From Internal to International Migration in Romania – Continuity and Spatial Differentiation

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Abstract

The study proposes a set of analyses on the evolution of the migration balance of Romania's population over a wide time interval, fully covering the period dominated by the communist regime (1948-1989) and the last three decades marked by the transition to a market economy. The aim is to differentiate the typology of the time and space distribution of the mentioned indicator and to test a set of explanatory factors, for each of the two distinct periods. The typological and factor analyses applied led to results that largely confirm the hypothesis of a continuity between the massive internal migration during the communist regime and the more complex migration in recent decades. At the same time, the profound changes in the incidence of certain explanatory factors certify a complete restructuring of the migration system in Romania after 1990. The massive migration from rural to urban areas, brought about by positional or socio-economic factors, was gradually replaced after the fall of the communist regime by a strong labour emigration, an effect of deindustrialization. The stimulation of the periurbanization process, by changing the way of life, introduced new variables in the functioning of the migration system, in keeping with the specific evolutions of the contemporary era.

Keywords: mobility transition, territorial disparities, mygratory sistem, changing trends, predictors, Romania.

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Introduction

The relationship between domestic and international migration is less frequently addressed, researchers' attention being usually focused on one of them. The links between them are acknowledged especially from the perspective of their impact on urbanization or of the multiform transition of society - demographic, urban, economic etc. (Skeldon, 2017). More than ever, contemporary migration processes cross, requiring a unitary approach, based on the diversity of forms generated by the increasingly complex political, social and economic context (Smith, 2011; King, 2011). The transition from a predominantly internal mobility to a predominantly international one, in the particular case of Romania, involves a good knowledge of the mechanisms that created specific mobility patterns. The population's adaptation to the new context generated by the fall of the communist regime thus gradually entailed the transformation of internal migration flows into international migration flows, going through the intermediate, conjunctural phase of returning to the localities of origin. The connection between domestic and international in terms of population migration can be seen either as a complementarity or as a process of substitution, the Romanian case rather fitting the latter (Bernard, Perales, 2021).

The present study proposes, in its first part, a descriptive analysis of the combined evolution of internal and international migration in Romania between 1948 and 2020, using as a variable the migration balance, extracted from the population balance. Making use of a series of explanatory variables, the second part proposes a factorial analysis meant to capture the existence of some correlations between the evolution of the migration balance and the specific economic, social or cultural context. The separation of two distinct periods, 1948-1992 and 1992-2020, marked by the predominance of domestic migration and emigration respectively, allows highlighting some elements of continuity between the two forms of mobility. The distinction between the two periods has been analysed in various studies (Horváth, 2016) and is closely linked to the emergence of some increasingly pronounced disparities in gross domestic product and life quality (Bunea, 2012). These analyses want to answer the question of the existence of a continuity regarding the internal and the international migration in Romania from a spatial perspective. The

study may be relevant from the perspective of understanding the relationship between migration and development.

Starting with the year 1912, three distinct phases of unequal amplitude can be separated in the evolution of the mobility of Romania's population, following the dynamics of the migratory balance over a long period (Figure 1):

1. 1912-1960, marked by a certain equilibrium of the migration balance, close to the value of 0, episodically interrupted by the two world conflagrations, with a disruptive effect;

2. 1960-1990, when this balance is disturbed by the incidence of ethnic migration, first of Jews (1960-1970), then of Germans and Hungarians (especially after 1980). This transition period ends with the deepening of the negative character of the migration balance, Romania thus becoming a net supplier of migrants;

3. After 1990, when the strengthening of the ethnic migration after the fall of the communist regime sustainably leads to the generalization of the external migration for work, a more and more consistent part of it turning into definitive emigration.

**Figure 1. Evolution of migration balance in Romania (1912-2019)**
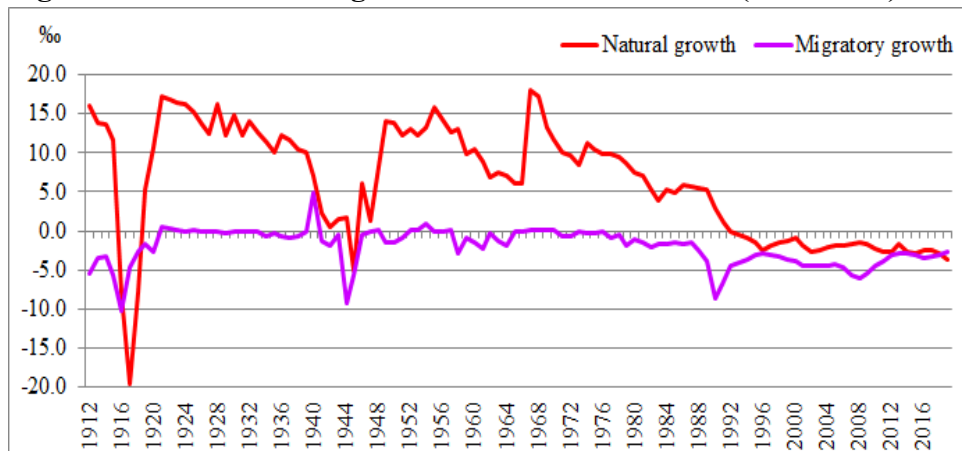
Source: *Population movement bulletins and Statistical Yearbook of the 1912-2019 period.*

These stages capture only the changes generated by international migration but the internal migration also faced important evolutions, both before and after 1990. Between 1966 and 1990, about 8.8 million people left their localities of origin, representing an impressive number compared to the

total population, illustrative of the extent of the rural exodus. A similar number (over 9 million people, according to INS) left between 1990 and 2018, keeping the same pace but changing the direction of flows, initially in favour of the rural environment, then more and more towards abroad or towards the periurban areas of major cities, their attractiveness in the new context being due to the motorization of the population and change of lifestyle.

In the European context, Romania is grouped together with most states in the southeast of the continent, where the evolution of the migration balance clearly separates the period following the fall of totalitarian regimes, emphasizing its deepening negative character, simultaneously with the completion of the demographic transition. In the other European countries, the evolution of the migration balance logically followed the consumption of the demographic transition, which reduced the recovery capacity of its own labour force, stimulating immigration. This is captured by the typology of the combined evolution of the two balances, natural and migratory, during the period 1945-2019 (Figure 2).

Figure 2. Tipology of natural balance and migration balance in Europe
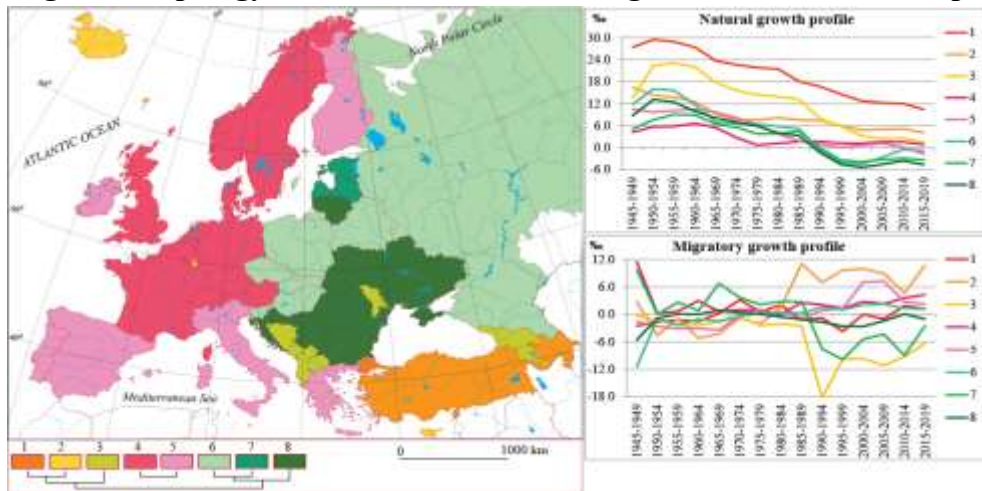
Source: Bardet,   J.P.,   Dupâquier,   J.,   (1999);   Demographics (www.demographics, consulted in January 2021).

The historic moment of 1989 provided a real demographic shock at the continental level, disturbing the profile of the migration balance. Mediterranean states, traditionally marked by emigration, have become

attractive and most communist states, stable until then, have fallen into the trap of a harmful combination – overlapping a deeply negative natural balance over an equally negative migratory balance, with no prospects for recovery. The relative homogeneity of the continent in the post-war period, marked by certain stability, without excessive attractiveness or repulsiveness, gave way after 1990 to heterogeneity, the new map of European migration being diverse, fragile and fragmented (King, 2019).

The main consequence of the shock generated by the fall of the communist regimes was the installation of a lasting population decline so that, if in 1990 Eastern European states held 48% of the continent's population, in 2020 they had only 44%, the decline being even more pronounced if we exclude the Russian Federation, transformed into an important regional attractor (Nefedova, 2015). The reversal of the evolution curves of the demographic indicators immediately after 1990 is also closely linked to the intensification of international migration. Although the last decade's data seem to reveal a weakening of the negative migration balance, it is rather related to the population's deepening aging process. Dependence on the increasing external migration input at the continental level can no longer be met by Eastern countries in the medium term. They themselves will need to attract a significant number of immigrants in order to maintain at least their current precarious demographic balance.

1. Litterature review

Domestic and international migration have generally been addressed separately, with an emphasis on the differences between them. Some classical analysis patterns have tried an integrated approach, at least from the perspective of the typology of the forms of manifestation and cycles of mobility transition (Zelinsky, 1971). The amplification of migration movements, in various forms, and the simplification of border transit procedures have led to a change in perception, favouring the integration of analysis models. This type of approach is especially indicated for emerging and developing states, in which the two major types of migration complement or succeed each other, as indicated by some studies (Vullnetari, 2013; Pieke and Mallee, 1999). The systemic approach, the issue of migrants' integration and the relationship between migration and development, as indicated by King and Skeldon (2010), can

support an integrated view on the evolution of the two forms of migration. In general, the two forms of migration complement each other, they communicate, any increase in emigration being accompanied by a resizing of internal flows, as shown by some studies (Rotariu, Mezei, 1998).

From this perspective, Romania represents a particular case on the European scale. With a long-term internal migration directed towards the colonization of weakly populated areas (mountain or steppe), a late but strong rural exodus and a recent insertion in international migration flows, it provides a typical case of overlapping mobility transition stages (Cristescu, Muntele, 2007). The magnitude of the return flows directed towards deeply rural areas after the collapse of the communist regime and the crisis that followed it is another feature that subsequently generated a strong current of labour emigration, thus certifying the link between domestic and international migration (Dimitriu et al, 2013, pp.56-58). Unemployment, practically a previously unknown phenomenon, and the low level of wages, worsened by monetary instability, shaped the context of the amplification of this current between 1995 and 2005 (Silaghi, Subrata, 2011). Having a deeply regional character (expression of growing development disparities) and an amplitude similar to the rural exodus in the communist period, this form of international migration has practically changed Romania into the main provider of labour within the European Union (Goschin, 2016). The main origin of these flows is in the north-eastern areas, which before 1990 used to compensate the shortage of labour in the more developed areas of the country, certifying the presence of a continuity between domestic and international migration, as revealed by previous studies (Muntele, 2003). Although the motivations and strategies of the participants in these flows are different, due to their spatio-temporal manifestation, they represent a continuation of the communist epoch patterns. Internal migration flows thus combine and interconnect with external ones, an evolution that is, in fact, in line with the general European trends (Riccio, 2016, p.15). This process of emergence of a new migration system takes place against the background of the change of the causality and direction of flows, in the context of the transition from a quasi-closed system to an open one (Sandu, 2010, p.58-69). The evolution of the migration system in Romania is, in fact, part of the global trend of manifestation of the "new era of migrations", characterized by diversification, both from a territorial and social

perspective (Anghel, Horváth, 2009, p.14). Global patterns of international migration have evolved in close connection with the change in the urbanization. Thus appears the distinction from internal migration, the main source of this process. Although the difference between international and internal has faded, each has a peculiarity that indicates rather separate study (Skeldon, 2005). Finally, any form of migration involves residential mobility, which often links internal and international migration (Pooley, 2021).

Having this theoretical basis, the general hypothesis of the present study is formulated as follows: the massive international migration observed in Romania after 1990 is a continuation of the massive rural exodus in the communist period (1948-1989), being determined by similar factors. The specific hypothesis is represented by the idea that the 1990 moment significantly modified the correlations between the analysed factors.

2. Data and methodology

In order to draw up the two analyses announced in the introduction, two distinct databases were created:

1) The evolution of the migration balance between 1948 and 2020, as it results from the following data series:

a) the population recorded at the censuses carried out throughout this time interval (1948, 1956, 1966, 1977, 1992, 2002 and 2011) and the one estimated by official sources for the year 2020 (the resident population, as registered in the Tempo-Online database of the National Institute of Statistics). The local administrative level (LAU) was used as a territorial basis of analysis, comprising the 3,181 officially recognized communes, cities and municipalities. The present approach took into account the administrative changes that occurred within the mentioned time interval, the reconstitution being mediated by the existence of detailed information at the level of the component villages;

b) the natural balance of the population for each intercensitary period, according to the natural movement of the population, as illustrated in the database mentioned above. For the period before 1966, we extrapolated the data aggregated on the intermediate administrative level between region and commune, specific to the epoch ("raion"), as it results from the statistical bulletins published by official statistics. In the case of the communes set up

after 1990, we made use of the data of the commune they split from, proportionately reported.

