

IMPACT OF CRYPTOCURRENCIES ON THE ECONOMIC SECURITY OF THE STATE

K. D. Grigoryev

*Student, Belarusian State University, Minsk, Republic of Belarus,
e-mail: grigoryev.konstantin15@gmail.com*

The article analyzes the features of cryptocurrencies, as well as areas of their use. Both the advantages and potential risks associated with the use of cryptocurrencies in the context of economic security of the state are considered. The article focuses on the need and importance of state regulation of cryptocurrencies in order to prevent possible threats to economic security.

Keywords: digital economy; cryptocurrencies; economic security; threats to economic security; state regulation of cryptocurrencies.

ВЛИЯНИЕ КРИПТОВАЛЮТ НА ЭКОНОМИЧЕСКУЮ БЕЗОПАСНОСТЬ ГОСУДАРСТВА

К. Д. Григорьев

*студент, Белорусский государственный университет, г. Минск,
Республика Беларусь, e-mail: grigoryev.konstantin15@gmail.com*

В статье проведен анализ особенностей криптовалют, а также сфер их использования. Рассмотрены как преимущества, так и потенциальные риски, связанные с использованием криптовалют в контексте экономической безопасности государства. В статье акцентируется внимание на необходимости и важности государственного регулирования оборота криптовалют в целях предупреждения возможных угроз экономической безопасности.

Ключевые слова: цифровая экономика; криптовалюты; экономическая безопасность; угрозы экономической безопасности; государственное регулирование криптовалют.

Cryptocurrency has been gaining increasing attention, as it has the potential to significantly impact economic security. While there are opportunities associated with cryptocurrencies, such as facilitating international trade, providing a new investment opportunity, and enhancing financial privacy, there are also risks that are needed to be taken into consideration. These risks mainly include the potential use of cryptocurrencies for illegal activities, and their potential use for destabilization of traditional financial systems. In this

article the impact of cryptocurrencies on economic security of the state will be explored.

Cryptocurrencies are a form of digital assets that use encryption techniques to protect and verify transactions and to control the creation of new units. They enable secure online payments without the use of third-party intermediaries. “Crypto” refers to the various encryption algorithms and cryptographic techniques that safeguard these entries, such as elliptical curve encryption, public-private key pairs, and hashing functions [1]. Therefore, cryptocurrency is a digital payment system, with no banks involved in checking transactions, with equal participants, allowing any user anywhere to send and receive payments. At present, cryptocurrency has a market capitalization of around \$1,16 trillion, with Bitcoin accounting for roughly 50 % of the total [2].

Cryptocurrencies have a significant impact on economic security. There are many different opinions and points of view on this issue, but in general, the following important positive and negative aspects can be distinguished.

Among the main advantages of cryptocurrency, we may note its completely decentralized nature, which means that citizens living in countries with currency instability, cryptocurrency allows them to freely trade across borders with citizens of more prosperous countries, creating a level of economic equality.

Moreover, apart from Bitcoin in its current state, the transaction costs for most cryptocurrency users are either minimal or zero. Since cryptocurrencies are decentralized and do not require investment in physical property, users do not have to incur additional costs. This means that, unlike a bank branch, there is no need to pay utility bills, property rentals, or employee salaries.

Noting the main advantages of using cryptocurrencies to make payments, it is worth mentioning that cryptocurrencies can be used to transfer funds quickly and securely within and between countries. This can improve financial connectivity between countries and strengthen economic connectivity between different regions.

Besides, unlike classic e-money, which can be easily tracked, there is no information about the owner of a cryptocurrency wallet. Only the wallet number and limited account information is available.

However, cryptocurrencies can become a threat to the economic security of the country. One of the main threats of the use of cryptocurrencies is mainly associated with such criminal activities as the use of cryptocurrencies to pay for illegal goods and services, fraudulent cryptocurrency investments. Also, cryptocurrencies are used to launder the proceeds of drug trafficking. These risks can threaten economic security, especially if cryptocurrencies are used to finance terrorism or other illegal activities.

