the treasury in the form of 20–30 million dollars [8]. And in Belgium, the state receives only 2.5% of the winnings. As for Las Vegas, the income tax here is 6.25%, and the income from the gambling business was 14 billion dollars a year, that is, the state authorities receive the largest tax revenues in the city not because of the size of the tax rate, but because of the number of people who want to visit the city and experience own fortune.

Another significant problem of Ukraine is the high level of banditry, which is especially acute in the currently occupied territories. It will be quite easy to overcome it within the game zone. Yes, there is practically no crime in Las Vegas, due to the large number of security guards and police, whose staff is made up of ex-military personnel.

Calculation of the lost benefit of the state from concealing the income of the gambling business of Ukraine: if in Ukraine during 2021–2024 23 licenses for conducting gaming activities were issued and the total amount of profit for the last year of casino operation was UAH 55.6 billion, then the amount of earnings of one casino is:

$$56.6 \text{ billion UAH} / 23 = 2.461 \text{ billion UAH}$$

As stated in the work, the income tax in the field of gaming business is 18%, therefore officially operating casinos in 2024 paid to the treasury:

$$\text{UAH } 56.6 \text{ billion} / 100 * 18 = \text{UAH } 10.2 \text{ billion}$$

And one casino pays on average:

$$\text{UAH } 2.461 \text{ billion} / 100 * 18 = \text{UAH } 0.44 \text{ billion}$$

Taking into account the fact that 1,100 casinos operate unofficially in Ukraine (Boyko, 2023), the lost official income of the state from their operation is equal to:

$$1. \text{UAH } 2.461 \text{ billion} * 1100 = \text{UAH } 2,707.1 \text{ billion}$$

$$2. 2,707.1 \text{ billion UAH} / 100 * 18 = 487.3 \text{ billion UAH}$$

Since casinos in Ukraine were legalized 4 years ago, the income for the period 2021–2024 should have been:

$$1. 2,707.1 \text{ billion UAH} * 4 = 10,828 \text{ billion UAH}$$

$$2. 10828 \text{ billion UAH} / 100 * 18 = 1949 \text{ billion UAH}$$

And, for the entire period of independence of Ukraine:

$$1. 2,707.1 \text{ billion UAH} * 33 = 89,334.3 \text{ billion UAH}$$

$$2. 89334.3 \text{ billion UAH} / 100 * 18 = 16080.2 \text{ billion UAH}$$

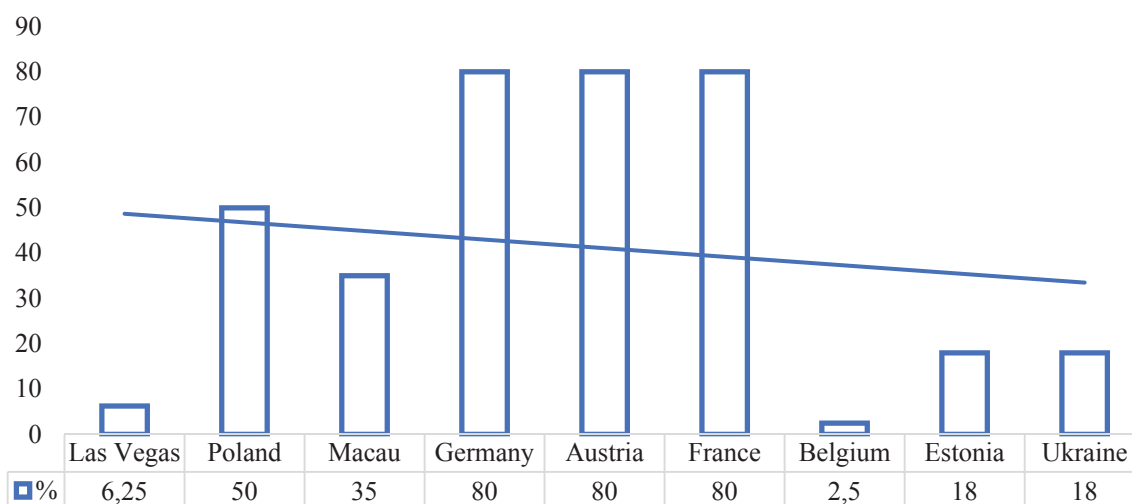


Figure 2. The amount of interest tax rates on income from gaming business in different countries of the world

Source: compiled based on the [8]

And, if the situation with the activity of illegal casinos in Ukraine is not regulated, then in 10 years the total losses of the state (with a 50% increase in gambling establishments) will amount to:

1. $(1100 \text{ establishments} / 100 * 50) + 1100 = 1650 \text{ establishments}$
2. $2.461 \text{ billion UAH} * 1650 = 4060 \text{ billion UAH}$
3. $4060 \text{ billion UAH} / 100 * 18 = 730.8 \text{ billion UAH}$
4. $4060 \text{ billion UAH} * 43 = 174580 \text{ billion UAH}$
5. $174,580 \text{ billion UAH} / 100 * 18 = 31,424.4 \text{ billion UAH}$

With the help of fig. 3, we will visually consider the estimated losses of Ukraine from the activities of illegal casinos in the period 1991–2034.