The derived database contains 7 data series that illustrate the evolution of the migration balance, resulting from the difference between the general and the natural balance, expressed per 1,000 people. In order to highlight the existence of regional evolution patterns, an aggregative hierarchical clustering was performed in the Xlstat program. Class aggregation made use of the Euclidean distance and the Ward method, aiming at keeping a maximum dispersion of values between classes, thus ensuring a high degree of internal homogeneity. The results were represented graphically by means of a cartogram, further explained by the table that captures the evolution profile of each class.

2) The factorial database, using the migration balance as a dependent variable, for 2 distinct periods: 1948-1992 and 1992-2020. This separation was considered useful in order to highlight the specifics of the communist period and the changes that occurred during the transition period, respectively. The information used to create these variables and the standardization manner were both systematized and explained in a table (see Table 1). The factors were chosen so as to capture both the relationships between mobility and the socio-economic context and the possible influences of some physical-geographical components. The position of each locality within the administrative-territorial network was included to illustrate the classic dependence of human mobility on distance (Levy, 2010).

The derived database obtained by standardization was used for two principal component analyses (PCA), for each of the 2 periods, in the same Xlstat program. The last 5 variables were used only in the second analysis, lacking specific information for the 1948-1992 stage. The results were synthesized in correlative matrices. The R^2 coefficient of determination obtained by multiple regression was also used for the further validation of the model.

3. Model and findings
3.1. Descriptive analysis of the evolution of the migration balance between 1948 and 2020

The use of the ascending hierarchical analysis model allowed the elaboration of a typology of the evolution of the migration balance with a validity

ensured by a minimum dispersion of the values within each of the 8 identified classes (Figure 3). The profile of these classes differs according to the manifestation of processes such as urbanization, rural exodus, adaptation to the new post-communist context or insertion in the international migration circuits.

Table 1. Methodology of standardization of the variables used in the principal component analysis

Variable	Data source	Explanations and categories of values	Factorial score
MB$_1$, MB$_2$ (Migratory Balance for each period)	[1948-2011 CENSUSES;INS]	MB$_1$ concern 1948-1992 period and MB$_2$, 1992-2020 period. Values expressed in promiles (‰).	Z score
SET (Setting of administrative units in the settlement system)	According to the current administrative division	a) cities;	1
		b) metropolitan area (administrative units situated at maximum distance of 30 km from Bucharest, 25 km from cities over 200 000 inh. and 20 km from cities over 150 000 inh.;	0.8
		c) periurban area of medium-sized cities (administrative units situated at maximum distance of 15 km from cities of 50 000 – 150 000 inh.);	0.6
		d) axial (along national roads and railways);	0.4
		e) rural;	0.2
		f) deep rural (administrative units situated at minimum distance of 50 km from main cities and 40 km from medium-sized cities).	0.05
DR (Risk of drought)	[CEC]	a) stressed;	0.33
		b) moderate;	0.66
		c) low/missing	1
AFR (Degree of afforestation (% of total area)	[INS]	a) weak (under the 10%);	0.05
		b) medium (10-25%);	0.33
		c) high (25-50%);	0.66
		d) very high (over the 50%).	1
SF (Soil fertility)	[ADER]	a) weak;	0.33
		b) moderate;	0.66
		c) high.	1
	[1966, 1977 1992, 2002 and	a) dominantly agricultural (at least 90% employed in agriculture);	0.05

SPS (Socio-professional structure)	2011 CENSUSES]	b) agricultural (65-90%, employed in agriculture);	0.2
		c) mixed (at least 25% populație employed in each of the tree activity sectors);	0.4
		d) mining (at least 25% employed);	0.6
		e) industrial-tertiary (relatively equal weight of secondary and tertiary sectors);	0.8
		f) services (at least 65% employed).	1
AGN (Ageing – the share of the population over 60 years)	[1966, 1977 1992, 2002 and 2011 CENSUSES]	a) aging (over 40% elderly);	0.05
		b) moderate aging (25-40% elderly);	0.33
		c) relatively young (15-25% elderly);	0.66
		d) young (under the 15 %).	1
DVT (Demographic vitality – the share of the population under the 15 years)	[1966, 1977 1992, 2002 and 2011 CENSUSES]	a) under the 15 % young people;	0.05
		b) 15 - 22.5%;	0.33
		c) 22.5 - 30%;	0.66
		d) over 30 %.	1
EMG	[2002 and 2011 CENSUSES]	Emigration rate, expressed in promiles (‰)	Z score
NBH	[2002 and 2011 CENSUSES]	Newly built homes, only for 1990-2019, relative to the total population	Z score
BST	[2011 CENSUS]	Average weight of water supply, sewerage and central heating for each household	Z score
EDU	[2011 CENSUS]	Share of the population with high school level and universities studies	Z score
INC	[2011 CENSUS; INS]	The average income calculated according to the average wages of each socio-professional category.	Z score

Source: Elaborated by the author

The first two classes comprise, on the one hand, the centres that experienced a constant attractiveness during the communist period (generally large and medium-sized urban centres indicated on the map) and on the other hand, the centres that stood out through an episodic, strong attractiveness, especially during the first decades (1948-1966). Mainly towns with a mining profile (in Jiu Valley) and mono-industrial towns fall into the latter category (Table 2).

Figure 3. Typology of the evolution of migration balance (1948-2020)
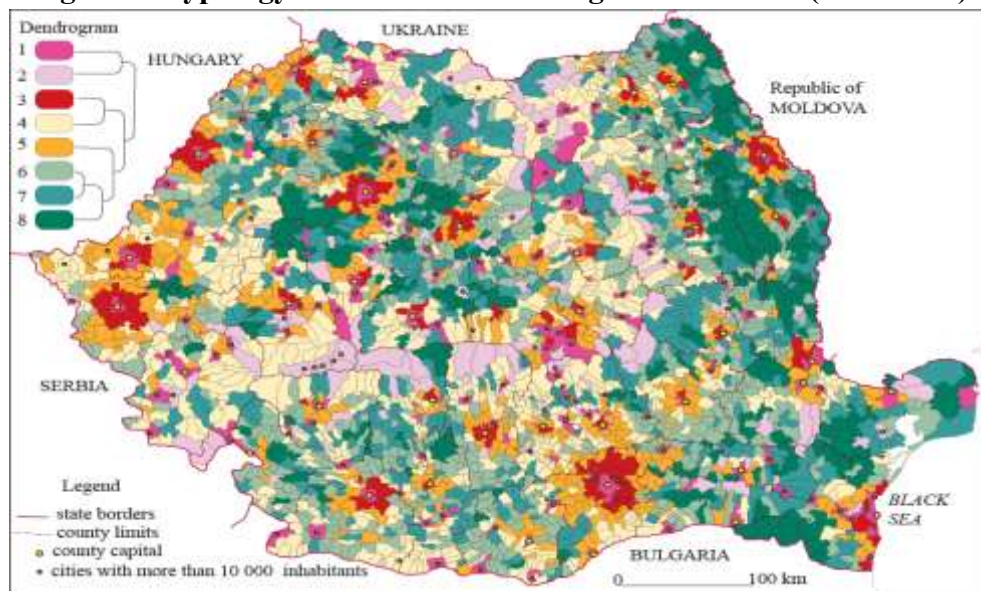
Source: CENSUSES from the period 1948-2011, Tempo-Online Database of National Institute of Statistics.

The next 6 classes are typical of the rural environment and were marked by the manifestation of the rural exodus during the communist period, in contrast to the period after 1990, when this trend got reversed.

Table 2: Profile of evolution types of migration balance

Class (type)	Migratory balance (‰)							Number of LAU	Share of long-term emigrants (2011)
	1948 - 1956	1956- 1966	1966- 1977	1977 - 1992	1992 - 2002	2002 - 2011	2011 - 2020		
1	10.6	15.2	13.6	8.5	-9.6	-11.7	-6.5	180	3.6
2	22.7	5.5	-12.3	-7.5	-7.4	-9.6	-5.3	128	5.7
3	-4.1	-0.2	-3.5	-8.5	10	14.7	16.6	234	2.0
4	-5.1	-6.5	-6.8	-7.8	0.6	-3	-2.3	814	3.3
5	-3.8	-10.1	-11.8	-11.5	5.5	2.2	2	395	2.2
6	-5.9	-13.8	-15.8	-14.4	3.9	-4.2	-3.9	563	4.3
7	-5.1	-11.2	-15.7	-14.5	-4.1	-6.3	-4.5	497	5.5
8	-7.1	-18.1	-28.4	-22.6	1.8	-5.7	-5	370	3.4
National average	0.1	-0.6	-0.3	-1.9	-3.7	-5.6	-1.8		3.6
Urban population	11.8	17.4	18.3	8.5	-8.6	-9.1	-4.6		3.6
Rural population	-4.5	-9.8	-12.4	-12.1	1.6	-1.4	0.9		3.6

Source: CENSUSES from the period 1948-2011, Tempo-Online Database of National Institute of Statistics.

The first two classes (3-4) recorded, between 1948 and 1992, moderately negative values of the migration balance, ranging between 0 and -10 ‰ annually. In the case of class 3, the period 1956-1966 stood out through values close to 0, this balance being explainable by the predominantly periurban position of the administrative units grouped in this class. The development of daily movements (commuting) provided a demographic stability. Subsequently, as the labour force demand of cities increased and the differences induced by the living standard deepened, the rural exodus was resumed even in these localities. After 1990, the two classes had divergent evolutions; the former rallied a strong periurbanization trend, the latter preserved a fragile balance. Typical especially of the Carpathian and Subcarpathian areas, class 4 can be considered safe from the harmful effects of the rural exodus which has never reached values capable of disturbing its demographic balance. From the point of view of its spatial extension, it is the most representative, but also the most dispersed.

The last 4 classes are differentiated by the deeply negative values of the migration balance during the communist period, followed almost everywhere by a recovery, even in the case of those which preserved their negative values. Their geographical position is closely linked to the distance to (especially important) urban centres. Class 5 groups the administrative units which are closer to cities, forming extended aureolas around large cities, continuing or mixing with class 3, with which it resembles in terms of the obvious manifestation of periurban attractiveness after 1992, even if at a lower level. Classes 6 and 7 experienced a common evolution before 1992, being deeply affected by rural exodus, but later they followed significantly different trends: class 6 registered an obvious recovery in the first post-communist decade, being specific mainly to plain areas; class 7 is practically the only one which preserved a negative migration balance, at a moderate level however, being typical of more isolated hilly or Subcarpathian areas. The difference between them can be explained by the preference of the urban population for rural areas with available agricultural land, thus hilly areas being disadvantaged. It is no coincidence that they were the first to experience labour emigration (northern Transylvania, Maramureș and Moldavian Subcarpathians, for example). Class 8 includes the most isolated rural areas, located mainly in the east of the country, but also in Transylvania, massively affected by rural

exodus, especially between 1966 and 1992. This also explains the positive migration balance recorded between 1992 and 2002, resulting from the return of part of the previously emigrated population, the lower population density thus creating availability of agricultural land. The resettlement of the migration deficit in the last two decades is the premise of an imminent depopulation, which has become effective in the small areas in the west of the country (Lipova Hills, Apuseni Mountains, Poiana Ruscăi Mountains).

The image provided by this typology largely agrees with the logic of the mobility transition. Attractiveness is increasingly becoming an exclusive attribute of large and medium-sized cities, with an important administrative role. It is only them that "afford" the establishment of some attractive periurban aureolas, combining internal flows but also marginally attracting external flows, too (especially in the case of the capital and the cities of Iasi, Cluj and Timisoara).The peripheral rural areas and those strongly affected by restructured industrial activities have joined the path of the new rural exodus, mainly directed abroad (classes 2, 6 and 7). After a short period of turbulence during which rural areas seemed to experience a revitalization due to the absorption of the population driven out of cities by the reforms imposed by transition (1990-2002), there was a strong spatial segregation among the areas favoured by the early metropolitanisation process (classes 3 and 5), those who force themselves to maintain a fragile balance (class 4) and those who are doomed to depopulation, being often left out of a minimal modernization of infrastructure (class 8).

3.2. Principal component analysis

The database obtained by standardization, according to the specifications in the methodological chapter, served multivariate analyses. The option for the principal component analysis aimed at testing the hypotheses formulated in the introduction. Even if the analysis model used, the one proposed by Xlstat (produced by Addinsoft), provides coefficients for validity determination (Chi-square, p-value) multiple regressions were also performed in order to indicate the multiple coefficient of determination (R^2). The values obtained for all these coefficients, in the case of both analyses, specific to each period (1948-1992 and 1992-2020, respectively), certify the predictive value of the explanatory variables introduced in the model (tables 3, 4, Figure 4).

For the first period, 7 explanatory variables were taken into account, considering available information: a general variable, expressing the position of the administrative unit within the network (SET), 3 physical-geographical variables (DR, AFR, SF) and three socio-economic variables (SPS, AGN, DVT).

Table 3. Correlation matrix (Pearson (n)), for the 1948-1992 period

Variables	MB1	SET	DR	AFR	SF	SPS	AGN	DVT
MB1	1	**0.522**	0.143	0.120	0.014	**0.636**	-0.144	**-0.356**
SET		1	-0.005	-0.104	0.164	**0.494**	**-0.224**	-0.107
DR			1	**0.472**	**-0.456**	**0.314**	0.074	-0.090
AFR				1	**-0.585**	**0.299**	0.041	-0.014
SF					1	**-0.213**	**-0.214**	0.063
SPS						1	-0.118	**-0.246**
AGN							1	**-0.604**
DVT								1
Chi-square (observed value) = 9177.2; Chi-square (critical value) = 41.337; p-value **<0.0001**;								
Values in bold are different from) with a siginificance level alpha = **0.05**								
Coefficient of multiple determination for multiple regression (R^2) =**0.5128.**								

Source: Elaborated by the author

The R^2 coefficient of determination obtained by multiple regression is high, indicating a strong direct correlation of the evolution of MB1 with SET and SPS. This combination between the position within the network and the socio-professional structure is in full agreement with the causality of the rural exodus and the urbanization process, respectively. The localities which are best positioned and which benefit from a predominance of non-agricultural activities behave as poles of attractiveness, while isolated areas, poorly connected and predominantly agricultural, behave as repulsive regions. The inverse correlation with the DVT factor is also in line with the trend of decreasing demographic vitality induced by the migration of the active population.