In addition, the recognition of cryptocurrency as a means of payment carries a number of risks for both consumers and businesses. One of the main risks is the instability of the cryptocurrency exchange rate, which can fluctuate greatly in a short time. This can lead to a loss of value for those who use cryptocurrency as a means of payment, as well as for those who hold it as an investment.

Legal frameworks surrounding cryptocurrencies vary widely across jurisdictions, with some countries offering a more permissive regulatory environment and others taking a more cautious approach. Belarusian researchers note that a unified approach is needed to regulate the digital currency market due to their global nature, but now there are no unified standards in the regulation of cryptocurrencies and the central bank of each country uses its own approaches. The most typical of them are three:

- formal permission, including recommendations for the public regarding the risks of using virtual currencies;
- specially developed laws governing the circulation of virtual currencies;
- a complete ban on circulation in the territory of the state [3, p. 50–51].

It is necessary to note that the Republic of Belarus is one of countries that are actively developing the legal regulation of the circulation of cryptocurrencies. In the Republic of Belarus, at the end of 2017, the Decree of the President “On the Development of the Digital Economy” [4] was adopted, containing several major innovations that make the Belarusian Hi-Tech Park the most attractive place in the region for high-tech companies and IT specialists. The document also creates legal conditions for the development of blockchain projects and the circulation of cryptocurrencies [3, p. 54].

A different approach is taken People’s Republic of China. Trends in the monetary sphere of China indicate an increasing shift away from cash circulation and the transition to cashless money circulation via the Internet, but in 2017 the People’s Bank of China banned the organization and conduct of ICOs on its territory [5, p. 25].

Nowadays some countries are working to establish new laws and regulations specifically for cryptocurrencies, others have sought to apply existing legal frameworks to the new asset class and some countries tend to prohibit their circulation at all.

We believe that the legal regulation of public relations arising from cryptocurrencies can help to increase public confidence in cryptocurrencies in general and increase the acceptance of cryptocurrencies. Regulation can help to reduce the risk of fraud and cyberattacks on cryptocurrency exchanges and wallets, improving security for investors and users. In addition, regulatory measures can provide greater transparency and accountability, making it easier

to identify and counter illegal issues related to the use of cryptocurrency, such as for purposes of corruption, money laundering and etc.

To sum up, there are both benefits and risks associated with the use of cryptocurrency. Cryptocurrencies, on the one hand, can become a tool to strengthen the economy of a country and, on the other hand, are considered to be one of state's risks, which has the potential to impact its economic security. Therefore, regulation of cryptocurrencies is a challenging task that requires the attention of regulatory authorities worldwide.

References

1. *Kraiwanit T., Chomtosuwa T.* Crypto Study [Электронный ресурс] // SSRN. URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4392932#:~:text=The%20term%20%22crypto%22%20refers%20to,or%20rewarded%20for%20blockchain%20work (дата обращения: 05.02.2023).
2. Today's Cryptocurrency Prices by Market Cap [Электронный ресурс] // CoinMarketCap. URL: <https://coinmarketcap.com/> (дата обращения: 04.04.2023).
3. *Головенчик Г. Г.* Проблемы и перспективы использования криптовалют в финансовой системе Республики Беларусь // Журнал международного права и международных отношений. 2017. № 3. С. 47–56.
4. О развитии цифровой экономики [Электронный ресурс]: Декрет Президента Респ. Беларусь, 21 дек. 2017 г., № 8: в ред. Декрета Президента Респ. Беларусь от 18 марта 2021 г. № 1 // ЭТАЛОН. Законодательство Республики Беларусь / Нац. центр правовой информ. Респ. Беларусь. Минск, 2023.
5. *Ковалева Н. А.* Анализ практик государственного регулирования блокчейн-технологий в Китае // Имущественные отношения в Российской Федерации. 2019. № 8. С. 24–30.