The Commission for the Regulation of Gambling and Lottery Market in Ukraine regulates relations in the gaming business market, with its main office in Kyiv. This organization has a rather low level of public trust, because during the war it issued a license to operate to a Russian gaming company, a monopolist in Eastern Europe.

The main regulator of the gaming market in Ukraine for a long time was the Law of Ukraine “On the Prohibition of Gambling Business in Ukraine”, but after long discussions and an open survey of Ukrainians, the gaming business was legalized in 2020 by the Law of Ukraine “On State Regulation of Activities in the Organization and Conduct of Gambling”. Today, in Ukraine, it is possible to conduct business in the categories of offline casinos, online casinos, bookmakers, slot machines, online poker and lotteries. Using Figure 3, let's consider a comparative characteristic of the cities of Las Vegas and Luhansk, to determine the prospects for opening a free gaming zone in the currently occupied territory.

It is possible to conduct activities in the gambling market only with a license, which is quite difficult to obtain, despite its long-term nature. The fee for using a license in the country is 30 minimum wages, i.e. more than 2,000,000 UAH. in 2023. At the same time, a network of gambling establishments must obtain a license for

each establishment, in particular. And an organization conducting business activities in this market must submit consolidated financial statements and organizer reports for each type of activity in the field of organizing and conducting gambling. The terms of validity, number and date of issue of the license must be highlighted during marketing activities and available for viewing by visitors to online and offline gambling establishments.

Conclusions. This study has examined the viability of establishing a free gambling zone in Ukraine as a strategic approach to managing the profound economic challenges precipitated by the ongoing war. The analysis demonstrates that while the creation of such a zone holds significant potential for attracting foreign direct investment and generating crucial fiscal revenue, its successful implementation necessitates a multifaceted and meticulously calibrated strategy.

Key findings indicate that:

1. **Economic Potential.** The establishment of a free gambling zone presents a considerable opportunity to stimulate economic growth, create employment, and diversify revenue streams, particularly in the post-conflict reconstruction phase.

2. **Regulatory Framework.** The efficacy of the free gambling zone is contingent upon the development and enforcement of a robust and transparent regulatory framework that mitigates potential risks such as money laundering, gambling addiction, and social disruption.

3. **Investment Climate.** Attracting substantial foreign investment requires the creation of a stable and predictable investment climate, characterized by clear legal guidelines, streamlined administrative procedures, and effective anti-corruption measures.

In conclusion, the establishment of a free gambling zone in Ukraine represents a complex but potentially valuable economic strategy. However, its success hinges on a commitment to rigorous regulatory oversight, strategic investment, and a comprehensive understanding of the social and economic dynamics at play.

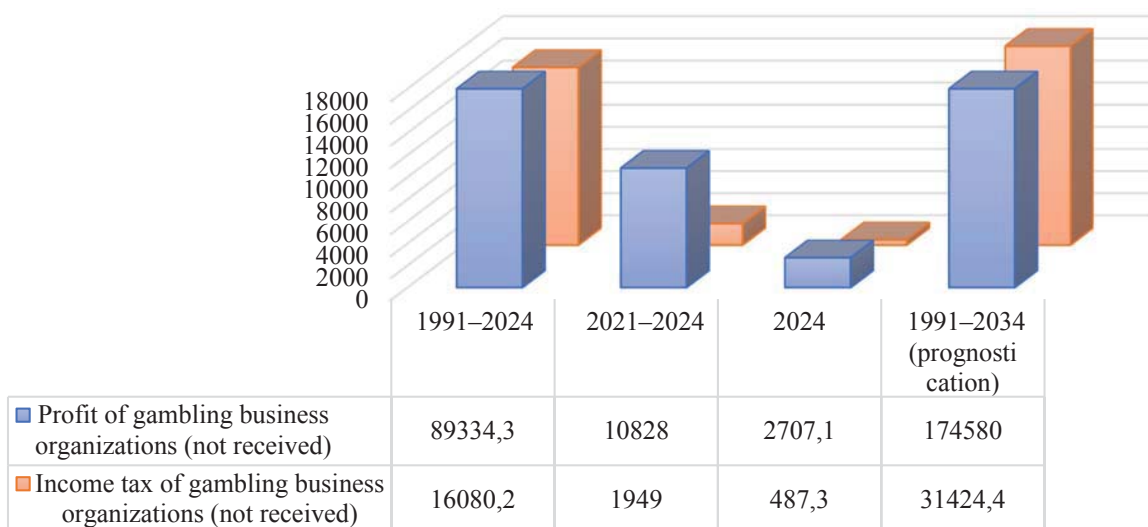


Figure 3. Lost benefit of the state from the illegal activity of the gambling business of Ukraine 1991–2034 (billion UAH)

Source: compiled by the authors

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