The absence of a significant correlation with the other factors does not diminish their explanatory value. If the physical-geographical factors do not seem correlated with the migration balance, instead they are relatively well correlated with SPS, which can be explained by the concentration of the localities with an attractive potential either in mountainous areas, more forested and with soils of poorer quality, or in plain areas, with a less humid climate. In the case of AGN, the negative correlations with SET and SF can

be considered interesting, the aging process, recurrent after the rural exodus, being higher in isolated areas, with less fertile soils.

For the second period, five additional variables (especially EMG) were introduced in order to test the extent to which there is a link between the evolution of the migration balance and emigration.

**Table 4. Correlation matrix (Pearson (n)), for the 1992-2020 period**

12	MB1	SET	DR	AFR	SF	SPS	AGN	DVT	EMG	NBH	BST	INC	EDU
MB1	1	**0.257**	-0.079	**-0.236**	**0.242**	0.089	0.135	0.006	-0.167	**0.290**	0.037	0.090	0.108
SET		1	0.017	-0.074	0.191	0.498	**-0.207**	0.111	0.130	**0.338**	**0.508**	**0.382**	**0.388**
DR			1	**0.494**	**-0.359**	**0.341**	-0.003	0.137	0.145	0.156	**0.328**	**0.259**	**0.283**
AFR				1	**-0.465**	**0.278**	0.011	0.175	**0.228**	0.174	**0.289**	**0.210**	**0.257**
SF					1	-0.039	**0.230**	**0.273**	0.242	**0.322**	0.082	**0.253**	**0.211**
SPS						1	-0.069	**0.260**	**0.316**	**0.448**	**0.745**	**0.693**	**0.702**
AGN							1	0.132	**0.407**	**0.404**	0.003	**0.408**	**0.374**
DVT								1	**0.696**	**0.640**	**0.391**	**0.542**	**0.513**
EMG									1	**0.707**	**0.486**	**0.664**	**0.636**
NBH										1	**0.618**	**0.768**	**0.781**
BST											1	**0.793**	**0.828**
INC												1	**0.940**
EDU													1
Chi-square (observed value) = 32368.2; Chi-square (critical value) = 99.617; p-value **<0.0001;**													
Values in bold are different from) with a siginificance level alpha = **0.05**; Shaded values : dependent variable													
Coefficient of multiple determination for multiple regression (R^2) =**0.3579.**													

Source: Elaborated by the author

Closely related to this, NBH, BST, INC and EDU were introduced to test the importance of life quality, income, level of education and impact of emigration seen in terms of new housing construction. Although the R2 coefficient of determination is lower, it registers a significant value that increases if the last four factors, strongly correlated with EMG, are dropped out. This redundancy is not surprising, a large part of the remittances of labour emigrants being invested in the construction of new homes or in improving building comfort (Zamfir et al, 2010). At the same time, the level of education and the level of income have a significant role in stimulating emigration among highly qualified people (Goschin, 2013; 2016). These correlations confirm the predominance of economic reasons among the participants in the massive Romanian labour emigration flows.

In comparison to the previous period, it stands out through significant correlations and physical-geographical factors. AFR and SF, although apparently opposite, explain the dependence of the migration balance (at least between 1992 and 2002) on the phenomenon of rural retreat of a part of the population previously migrated to cities.

Figure 4: Factor loadings (axes D1 and D2) for the 2 PCA conducted
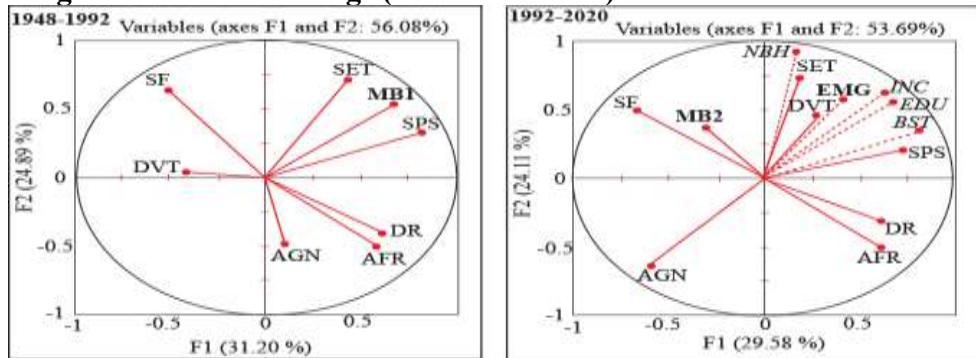
Source: *Elaborated by the author*

This phenomenon takes place especially in hilly and plain areas, with an agricultural potential and higher land availability than in hilly and mountainous areas, which are more forested. Factors which were strongly correlated in the first period, such as SPS, are now less important in the context of decreasing urban attractiveness and specific activities. The position within the settlement network preserves a certain importance, proving the decisive significance of this factor even in turbulent periods, as the transition to a market economy can be characterized. Among the newly introduced factors, NBH is significant, explainable primarily by the progressive insertion of periurbanization, accompanied by the expansion of living space.

The fact that EMG is negatively correlated, although not to a significant degree, is also important. It proves that the massive emigration after the year 2000 is primarily an urban phenomenon, regardless of the position within the network, strongly correlated with demographic vitality and the newly introduced factors in the model. The level of education, income and housing comfort, although higher in urban areas, favoured emigration by comparison to the situation in more developed countries, completely unfavourable. Thus EMG actually highlights the huge gap between urban and rural areas, which

represents an additional repulsive factor, fuelling the propensity for emigration, as pointed out by other studies (Incalțărău, 2012). The fact that SPS, although correlated with EMG, has a lower coefficient, may indicate the generalization of emigration, regardless of the level of professional training, the diffusion of the phenomenon from urban to rural areas, through the development of some migration networks. The emergence of a new migration system in Romania by altering the causal structures and the configuration of flows is certified by the significant change in the correlations between the level of the migration balance and the considered factors. The introduction of some additional factors, with a certain predictive value, such as unemployment, would not significantly change the quality of the model, recent studies highlighting close correlations with the education level, income level or socio-professional structure, factors which have already been tested (Simionescu, 2020). Another category of factors with a specific predictive potential can be those of a cultural nature, such as ethnicity and religion, many migration channels getting inserted in this way, especially in regions with mixed population (Anghel, 2015). Once again, the results of the presented analyses bring out the complexity of the migration systems, the present study being able to be considered a starting point for complementary introspections or for deepening the observed connections and dependencies.

Conclusions

The relationships between domestic and international migration, as far as they could be probed by the proposed analysis model, do not have an easy to delimit coherence, as the principal component analysis shows for the second study period (1992-2020). If in terms of internal migration there is a continuity largely related to positional advantage, the international migration between 1948-1992 (manifested at a rather low level and almost exclusively of ethnic nature), stands out through the complete change of both its amplitude and spatial distribution. As demonstrated by the typological analysis, the isolated, repulsive regions have kept their exodynamic character, following the path of an inevitable depopulation, similar to those in the developed western countries. The urbanized regions or those that benefited from the exploitation of some resources experienced an almost brutal transition immediately after 1990, from attractiveness to repulsiveness. The

extensive unidirectional movements that used to weld these two categories were interrupted by the end of the communist experiment. However, we can speak of continuity between domestic and international migration, starting from the presumption that a large part of those who participated in the authentic urban exodus after 1992 were those who had previously migrated from rural areas to cities, especially between 1977 and 1992. For this reason, the principal component analysis did not reveal a strong correlation between the migration balance and emigration. The massive international migration that characterizes the Romanian population in recent decades (about 4-5 million people according to unofficial figures but consistent with the statistics of the recipient states) is undoubtedly a continuation of the rural exodus in the communist period, at least from a motivational perspective. Just like then, the unavailability of jobs in the local or even zonal / regional horizon brought about massive movements. The opening provided by the numerous factories and industrial plants built by the communist regime, following some plans of territorial "harmonious" development, which in fact completely neglected its sustainable development, was most at hand in a closed system.

After 1990, the unlocking to the outside, the integration in the global circuits and the insufficiency / precariousness of the internal supply of jobs mobilize these masses abroad, in the most diverse activities. Basically, if by a miracle, the country were invaded by investments in activities in keeping with its real potential and needs, these masses would have every reason to return. It is possible that this will happen, but the return will no longer be towards the areas of origin but towards those which emerged as "winners" of the transition, the functional metropolitan areas, attractive for foreign investments and relatively adapted to the demands of a modern economy. The recovery of attractiveness by some cities seems a certainty, since the 2000s in the case of Cluj, more recently in the case of the capital, Timisoara, Iasi, Oradea or Sibiu, as shown by the descriptive analysis. At the regional level, a major discrepancy takes place between the Transcarpathian regions (evolving towards a competitive, multipolar model, in which medium-sized cities such as Alba Iulia or Bistrita have also got chances) and the south-eastern regions, where the hypertrophy of the capital becomes an obstacle, of all the other cities only Iasi seeming to effectively behave like a regional pole. In the absence of possible corrections through well-founded regional and

local development policies, these evolutions may be exacerbated. The state was rather content with the role of a passive spectator, literally "driving away" its citizens through the lack of coherent policies or through the inefficient use of the existing ones, especially in terms of illegal trafficking. Romania is facing an unprecedented demographic challenge, as other studies indicate (Borza, Soponaru, 2017). Internal migration from Romania was mainly driven by urbanization and industrialization planned before 1989. The transition to a market economy reversed this trend, gradually draining the flows of internal migration to the outside, motivated by development gaps. The effort to modernize the cities during the communist period neglected rural areas, the disparities thus created supplying the flows of international migration after 1990.

The study highlights the importance of multiple approaches in the study of migrations, the geographical perspective, provided by the amplitude of the worldview and the use of a varied methodology, being favourably placed to advance in the theorization of this vast field of research (King, 2011). The introduction of physical-geographical variables may further explain the formation of migration flows or the emergence of regional disparities, as underlined by this research. The combination of typological and factorial analyses also provides complementary results that can more accurately express the manifestation of spatial differentiations. The chrono-spatial perspective, using long series of data, as statistically coherent as possible, allows the detection of specific trends, ruptures, continuities, turbulences or invariabilities that more effectively explain the manifestation of evolution patterns. The proposed study tried to capture all these considerations in order to serve as a support for further research, aimed at analysing some observed features. The premise of the unitary approach of the two forms of migration, domestic and international, can also be productive in the direction of prospecting current or future trends.

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The Impact of Migration Processes on Development

Dorin VACULOVSCHI [1]

Abstract

In recent years, international migration has been growing rapidly and has reached over 272 million people or 3.5% of the world's population, and 740 million people are considered internal migrants (IOM, 2020). Migration has become a defining feature of the modern global economy and the main factors behind its expansion are the processes of globalization itself, technical progress, the new economic order, etc. Since the early 1970s, governments in some countries have seen international migration as a major tool for economic development. Migration, especially labor migration, has become a defining element of economic development for the Republic of Moldova as well. Labor migration has become an important factor in combating poverty and increasing the welfare of the population of the Republic of Moldova. Moldova's economic growth over the last 20 years is due to remittances from migrant workers. There is a very close relationship between migration and Moldova's development prospects. The analysis of the impact of migration processes on the development perspectives of the Republic of Moldova, as well as the role of public authorities in the process of integrating migration into development strategies is the subject of this article.

Keywords: international labor migration, employment, human capital, remittances, sustainable development

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Introduction

The contemporary era can certainly be called an era of migration. In recent years international migration has reached over 272 million people or

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3.5% of the world's population, and 740 million people are considered internal migrants (IOM, 2020).

Migration is characteristic of virtually every state, and migration has become a defining feature of the modern global economy. The main factors behind its expansion are the very *processes of globalization*, *technical progress*, the *new economic order*, etc.

The importance of contemporary migration is linked not only to the number of people migrating, but also to the fact that migration is taking on increasingly diverse forms. Women are increasingly present in migration (the feminization of migration is taking place), many families are adapting to a transnational life, and a process of lifestyle change is taking place.

In today's conditions, labor migration is becoming an extremely important factor for the economic development of destination countries. The labor shortage caused by ageing processes, the huge differences in the level of development and welfare between countries of origin and destination, make destination countries increasingly attractive to migrants and their numbers are soaring. On the other hand, the economic underdevelopment and relative overpopulation of countries of origin are leading to an increased motivation for their inhabitants to leave their countries in the hope of securing a better living.

In the present period, for the Republic of Moldova, considered as a country of origin, the migratory phenomenon, especially labor emigration, has become a defining element of economic development as well as of human existence. Over the last 20 years the number of migrants has been on a continuous upward trend. Although official data estimate labor migration at around 350 thousand people in 2018 or about 30% of the country's human potential, numerous studies show that the scale of the phenomenon is much greater. According to World Bank estimates, in 2017 about 1.02 million people had left the country, of which about 300 thousand in Russia, 176 thousand in Italy, 158 thousand in Ukraine and 151 thousand in Romania (Spatari, 2019). The impact of migration on the social and economic situation in Moldova is significant. Labor migration has become an important factor in combating poverty and increasing the welfare of the population of the Republic of Moldova. And the economic growth that the Republic of Moldova is experiencing is due in particular to the remittances of emigrant workers.

These have reached a level of about USD 1.5 billion (2020) constituting about 16% of the country's Gross Domestic Product (NBM, 2021).

At the same time, migrants, once they return home, bring not only money, but also new development ideas, knowledge and entrepreneurial skills that have been acquired as a result of migration.

As early as the early 1970s, governments in developed countries saw international migration as an important factor in *economic development,* implementing various models of circular labor migration that would benefit both their countries and the countries of origin. Today, the issue of integrating migration into development strategies is strongly promoted by most international organizations of the UN group and is on the agenda of governments in virtually every country.

This article aims to analyze the impact of migration processes on development processes in the Republic of Moldova in recent years. The article aims to highlight the impact of migration on various forms of development (economic development, community development, human development, etc.), as well as the extent to which it leads to changes in socio-human life and development goals in the Republic of Moldova.

1. Literature review and data methodology

For a more in-depth analysis of the research topic, a vast literature in the field, studies, monographs, articles, briefing notes, official data from governmental institutions concerned with promoting the integration of migration into development policies, etc., was analyzed. Such aspects as labor migration and its impact on development (Stalker, 2015), dual labor market and the role of labor migration in expanding the dual labor market (Piore, 2014), migration processes in the Russian Federation and the CIS Space (Mucomel & Cheianu, 2013), and global trends in migration (International Organization for Migration, 2020) were taken into consideration etc.

In the process of analyzing the impact of migration on development processes in the Republic of Moldova, qualitative and quantitative research methods were used, such as: sociological observation, document analysis, and statistical data. Statistical data from the National Bureau of Statistics, the National Bank, as well as some data taken from various studies conducted in recent years were used.

2. The Model and Findings

In order to highlight the effects of migration on development, it is usual to analyze the impact of the three types of transfers generated by migration, namely *the transfer of people*, the *transfer of knowledge and know-how* and the *transfer of remittances*. These transfers have a strong impact on economic development in both countries of origin and destination, and contribute significantly to the functionality of the economies of these countries.

2.1. Impact of migration on labor market functionality in the Republic of Moldova

Out of the many forms of migration, labor migration can probably be considered the most important, accounting for the largest share of all migration cases. The most representative *developmental* theory of international labor migration is *neoclassical*. According to this theory, international labor migration has the capacity to ensure labor market equilibrium in both countries of origin and destination and to create the conditions for sustainable development in both countries of origin and destination.

Countries of origin are often characterized by a shortage of capital and an excess of labor force that the economy of the given country cannot absorb. This excess of labor force is due to the *pattern of enlarged reproduction of the population* characteristic of the given countries, which leads to a strong increase in the number of the population and the labor force. Under these circumstances, international migration is a safe solution that helps to alleviate labor market imbalances in the countries of origin by reducing labor market pressure and reducing unemployment. On the other hand, the excess of labor force is a beneficial opportunity for investors to place their capital in these countries, thus helping to create new jobs and increase wage incomes. The experience of countries such as Mexico, the Philippines, India, China, etc. which have a longer tradition of international labor migration confirms this.

According to the Nexus study (Zwager & Sintov,2014), the majority of long-term emigrants from the Republic of Moldova leave in order to find a more attractive job - about 89.5%. Other relevant types of long-term migration can be considered migration for family reunification and migration for study purposes (Figure 1).

Figure 1. Distribution of migrants by purpose, 2013, %
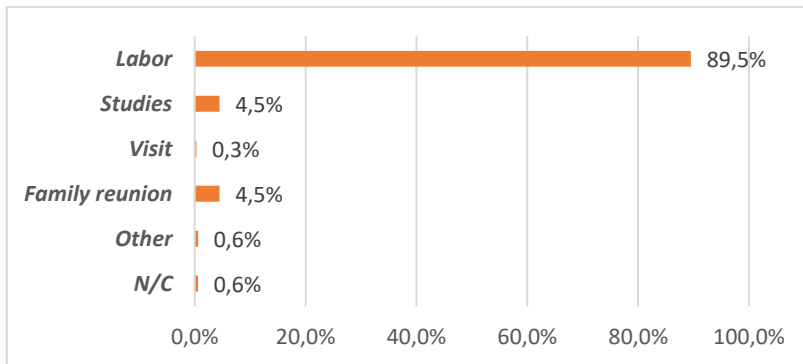
Source: Zwager, N., Sintov, R. (2014). Market Study: Innovation in circular migration - Migration and development in Moldova, Chisinau, IASCI

Referring to the situation on the labor market, Moldova is currently facing an extreme decline in employment levels. The employment rate has been around 40% and has remained at this level for several years. According to the Labour Force Survey data, in 2020 the employment rate was about 38.8%, 2.0 p.p. lower than in the previous year, while the participation rate, stood at about 40.3%, down 1.3 p.p. compared to the previous year (Figure 2).

Figure 2. Evolution of participation and employment rates
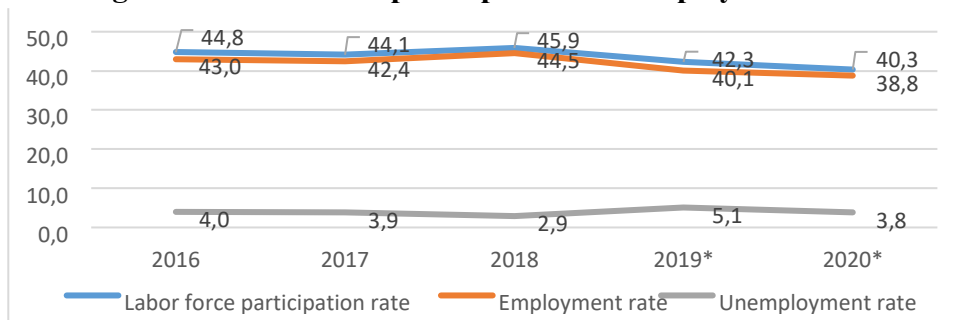
*From 2019 the Labor Force Survey is conducted according to a new survey design and under the revised definition of employment.
Source: National Bureau of Statistics (2020) (FM_2020.xlsx (live.com)

Alongside with decreasing level of employment, the unemployment rate is also falling. In 2020, the unemployment rate in the Republic of Moldova was 3.8%.

The decline in the occupational indicators takes place in the context of an accelerated growth in the inactive population (population outside the labor force) as well as in the number of people who do not want to work. According to the Labor Force Survey data, the number of people outside the labor force in 2020 amounted to 1283.6 thousand people, of which NEET youth[1], respectively, 120.92 thousand people.

It can be noted that the population of the Republic of Moldova is not motivated to be present on the domestic labor market, preferring either to work abroad, to work in the informal economy, or activities other than labor. In 2020, the number of people who went abroad for work for less than one year, or intended to go abroad for work, was 241.5 thousand people (National Bureau of Statistics, 2021).

Some experts in the field, politicians and media sources try to demonstrate that the intensification of the migration is the main cause of the deterioration of occupational indicators, which realistically represents a major risk for the Republic of Moldova's economic development perspectives. Indeed, the decline in the volume of employment leads to the undermining of the social security system by increasing the economic dependency ratio, as well as to a labor force shortage emergence. Such a phenomenon has been observed in some countries in transition to a market economy that have successfully overcome the economic crisis.

However, the current reality in the Republic of Moldova is quite different. The massive exodus of working population is primarily due to the lack of real job opportunities, especially in rural areas, and to extremely low wage incomes that cannot ensure a decent standard of living. Despite the efforts of the central public authorities to improve the employment[2] situation, the current economic climate is not yet capable of creating new, productive and attractive jobs that would motivate the population able to work to return home.

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[1] The NEET (Not in Employment, Education or Training (NEET)) group are young people aged 15-29 who are not part of the employed population, are not studying/learning within the formal education system and do not participate in any courses or other training outside the formal education system.

[2] Over the past years, several strategic documents have been developed focusing on increasing employment levels, such as the National Employment Strategy 2007-2015, the National Employment Strategy 2017-2021, the State Programme on the creation of 300 thousand jobs and raising the wage to USD 300, etc.

In such situations, where people of working age cannot find their ways in their hometowns, and cannot ensure a decent living, labor migration would be the most beneficial solution. The situation is the most critical for rural localities, from where the majority of emigrants from the Republic of Moldova actually originate (around 69.6% in 2020)[1]. Indeed, in rural areas where the majority of the population is occupied in agriculture and the prospects for new jobs' creation are uncertain, opportunities to be hired for a job are practically non-existent.

Therefore, for the Republic of Moldova, international migration is, first and foremost, an essential source in ensuring a decent living for a large part of the country's inhabitants. In most cases, migrants were working prior to their departure: they either had paid jobs or had their own business. The main factors that led to people going abroad to work were low wages, non-secure jobs and working conditions and lack of opportunities to earn an adequate income for a decent living.

In most cases, leave abroad young people, people with a lower level of education and work experience. They are tempted to work abroad, because, for the same work provided, they get a higher net salary than in the Republic of Moldova. And the possibility of returning and reintegrating into the labor market at home is becoming less and less possible.

International labor migration can therefore be seen as an important factor in overcoming labor market imbalances for both sending and receiving countries. Migration flows become a mechanism for balancing globally the shortcomings in domestic markets and will lead to a lower wage level than before the intensification of the migration phenomenon in the developed country and respectively a higher wage in the poor country. In this way, migration also leads to a narrowing of the economic gap between the country of origin and the country of destination. The main effects of international labor migration are: *Ensuring balance in the labor market*; *Maintaining a low level of pressure on the labor market; Making efficient use of available human potential; Ensuring demographic balance (both in countries of origin and destination countries)*; *Increasing national income per capita*.

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[1] Author's estimations

Therefore, it can be concluded that the first type of transfer - the transfer of people - is characteristic for the situation in the Republic of Moldova, ensuring the balance between supply and demand on the labor market.

2.2. Impact of migration on the quality of human potential

In the recent years, the technical progress, together with globalization processes, has led to an intensification of international labor migration flows. This increase has also been accompanied by the emergence of new types of migration such as *intellectual migration*, which is driven by the growing demand for a more skilled workforce in destination countries. With the development of the knowledge and innovation-based economy, practically all countries in the world are making great efforts to increase the level of education of their citizens and to provide the *new* developing *economy* with the necessary labor resources in order to meet the new demands of economic competitiveness. Certainly, every country has well-educated, creative thinking professionals capable of contributing to the modernization of the national economy. But their numbers are insufficient. This is confirmed by the shortage of qualified staff in the labor markets of destination countries, as reflected in the statements of recruitment agencies and employers on the selection of staff, especially highly qualified staff.

In this context, an optimal solution to reduce the shortage in this segment of the labor market would be to *attract highly qualified personnel from abroad*, especially as attracting foreign professionals also means bringing global experience and new knowledge into the country. It is noted that migration of unskilled workers is characteristic of all countries.

The phenomenon when skilled specialists leaving less developed countries for more developed ones is called *'brain drain'*. This phenomenon began to be researched as early as the 1960s. The term *'brain drain'* was launched to describe the emigration of engineers and scientists from Europe to the USA, which continues to be the main destination for highly skilled migrants nowadays. By the 1980s, the migrant typology was completed with *professional or intellectual migrants*, defined as skilled or highly skilled personnel moving from one country to another, often as members of international companies (Appleyard, 1991). This new category of migrants has been specifically defined to identify a variety of situations leading to a

continuous increase in the number of such migrant workers, with a different impact compared to other types of migrants.

The category of *"specialist"* (professional worker) has become so important in international migration research that it has become necessary to divide it into subcategories: *top managers; engineers; professionals; researchers; entrepreneurs; students*. Each subcategory of skilled migrants determines its own reason for migration. Scientists may be motivated by some personal aspirations or scientific curiosity; for engineers, the main factors are salary levels or working conditions, while for entrepreneurs the main motivation is to increase income.

This type of transfer is also characteristic of the situation in the Republic of Moldova. International migration is important for migrant workers, including for the cultivation of an entrepreneurial culture. However, one of the main causes of the economic crisis is the lack of entrepreneurship, which was suppressed in the most brutal way during the socialist economy. Statistical data show that at the moment in the Republic of Moldova, the share of the employed population with the status of employer in the total employed population is very low and represents only 0.4%. For this reason, the work and entrepreneurial skills that migrant workers cultivate in the countries of destination with a high level of economic development and can apply on their return are extremely important for Moldova's development prospects.

However, the majority of migrant workers are still employed in unskilled jobs, for which, in fact, there is the greatest labor shortage. Usually, these jobs are also called 3D (from the terms *dirty, dangerous, difficult* that characterize jobs in the secondary sector) (Stalker, 2015), and are deemed acceptable by migrant workers. No matter how low the wages for these jobs are, they still exceed the level of wages in the home country.

The main question here would be to what extent countries of origin do benefit or lose from the movement of highly skilled human capital. Various studies show that international migration can benefit not only destination countries but also countries of origin. However, the 'brain drain' is thought to reduce economic growth as sending countries lose important human capital and investment in education.

On the other hand, research on migration describes another phenomenon related to human capital, namely the process of *"brain waste"*, which occurs

when skilled professionals migrate to destination countries to provide lower-skilled labor services, which can lead in the long run to the degradation of human capital. In fact, a waste of human capital can also occur when the skilled labor force, remaining at home, cannot fully perform. However, human capital, like physical capital, has the property of depreciation, requiring permanent *'depreciation'* investment. If skilled labor is not used, it loses its skills anyway. The emigration of skilled labor can therefore be seen at the same time as the preservation of its potential.

Diversification of the forms of movement of skilled migrant workers abroad has led to the emergence of the concepts of *'brain circulation'* or *'brain exchange'* as well as *'brain gain'*. These concepts have emerged to analyze non-permanent intellectual migration. Labour migration of researchers is a sure way to establish sustainable international contacts, to include scientists in the global intellectual labor market, and last but not least, it is a prerequisite for the development of science worldwide. The positive effect of the labor migration of specialists will come when the *"brain drain"* turns into a *"brain circulation"*.

According to this phenomenon, returning migrants could make visible contributions to the economic growth of their country of origin, as *the* returnee *would bring with him/her new work experiences, new technological ideas, specific to advanced countries. Brain circulation* is justified by the fact that it is much cheaper to borrow a technology from outside the country than to reinvent the whole thing, from scratch, inside the country.

It is undeniable that the development of science in contemporary conditions is closely linked to the phenomenon of mobility. It is precisely the increase in mobility that has become an important factor contributing to the advancement of innovation. In this sense, the mobility of scientists is seen as a tool for improving the quality and productivity of scientists and research teams.

Mobility thus becomes a mechanism for knowledge dissemination, contributing to the promotion and development of new research areas, including interdisciplinary ones, and to the broadening of knowledge and skills horizons.

2.3. Impact of remittances on Moldova's development

Transfers of financial resources made by migrant workers are the third type of transfer, which can be considered as the most important in the development of the Republic of Moldova.

Given that most international migration is labor migration, it brings in significant financial flows which in turn contribute to the welfare of the population. In 2020, the volume of remittances reached USD 1,486.74 million (or 16% of GDP). This amount of money can be even higher if remittances through informal channels are taken into account (Figure 3).

The significant increase in the remittance flows since 2000 has been visibly correlated with a commensurate development in economic growth and the standard of living of many families in the Republic of Moldova, while also constituting a visible source for the development of businesses in the country and the creation of new jobs. Migration can be seen as a reliable way of combating *poverty*. Indeed, the remittances generated by migration lead to increased welfare for many families or households of emigrants.
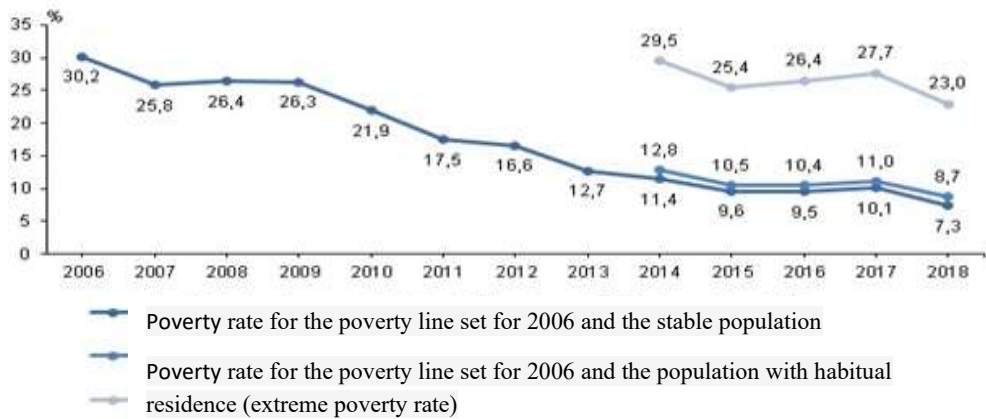
Figure 3. Money transfers from abroad to individuals (gross basis)
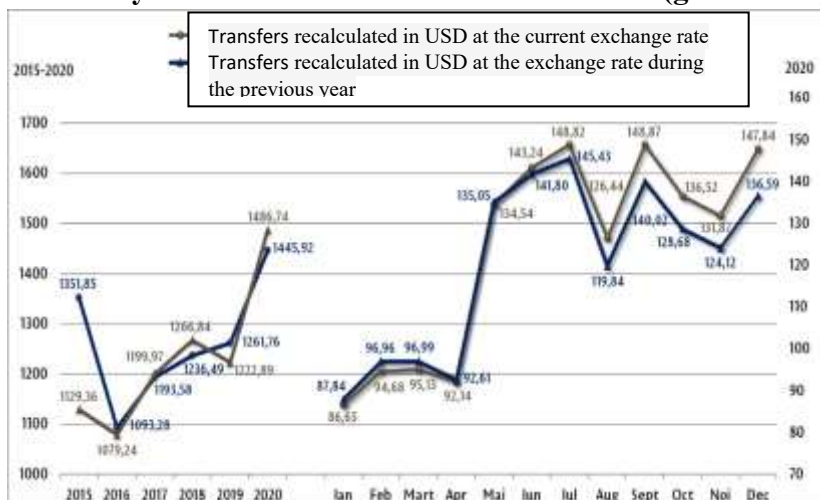
Source: data from National Bank of Moldova (2020)

The Household Budget Survey shows that the remittances are an important source of escape from poverty for the population of the Republic of Moldova. Thus, remittances from abroad in 2020, on average, accounted for 12.9% of total income or 0.5 percentage points more than in 2019.

In the context of rising incomes, poverty levels have been reduced. Over the last few years, they have been halved (Figure 4).

Figure 4. Absolute poverty rate (%)

Poverty rate for the poverty line set for 2006 and the stable population

Poverty rate for the poverty line set for 2006 and the population with habitual residence (extreme poverty rate)

Source: National Bureau of Statistics (2020)

In 2014 the poverty rate in the Republic of Moldova was 11.4%, twice lower than 5 years ago. Since 2015 the poverty line is calculated according to a new methodology (in 2019 the poverty line was 2,095.1 lei, compared to 1150 lei in 2014), which resulted in setting the poverty level at 25.2%) (NBS, 2020).

Strategic development documents have recognized the importance of remittances for development. In the recent years, the issues of labor migration and remittances have started to have a more visible presence on the government agenda through the implementation of the "PARE 1+1" program of the Moldovan Organisation for Developing SMEs, which can have a real effect on the process of creating new jobs.

Conclusions

It can be concluded that international migration through the three types of transfers has an interventionist character and a strong impact on economic development. Migrant workers are potential job creators without private or public investment from the national economy. The transfer of foreign currency by migrant workers from abroad can be considered one of the great advantages of international migration, which has an impact on the national currency in terms of the evolution of the national currency exchange rate on the foreign exchange market.

International migration is important for cultivating an entrepreneurial culture, especially for countries in transition to a market economy such as the Republic of Moldova. One of the main causes of the economic crisis in these countries is the lack of entrepreneurial spirit, which was most brutally suppressed during the socialist economy.

In fact, international labor migration brings benefits as well as risks. National economies characterized by high international labor migration become vulnerable to external shocks and build up a consumption-based development model. And the attractiveness of the country of origin for potential investors is too high, as it is also determined by other factors shaping the investment climate, such as the business environment, economic legislation, social infrastructure, the quality of the labor force, the capacity of markets, etc.

Migration processes are therefore neither good nor bad. They are a compensatory factor, mitigating economic and social imbalances and not a negative impact on the development of demographic processes.

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Challenges of Return Migration to the Republic of Moldova in the Context of International Migration Flow

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Abstract

Return migration is one of the types of contemporary migration, gaining momentum in many countries of the world as a result of frequent economic, political and social conjunctural changes that have influenced migration as a phenomenon. As part of the migration process, return migration has been less studied, given the low intensity of this form of migration and the difficulty of quantifying returned migrants. The return and reintegration of returned migrants, regardless of the reason or the mode of return, is a challenge both for returnees and for the authorities of the receiving countries and requires action plans, well thought-out strategies in order to manage this process effectively and to encourage new flows of returnees. Through this study, the authors wish to analyse the phenomenon of return migration through the prism of its determining factors, to follow the effectiveness of instruments that stimulate the return migration, to analyse the experience of European countries in managing this type of migration as best practices.The use of classical and contemporary human geography research methods will allow the quantitative and qualitative assessment of return migration, the study being based on a sociological survey conducted with returnees following a migration experience.

Key words: return migration, migratory ebb, return programs

JEL Code: J01, J11, J15

Introduction

Migration is one of the most far-reaching social processes that have shaped the lives of millions of people around the world. Practically all

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countries in the world are involved in the migration process, regardless of their status as migrant-receiving or migrant-donor states. Migration as a bidirectional phenomenon has developed with different intensity in time and space, influenced by a number of socio-economic and political factors. Migration flows have grown throughout history, diversifying and expanding in terms of spatial coverage, reaching a peak after the Second World War with the strong emergence of long-distance transport systems and the liberalisation of the movement of human flows. Eastern European countries were involved in an intense migration process in the period after the 1990s, as political emancipation and socio-economic crises marked by systemic transformations led to the creation of large flows of migrants, who took the foreign route as a route to survival. The Republic of Moldova is one of the countries most affected by the migration phenomenon, with the population involved in various forms of migration, including return migration.

Over time and through different migration experiences, several countries of the world have changed their status from emigration states to immigration states, and in the current context of the global pandemic, a return of migrants is expected in the context of economic recessions that are acutely felt in countries with large numbers of migrants. This change in status is relevant for the countries of southern Europe, which were transformed from countries of emigration into countries of immigration in the 1980s, their attractiveness increasing as they reached economic maturity. The return of migrants to their country of origin could also be caused by the increasingly active transfer of economic activities to developing countries with low labour costs, thus remote work being an option for a growing number of firms in rich countries, but with high living costs. This ebb in the flow of migrants, mostly from former out-migrants, could be an important resource for the economies of countries in transition, which are dependent on the volume of remittances sent home, but also on acute human and labour shortages, as in the case of Moldova. This type of migration is currently attracting the attention of researchers and decision-makers because of the role it could play in the demographic and economic development of countries, as returnees could serve as a catalyst for the development of human, financial and social innovative capital. These premises formed the basis of the study, and the authors proposed a number of objectives. These include:

- identifying the role of return migration in the migration system;
- justifying the optimistic and pessimistic views on return migration
- assessing the degree of involvement of the Moldovan authorities in addressing return migration;
- identifying the problems and expectations of the returned compatriots after a migration experience, as well as understanding the challenges and opportunities regarding reintegration, transfer of human, social and financial skills acquired abroad to the country's economy (based on the sociological study);
- analysis of best practices in European countries in monitoring and managing returned migrants.

Return migration is a more recent phenomenon in the Republic of Moldova and therefore there are few empirical studies that would provide a clear answer to all the challenges of return migration. According to NBS data, the number of returnees after a migration experience is 2-3% of the total number of departed people, which cannot yet speak of a clear trend in this regard (ILO, 2017). The same situation is noted in the few sociological studies on return migration in the Republic of Moldova like Popova, Cheianu. (Popova et al, 2007; Cheianu-Andrei, 2013; ANOFM, 2018). Return migration can be found in a number of international studies: the comparative study of migrants returning from the Caribbean to France and the UK (Byron & Condon, 1996); the experience of migrants returning from the United States to southern Italy (Cerase, 1974); empirical evidence of returned migrants in the UK (Dustmann & Weiss, 2007); the experience of migration management in Bulgaria (Bakalova & Misheva, 2018; Ivanova, 2015), etc.

1. Data and Methodology

Several methods were at the base in the making of this article: comparative, analytical, quantitative, statistical, survey. The quantitative method was implemented with the instrumentation of the sociological questionnaire. Anonymous questionnaires, questionnaires that were not completed entirely, and questionnaires of respondents who did not have more than half a year of residence abroad, were not analysed. To argue the issue of the return migration as a whole, we implemented the quantitative method, with the instrumentation of the sociological questionnaire among people

returning to the country after a migration experience. The empirical study "Return migration" was conducted between January 15 and February 17, 2021, being launched in Romanian and Russian on the social networks Facebook and Odnoklassniki to obtain information related to the issue of the return migration.The questionnaire has 15 questions and was addressed to people who have lived/worked abroad for more than six months and currently are returning to the country. It was distributed to 85 people who were willing to take the survey in the online version. The aim of launching and conducting the sociological survey was to obtain information about returned migrants from the primary source, beyond official statistics, and to test several theoretical hypotheses about return migration.The share of people who completed the questionnaire was 63% women and 37% men, 3% of the respondents being over 60 years old, 25% aged between 40 and 60 years, 72% being between 18 - 40 years. 64% of the respondents declared themselves married, 19% unmarried, 11% divorced, 3% - widows/widowers. Four socio-demographic criteria weighted the data. The questionnaire was approved by Idata (a national company specialised in conducting nation wide surveys).

2. Return migration – literature rewiev

Among the new forms of manifestation of migration is return migration.

The definition of return migration has met several formulations, which include: ebb migration, migration home, re-emigration, return flow, migration for the second time, repatriation, transient migration, "retromigration", etc.

Return migration is considered by several authors as *the final part of the migration cycle*, and some recent studies show us that „*the return of the migrants may be just another step in the migration cycle since people are constantly in search of better work and living opportunities"* (Riiskjaer & Nielsson, 2008; Stefannson, 2006).

According to King „*Return migration can be defined as the process by which people return to their country or place of origin after a significant period in another country or region"* (King, 2000). However, King does not specify what a „*significant period"* would entail. There are debates about the duration of the migration act to be considered a migrant and a return migrant.

The return of migrants to their country of origin is a feature encountered in international migration, but it intensified during the period of globalization of human flow in the second half of the twentieth century. According to Gmelch „*¼ of those over 16 million European emigrants to the USA later returned to their country”* (Gmelch, 1980*). „More than ½ of immigrants that arrived in the UK at the beginning of the 21st century return to their homeland after a period of 5 years*" (Dustmann & Weiss, 2007).

Migrants are often bothered by the uncertain status in the country of adoption. They try to obtain full membership in a different society, this process involving a difficult transformation from a "foreign" person to a "local" one. This transformation is difficult, even after naturalization, the returned migrant could always be perceived as a foreigner. In another study by the scientist (Boccagni, 2011), is noted the idea, according to which, some migrants returned to their country of origin, believe that their return is *"a restoration of the natural order of things".*

The Organisation for Economic Co-operation and Development (OECD, 2008) identifies the returning migrant as „*people who return to their country of citizenship after being international migrants (short-term or long-term) in another country and who intend to stay in their own country for at least one year”.*

The United Nations (UN) identifies two categories of people entering a country: citizens and foreigners (1998). Citizens returning to the country after a period of staying abroad can be identified in several categories:

- people returned from work experience abroad;
- people returned after graduation and / or professional training;
- people returned after working abroad as international civil servants;
- people deported from abroad.

Immigrants based on humanitarian reasons: 1) refugees; 2) asylum seekers (UNDESA, 1998). The analysis of certain aspects of return migration can be found in the works of some authors from the Republic of Moldova too (Hachi & Morozan, 2021; Vremiș, 2014).

3. Return migration in the context of migration theories

With the increasing significance of the migratory flow in the opposite direction, return migration has been the subject of different scientific

interpretations and approaches, even if the explanation and understanding of this form of migration did not always coincide with the expectations of decision makers in the return countries of the migrants. Perhaps this is also the reason why the migration policies of the states of the world aim, for the most part, at emigration and much less at immigration with the segment of migrants returning from a migration experience.

This is due not so much to the lack of interest in the ebb and flow of migration as to the absence of reliable quantitative data on return migrants, which is difficult to quantify. There is now a growing emphasis in international migration institutions on reviewing approaches to return migration in the context of the migration-development relationship.

This critical review focuses on theories that have attempted to propose a set of explanatory variables aimed at better understanding the extent, dynamics of return migration, determinants, degree of reintegration in the migrant's country of origin, etc.

In the context of this study, it seems appropriate to review the main explanatory theories of return migration, taking into account the situation of this migration flow in the Republic of Moldova.

The manifestation of return migration can be inferred from *explanatory theories of migration*. Among the laws considered essential to the act of population migration, according to the geographic researcher E. Ravenstein, *any migration flow produces a counter-flow.* Migration as a process develops gradually: village-town-outward migration, migration in the opposite direction. The main reason for emigration is economic and this is also the basic reason for the return migration, if the economic situation in the emigrant's country improves or the emigrant's expectations for higher earnings abroad are not fulfilled (Ravenstein, 1885, Todaro, 1969).

To the extent that the neoclassical approach to international migration is based on „the explanation of *wage differentials between receiving and sending areas*, and on *migrants' expectations of higher earnings in host countries*, return migration seems to be viewed as the result of a failed migration experience that did not achieve the expected benefits" (Todaro, 1969). Return occurs as a result of failed experiences abroad or because their human capital has not been rewarded as expected. From the neoclassical

perspective, return migration involves labour migrants who miscalculated the costs of migration and did not obtain the benefits of the expected gains.

Moreover, unlike the new economics of labour migration, the neoclassical economics of migration views migrants as individuals who *maximise not only their earningsbut also the length of their stay abroad in order to achieve permanent settlement and family reunification*. In this framework of analysis, cost-effectiveness cannot be motivated by a failed migration experience in terms of expected earnings, employment and duration. On the contrary, while the *neoclassical approach to return migration* argues that migrants have not successfully maximised their expected earnings, the new economics of labour migration, views return migration as the *logical outcome of a 'calculated strategy'*, defined at the level of the migrant's household and resulting from the successful achievement of objectives or targets.

In fact, as Stark argues, the new economics approach to labour migration shifts "the focus of migration theory from individual to general independence" (Stark, 1991), which means it involves the family or household level. Moreover, he sees the return as the *natural outcome of a successful experience abroad,* during which *migrants have achieved their goals* (i.e. higher incomes and accumulation of savings), while naturally remitting some of their income to the household. Remittances are an integral part of a strategy to diversify household resources to better compensate for the risks associated with the absence of an efficient insurance market in the migrant's home country. They are an explanatory factor in the decision to return home.

The new economics of labour migration, claims that people move temporarily to achieve their goals or targets in receiving countries as a prerequisite for returning home, return migration is seen as a success story, if not a logical outcome. Migrants have defined clear strategies before, during and after their migration experiences. The length of stay abroad is calculated according to household needs in terms of insurance, purchasing power and savings. Once these needs are met, return migration takes place. In other words, the new economy approach to labour migration for return migration is "beyond a reaction to the wage gap between the migrant's two destinations" (Stark, 1996).

Another approach to return migration analyses the act of return not only as a personal problem, but also as a social and contextual one, affected by situational and structural factors. The finality of migration, according to

structuralists, whether analysed from the perspective of success or failure refers not only to the individual experience of the migrant but also to social and institutional factors in the country of origin. The success or failure of returnees is analysed by linking the 'reality' of the economy of the country of origin and society to the expectations of return.

Several authors try to explain the phenomenon of return migration in terms of migrants' aspirations, expectations and needs. Thus Cerase, F. (Cerase, 1974) identifies four different causes of return migration:
- the return from failure;
- the return from conservatism;
- return to retirement;
- return for innovation.

Some of these reasons are also indicated by the respondents who answered the sociological questionnaire. The general optimistic state of the returned migrants and the specific mentality of their compatriots do not reflect the reasons for the failure and/or conservatism of the returned Moldovan migrants. Most of them mentioned family as the main reason for their return (see Figure 2 below).

The typology of returnees is clearly an attempt to show that situational or contextual factors in the homeland must be taken into account as a prerequisite for determining whether a return experience is a success or a failure.

A few years later, in another relevant study with reference to return migration, the intention to return is correlated with their motivations (Gmelch, 1980). The intention to return, whether actual or intended, shapes the expectations of returnees to their homeland (Callea, 1986).

The structural approach to return migration focuses on the extent to which returnees may or may not have an impact on their home society upon return. Their analytical framework refers to the consequences that return migration may generate in the country of origin, with reference to two variables: *time and space. Time* refers to the length of stay abroad and the change that took place before and after migration, with reference to the status of returnees and the origin of their society. Social changes in the societies of origin as well as professional advancement are central to the return process of returnees. This readjustment process takes time, depending on the length of the migration experience at the same time, the length of stay abroad needs to be

optimised to allow migrants to acquire and diversify their skills with the intention of investing them in the home country after return (Dustmann, 2001).

According to R. King, the length of the migrant's stay abroad is important for returning migrants „to use their newly acquired skills and attitudes for the benefit of their country of origin. It should be neither too short nor too long for the migrant to absorb certain experiences and values that could bring them back home'' (King, 1986).

In terms of *space*, *structuralists* argue that the area of settlement (rural or urban) determines the return process of returnees and reshapes their expectations. Eventually, according to structuralists, „as returnees adapt their expectations and behaviours to local societies, they tend to orient their consumption patterns towards non-productive investment and visible consumption" (Byron & Condon, 1996).

Thus, return migration can be based on different interpretations, which can be attributed as optimistic and pessimistic, allowing a better understanding of the phenomenon of return migration and can be analysed on behalf of the returned migrant and the migrant's state of origin, from the perspective of success or failure (Table 1).

Table 1. Return migration from the perspective of the migrant and the state of origin

Optimistic perspective /success	Pesimistic perspective/failure
The returning migrant	
- social and cultural advantages in the country of origin - business development/business investment opportunities - transferable knowledge - the desire for change in the country of origin - family and kinship ties - receiving the inheritance - retirement	- migration failure - conservatism - unrealised expectations - personal problems/failure to integrate - poor health - encouraging emigration
The migrant's state of origin	
- fulfilment of human potential - migrants' professional experience - acummulations transformed into investments	reintegration costs

Source: adapted from quoted sources and answers from the "Return Migration" questionnaire

4. Return migration: the European experience

At EU level, the free movement of individuals is a basic principle granted and protected by several fundamental acts and agreements. However, allowing the free flow of people facilitates migration, which leads to significant social and economic problems in less developed regions. At European level, the free movement of people enhances competitiveness, while at national, regional and local level it can create unwanted tensions. The causes and consequences related to migration may differ from country to country and region to region; it is therefore difficult to develop a single policy 'formula' (Zwania-Rößler & Ivanova, 2013).

At European level, the promotion of the single market and European mobility is a basic principle articulated in several policy documents, guidelines and acts since the 1957 Treaty of Rome.

The Single European Act, the Maastricht Treaty and the creation of Economic and Monetary Union were all important steps towards a unified labour market. The Lisbon Treaty 2009 institutionalised the common immigration and asylum policy, but focused exclusively on migration from third countries . The Single Market Act II highlighted the vision of a truly unified European labour market that could enhance Europe's competitiveness. The Lisbon Treaty specified that the EU should develop a common migration policy (dealing not only with security issues but also aiming to effectively coordinate migration flows to and within the EU).

In terms of the methods/instruments applied (e.g. re-attraction, reintegration, re-employment, detention) the European policies of the states show great variations and interpretations. Most documents apply several methods. In general, migrant resettlement plays a major role in most policies, but it is emphasised more in those resettlement policies that have clear economic objectives and in policies formulated in Eastern and South-Eastern European countries (e.g. Poland, Hungary and Albania). The latter seek to overcome the negative consequences of past migration, mainly due to income disparities. The role of re-employment is important in labour market interventions (Momentum in Hungary or Slovensko Calling in Slovakia).

The most significant migration policy instruments that would be suitable to returning migrants are the European Return Policies. To attract back skilled labour by offering grants. Grants are usually co-funded by the

EU. Some examples: *Rientro cervelli* ("Brain buster") in Italy, *Lendület* ("Momentum") in Hungary or *Slovensko Calling* in Slovakia. Another tool used is the provision of information services for potential re-migrants on jobs, business opportunities, etc. An example of this is Poland, which has set up crisis centres to facilitate the flow of information and support the re-employment of returning migrants. Other examples include:

- help with reintegration and re-employment of migrants through recognition of skills obtained abroad (Romania);
- assistance at the return of the migrants who lost their jobs abroad and became homeless (BARKA Foundation, Poland);
- consolidating migrants' identity to motivate their return (Back2BG in Bulgaria);
- promotion of national culture and language abroad (e.g. Wspólnota Polska Association of Polish emigrants);
- creation of a database for collecting information on students and workers abroad (State Agency for Bulgarians Abroad), etc.

Although EU law does not allow restrictive administrative regulations on the movement of persons, there are examples of restrictive measures. In 2012, the Hungarian government introduced a new rule for future university students to slow down the migration of skilled labour. According to the new rules, students must work in Hungary for a period of time equal to their government-funded university education. If they emigrate, they have to pay the costs of their education. The decision to return is influenced not only by the policies implemented by migrant-sending countries, but also by receiving countries. In this sense, the following can be included:

- Pay-to-go programmes motivate return migration (used in Spain, Czech Republic, Denmark). Receiving countries offer money to migrants to facilitate their return to their homeland;
- Microcredit funds for returning migrants (e.g. Fondo Microcredito Balcani in Italy, helping Romanian migrants to return) in the context of cooperation between countries of origin and host countries.

5. Migration in the view of returnees

In order to obtain primary information on return migration, a sociological questionnaire "Return Migration" was launched on social media,

given the current situation marked by the global pandemic. Through this survey, authors aimed to obtain answers to several questions related to returnees, which were formulated in 15 open questions. The answers were generalised, allowing to identify the reasons for their return, common problems faced by returned migrants, expectations and future intentions.

Of the returned respondents who completed the questionnaire, 67% had been abroad for more than 2 years, 10% - indicated a stay of 1 to 2 years, and 22.5% - up to 1 year. Most respondents returned within the last 3 years (2021 - 25%, 2020 - 37.5%, 2019 - 8.8% of returnees) [According to the survey results, the countries of residence]. The global health pandemic situation has accelerated the return process for most people, especially for those who intended to return.

The countries of residence of Moldovan migrants who completed the questionnaire are: Italy (16.3%), Russian Federation (13.8%), UK (12.5%) France and Germany (8.8%), Israel, Romania (7.5%), USA, United Arab Emirates (5%), Greece (3.8%), Iraq (1.3%)) [According to the survey results, the countries of residence]. The responses were generalised, allowing us to identify the reasons for returning to the country, common problems faced by returning migrants, expectations and future intentions, etc.

When asked about the reason for going abroad, respondents gave an answer close to empirical studies carried out in the country (Figure 1).

Figure 1. The reason for migrants going abroad
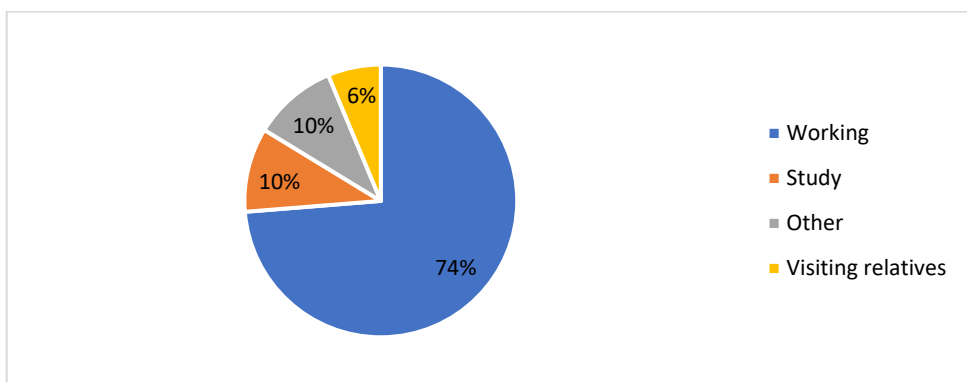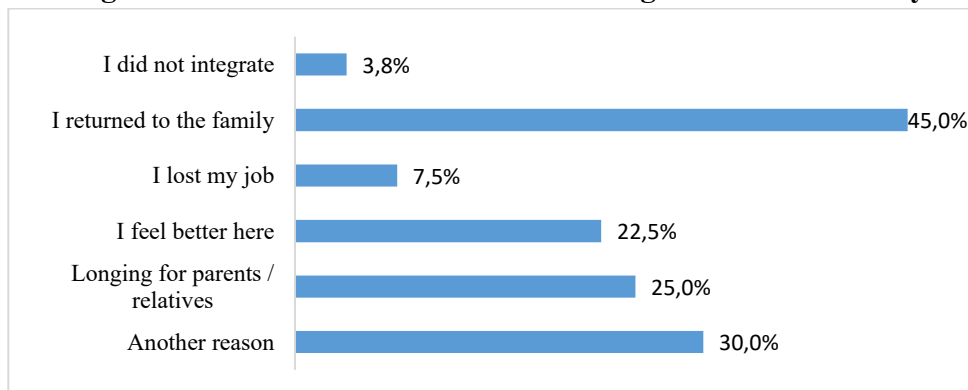

Source: survey data „Return migration"

Migration for work is the main reason for the migration of older people of working age. Even if the biometric passport does not allow employment in EU countries, Moldovan citizens take advantage of circular migration, which allows temporary employment, especially in households. For Moldovan citizens with Romanian citizenship, employment and residence in EU countries is legal and actively exploited. The economic factor determines the choice of destination of the migrant, the attractive salary opportunities and the high security offered by the EU Member States have determined the change of migration direction from the CIS to the EU Member States. Italy is the first destination among the EU Member States (%), followed by Spain, Portugal among the respondents.

Migration for studies is a traditional type of migration for young people from the Republic of Moldova. It represents 10% in the study, and a specific model of migration for studies is currently being created. The main destinations of study migration for young people from Moldova are Romania, Italy, France, Czech Republic and Poland. After completing their studies most of them opt for further activity in the countries where they obtained their degree, a part of them, as shown by the survey results, return home, especially those schooled in Romania. Among the reasons for returning home, the majority of respondents indicated returning to their families (Figure 2).

Figure 2. Reasons for the return of the migrants to the country

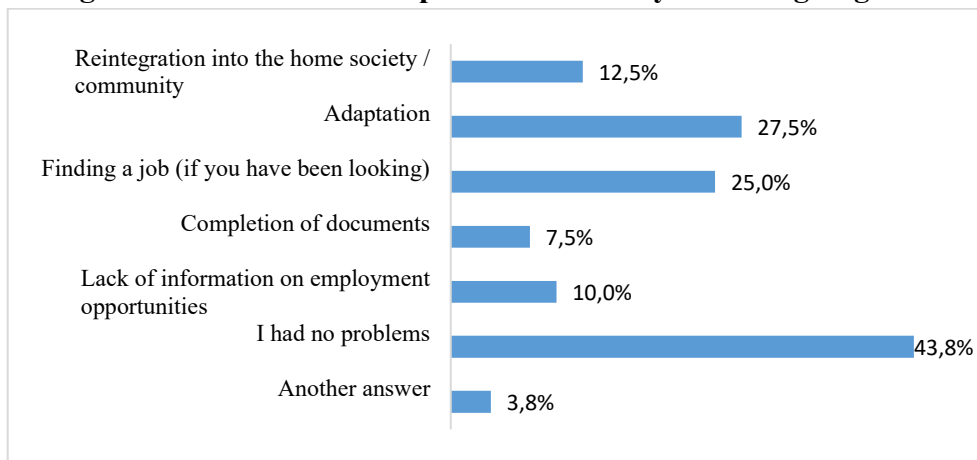
Source: survey data „Return migration"

The results of the study demonstrate the difficulty of adapting and integrating into new societies, especially for people over 40. The reason of

the return is mainly linked to the psycho-emotional comfort offered by the native country and family relationships. Returning to the Republic of Moldova, in most cases, the majority of respondents see it as a long-term perspective. Another reason is the retirement age, but these people will not complete the labour market in the country.

On another question about the problems that returned migrants have encountered about 1/3 indicate no problems at all (Figure 3).

More respondents point to adaptation as a problem of return (27.5%), finding a job (25%), integration into society/community (12.5%). In this respect, the state authorities must take action and help returning migrants through reconciliation, correct information and programs for the integration of returning citizens. The programs offered aim more at making the most of migrants' savings and less at counselling or reintegrating them, as the study shows. The return of migrants to their homes could slow down the rate of population decline and the ageing of the population, especially in rural areas.

Figure 3.The nature of the problems faced by returning migrants

Source: survey data „Return migration"

This study demonstrates the need to encourage return migration for the benefit of migrants and society as a whole. In this context, programs for returnees are imperative. When asked what kind of help they would expect from the state, they asked for better information about employment (46.3%), assistance in starting a business (42.5%), retraining (37.5%) (Figure 4).

Figure 4. Support measures requested by returning migrants from state
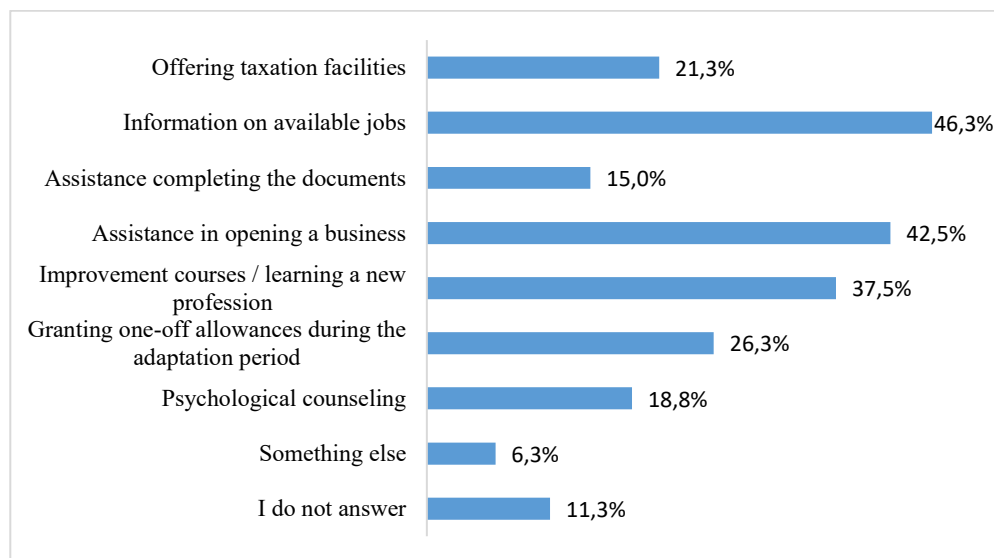
Source: survey data „Return migration"

Once back home, most citizens try to invest their savings at home. At the same time, the lack of reforms in various areas, bureaucracy and the long-running economic crisis are putting a brake on people's desire to return home.

Conclusions

Return migration is a part of the migration process and requires a complex approach, an efficient management, in the interest of returnees and the state of origin. The return process is dynamic and complex and depends on the migrants' work capacity, relationships in society, family, living conditions, experience abroad etc.

Returning migrants could be an important resource for the economy of countries in transition, such as the Republic of Moldova, which is facing a labour shortage to ensure economic reforms in the context of the current transformations. Although the number of returnees is still quite small, the progress of economic reforms, adjusted by the stability and quality of governance would boost the segment of citizens willing to return to the country.

The expectations of migrants returned to the Republic of Moldova are partially fulfilled, their integration and adaptation is left to the migrants, because the state authorities are insufficiently involved.

Returned migrants need support from state authorities for resettlement, including organisational and financial assistance, support for restoring their professional potential in their country of origin, as well as the implementation of assistance programmes for returnees, following the experience of European countries.

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Remittance Trap: Comparative Approach of the Republic of Moldova and Other Ex-Socialist Countries

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Abstract

The objective of our analysis has been to find out and elaborate on why some countries could not benefit from remittance inflows sent by migrants or even are getting into traps due to them. In the authors' view, the remittance trap may be appraised, notably in the long run, as the dilemma in which a country finds itself when the high value of migrant remittance inflows leads to a high value of human and financial capital outflows, as well as to the moral hazard problem of the country's population and government. Accordingly, remittance trap negatively affects the sustainable growth and development of the economy which eventually deepens the country's dependence on remittances, proving the vicious nature of the trap. Furthermore, the paper focuses on identifying a competent set of policy recommendations for the countries that are remittance dependent. A natural conclusion of our research is that there is a thin line between remittances' advantages and disadvantages, since in fact, short-term benefits very often turn out into long-run side effects, mainly as a result of mismanagement of remittance inflows, which correlates with unfavourable business climate and decreased willingness of the population to invest. Accordingly, the benefits and adverse side effects of remittance inflows are interdependent.

Keywords: migration, remittances, side effects of remittances, moral hazard problem, Dutch Disease phenomenon, ex-socialist countries, remittance trap.

JEL Code: F22, F24, F63, F66

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Introduction

Remittances continue to be one of the major financial sources for families and play a crucial role in co-insurance or risk mitigation in times of hardship in the worldwide economy (Ratha, 2013, p.9). Remittances can amplify the welfare of family members left behind and boost the economies of receiving countries (Amuedo-Dorantes, 2014, p.1). Taking into consideration that the volume of remittances is continuously increasing, it is supposed that these inflows could potentially fuel the socio-economic progress in the Republic of Moldova, as well as in the other ex-socialist countries. Furthermore, if these inflows will sustain the investment in human capital and technology and thereby, boost labour productivity, these would then help to balance economic aftereffects caused by population aging and brain drain.

Nevertheless, scholars continuously argue about the side effects of remittances on sustainability of economic development. Thus, remittances may create a culture of dependency and decelerate economic growth in the recipient country. Hence, a better understanding of their consequences is needed to empower developing economies to get the greatest benefit from these monetary inflows (Amuedo-Dorantes, 2014, p.2). Moreover, we have sought to formulate relevant policy recommendations, with a view to create an encouraging business and legal environment, boost the population's marginal propensity to invest, and get out of the remittance trap.

For the purpose of elucidating the various implications of remittances, apart from the introduction, literature background, methodology framework, and conclusions, we have organized the main findings of our research into 5 sections, examining the current trends in migrant remittances, the effects of remittances on key macroeconomic issues, elaborating about the investment climate in remittance recipient countries, the link between remittances and moral hazard problem, the Dutch disease phenomenon. In the next part of the article, based on our conception regarding remittance trap as the dilemma in which a country finds itself when the high value of migrant remittance inflows leads to a high value of human and financial capital outflows, as well as to the moral hazard problem of the country's population and government, we set out to formulate policy recommendations that would support countries to avoid such vicious trap of remittances.

1. Literature review

In the case of ex-socialist countries, the phenomenon of remittances and migration has been tackled in various studies, primarily from the perspective of their influence on social and economic progress, becoming the focus of a number of discussions and analyses made by scholars, public authorities, and by the whole civil society. For instance, Amuedo-Dorantes (2014), the author of *The good and the bad in remittance flows*, points out that at a macroeconomic level, remittances have been found to harm the export sector and exchange rates through the so-called Dutch disease phenomenon. Dutch disease relates to the negative effects of large increases in a country's income, whether from foreign direct investments, natural resources, foreign aid, or remittances, as in our case. "The increases lead to a decline in the competitiveness of a country's manufactured exports and an increase in imports" (Amuedo-Dorantes, 2014, p. 2). Likewise, Valetka (2013) claims that in a manner, remittances and labour migration create a moral hazard for the government, as remittances take the pressure off the governments. Thus, the moral hazard problem is tackled in the IMF Working Paper *Remittances and Institutions: Are Remittances a Curse?* (Abdih, Chami, Dagher & Montiel, 2008). The authors consider that remittances act as a buffer between the government and its citizens since these financial inflows allow households not to rely on public goods and services provided by the government, which reduces the household's incentive to hold the government accountable and, in that way, deepens the remittance trap. The government can then free ride and divert resources from the efficient delivery of public goods and services (Abdih et al., 2008).

Concurrently, Di John (2011) has contested the validity of resource curse and the Dutch disease phenomenon and asserted that the extent to which the natural resource windfall generates developmental outcomes depends largely on many factors.

On the other side, Stratan & Chistruga (2012) in their paper "Economic consequences of remittances. The case of Moldova" assert that remittances have played a notable role in boosting economic growth, through their effect on consumption. Nevertheless, GDP growth is fuelled mainly by the rise in consumption, which is not a tenable growth. Olga Kupets (2012) claims that an efficient financial system can channel the saved remittances towards the

most fruitful projects, in that way tackling the development potential of remittances, while preventing their counterproductive side effects.

2. Methodology framework

The authors have explored both theoretical sources and empirical evidence in their attempt to clarify the manner and circumstances in which migrants' remittances succeed or fail to contribute to sustainable economic development. Based on the latter cases, we conceptualized the notion of remittance trap as the dilemma in which a country finds itself when the high value of migrants' remittance inflows leads to a high value of human and financial capital outflows, as well as to the moral hazard problem of the country's population and government. In this regard, we capitalized on theoretical-structural approaches such as the analysis-synthesis, and on the theoretical-logical approaches including the inference method, the method of analogy, logical deduction.

Furthermore, we have relied on the systemic approach, in our endeavour to reveal the causal relationship between the remittance inflows and some core macroeconomic issues in the recipient country, such as inflation, unemployment, poverty reduction, human capital development, and investment climate. We mainly focused on examining and evaluating the 2 defining problems of the remittance trap - the moral hazard problem and the Dutch disease phenomenon. With a view to argue the issue of remittance trap, we conducted a comparative case study on selected countries, providing statistical illustrations.

Specifically, for the comparative case study on the selected ex-socialist countries – R. Moldova, Lithuania, Latvia, Armenia, Georgia, Tajikistan, Kyrgyz Republic, we have conducted both qualitative and quantitative research, including longitudinal analysis.

The countries were selected based on a number of similarities with the Republic of Moldova. For instance, all the countries are ex-Soviet countries from Europe and Central Asia with a relatively high share of remittances in GDP, between 11% and 29%, compared to the regional average of 1.92% in 2019 excluding high-income economies (World Bank, 2019).

However, at the national level of ex-Soviet countries, in particular, those included in our comparative case study, we have ascertained some difficulties in estimating migrants' remittances, because of poor data quality on this issue.

At times, it was also difficult to distinguish between the impact of remittances and that of other sources of income on the inequality in the region.

Likewise, scholars acknowledge the challenge of measuring the long-term impact of remittances on human capital development. Consequently, we analysed the effects of remittances on human capital formation in the region using indirect evidence and secondary information.

Considering the above, we have primarily relied on data provided by specialized intergovernmental organizations mainly the World Bank, the International Monetary Fund, and by international non-governmental organizations such as The Heritage Foundation, delivering various indexes, notably the Index of Economic Freedom.

3. Main findings
3.1. The current trends in migrant remittances

To analyse the current trends in migrant remittances, we must take into consideration the economic crisis caused by the COVID-19 pandemic which negatively influenced employment for migrant workers and their wages. Even though globally remittances flows remained steady in y. 2020, recording a smaller drop than previously forecasted, and the recorded drop in remittance flows (1.6%) in 2020 was smaller than the one during the 2009 global financial crisis (4.8%), remittances to Europe and Central Asia lowered by about 9.7% to $56 billion in 2020 as the global pandemic and feeble oil prices had a significant impact on migrant workers across the region. Furthermore, the depreciation of the Russian rouble seriously diminished the US dollar value of remittance flows to the region (World Bank, 2021).

The dynamics of migrant remittances inflows in some countries from the region is presented in Figure 1.

As we can see from the graph, after a substantial decline in the year 2014, beginning with 2016 countries started to register an overall increase in remittance inflows, except the Kyrgyz Republic where remittances tend to significantly decrease beginning with y. 2018. However, in 2020 these declined, because of the economic crisis caused by the COVID-19 pandemic and weak oil prices. Moreover, "for 2021, remittance flows are estimated to fall further by 3.2% as the region's economies are expected to recover from the crisis slowly" (World Bank, 2021).

In the case of Latvia and Lithuania, ex-socialist countries that are already integrated into the EU, although their economies are also relatively small, however, the value of GDP is higher and the amount of remittances is considerably lower, which fact does not indicate a substantial dependence on remittance inflows.

Figure 1. Migrant remittances inflows, years 2010-2020
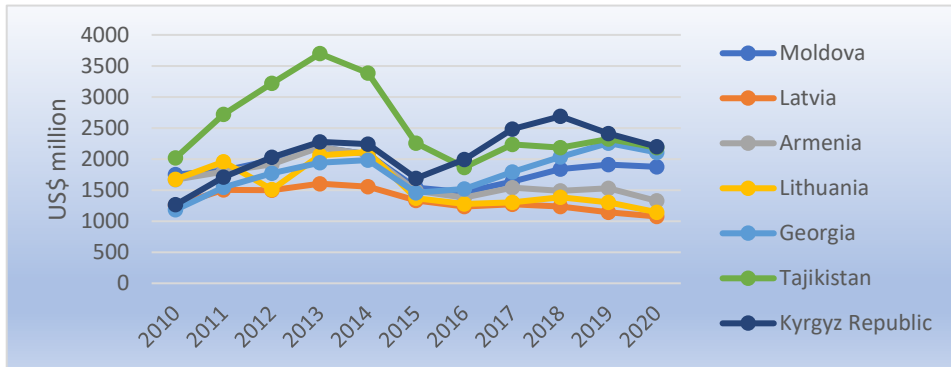
Source: Elaborated by authors, based on The World Bank's Migration and Remittances Data (2021)

3.2 Effects of remittances on key macroeconomic variables
3.2.1. The effect of remittances on inflation

The impact of remittances on inflation can be viewed from different standpoints. According to Stratan, Chistruga, Clipa, Fala and Septelici (2013):

> … the resulting effect of a large inflow of remittances will be the appreciation of the exchange rate and a rising price level. The inflow of remittances determines an increase in the household income, which leads to a rise in aggregate demand. The higher demand can imply a rise of inflation. (p. 35)

Apparently, the conversion of the foreign exchange into national currency raises the money supply, thus generating inflation. An increase in the household disposable income may be followed by a decrease in the labour supply. This in turn would result in an increase in the general price level, due to higher costs of production.

Concurrently, some authors argue that under a flexible fiat standard it is debatable that an inflow of foreign currency can raise the prices expressed in the national currency (Di John, 2011).

In order to analyse the presence of mutual causality, a VAR model is typically used. The VAR model showcases a remarkably small impact of remittances on inflation which is presumably due to the huge share of the trade deficit in GDP that determines depreciation of the domestic currency and offsets appreciation pressure from remittance inflows, a common symptom for the countries being in the remittance trap (Stratan et al., 2013). It is quite complicated to quantify the volume of remittances that is spent for domestic products and for foreign ones, but clearly the scarce national production capacities are causing the imports to increase in the same proportion as remittances. The national currency has little appreciation and the inflation rate has an adequate trend consequently (Benea-Popuşoi & Arivonici, 2021).

3.2.2. The effect of remittances on unemployment

The subtraction of the labour force is the most evident effect of migration on the economy of a donor country. Furthermore, in the view of Stratan et al. (2013):

> Remittances from migrants to their family raise the income of the unemployed individuals from home. This will reduce the difference between the incomes of those employed and unemployed in the home country, thus limiting employing intentions and causing the unemployment rate to rise. (p. 33).

At the same time, evidence shows that migration can also reduce unemployment when a large number of workers leaves the country, resulting in higher wages for those staying behind. These effects at the individual/household level can have an impact at the aggregate level. Aggregate demand may be enhanced by high levels of remittance flows into labour markets and accordingly the demand for labour. As a result, remittances, indirectly, reduce unemployment by having a persistent impact on investment. So, as in the case of inflation, we can observe an offsetting.

3.2.3. The effect of remittances on poverty reduction

As a general rule, remittances directly contribute to poverty relief, providing financial resources for education, medical service and everyday consumption. A poor-income family receives not only a source of financial help, but also a type of social insurance, having a migrant abroad, which can protect them during an economic crisis in their country. Nevertheless, remittance inflows have contradictory effects on income inequality in the ex-Soviet countries. On the one hand, these give a chance to the poor to improve their financial situation by working in a more developed country. On the other hand, families that are not able to send their members abroad find themselves in a negative economic situation. An example of the negative impact of remittances on income inequality is Republic Moldova, where mainly families with a better economic situation may send their members to the European Union, while migrants from poor-income families can only afford to work in former soviet space, above all in Russia (Benea-Popușoi & Arinovici, 2021).

3.2.4. The effect of remittances on human capital development

It is challenging to measure empirically the impact of remittances on human capital development in the long term. Considering this, we have examined the formation of human capital in the region, primarily using secondary information and indirect evidence.

In the Republic of Moldova, the impact of remittances on human capital development is debatable. According to researches, including those of Stratan et al. (2013):

> … remittances contribute to reducing liquidity constraints of receiving households to finance their children's education and thus influencing positively the development of human capital, the evidence shows that especially in rural area, households receiving remittances are more likely to invest in education ... (p. 10).

At the same time, the benefits of remittances on human capital are counterbalanced by the negative effects of the massive emigration of qualified specialists and of the brain drain. Furthermore, migration has a crucial impact

on the psychological and emotional state of children, that also affects their academic performance (Benea-Popușoi & Arinovici, 2021).

3.3. Investment climate in the remittance recipient countries

For the Moldovan economy, the external migration phenomenon became an indispensable pattern in the last decades. The movement of Moldovan citizens has been spurred across the world due to society's aspirations for a better future and its motivation to seek higher earnings, as well as other incentives (Stratan et al., 2012). Furthermore, the Republic of Moldova is one of the countries that relies the most on remittances, in y. 2019 being one of the top 3 remittance receivers in Europe and Central Asia (as a percentage of GDP), among other two ex-Soviet countries: R. Moldova (16%), Tajikistan (28.6%), Kyrgyz Republic (28.5%) (World Bank, 2019).

The distributional impact of revenues from abroad is not much tackled, because of the arduous character of data collection on this issue. However, the available statistics and surveys suggest that remittances mainly fuel consumption which thus becomes the main driver of the GDP growth (Stratan et al., 2012). They have only a limited impact in terms of poverty reduction and are invested to a limited extent. In most cases, unfavourable investment climate, poor public governance, and weak institutions explain this phenomenon in developing countries. As well, one of our major findings is that these factors are the main reason why a country receiving remittances cannot escape the remittance trap and properly benefit from these financial inflows (Benea-Popușoi & Arinovici, 2021).

Three indexes that describe the investment climate in the Republic of Moldova in comparison to some other countries in the region are presented further. We examined the same countries as in the first part of the paper, when analysing migrant remittances inflows.

Figure 2. Regulatory Quality Index, 2010-2019
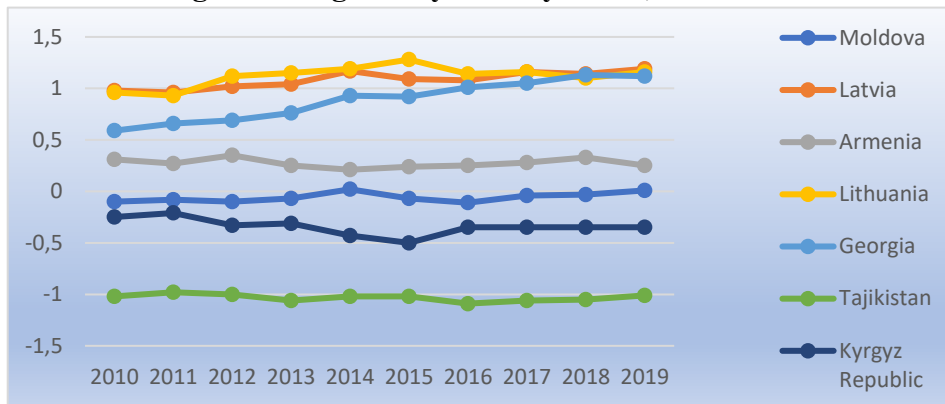
Source: Elaborated by authors, based on The World Bank's Worldwide Governance Indicators data set (2021)

The regulatory quality index and government effectiveness index, estimated by the World Bank in a number of countries, are described in the Figure 2 and Figure 3. Analysing them, we can mention that R. Moldova progressed modestly compared to other countries in the region for the quality of governance over the recent decade, remaining relatively low, but outpacing Tajikistan and the Kyrgyz Republic. The largest, and growing discrepancy being against Georgia, Lithuania, and Latvia.

Figure 3. Government effectiveness index, 2010-2019
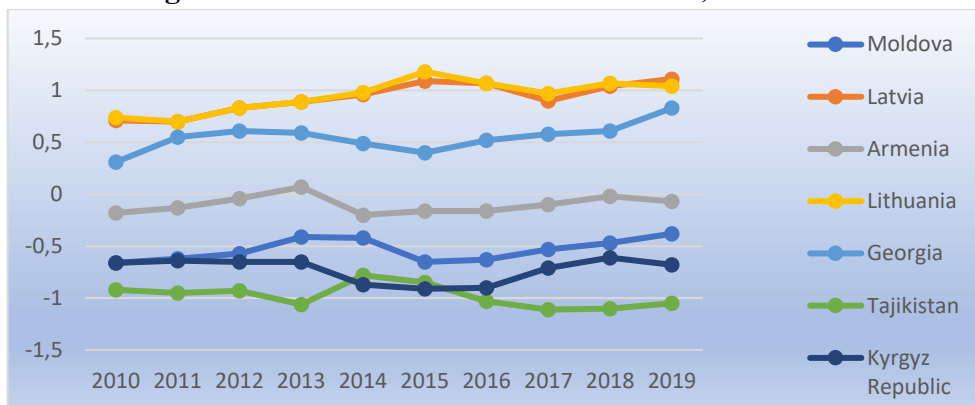
Source: Elaborated by authors, based on the World Bank's Worldwide Governance Indicators data set (2021)

In particular, in the case of Latvia and Lithuania, although socialist countries in the past, the EU integration process has considerably improved the quality of their institutional environment, implicitly their investment climate, consequently entailing less emigration of citizens and much less reliance on migrant remittances. By contrast, in our country, as stated in the National Strategy for Investment Attraction and Export Promotion 2016-2020 (2016):

… whereas the regulatory reforms marginally improved the life of existing investors, it did not make Moldova much more attractive for potential investors. In addition, the recent bank fraud brought out the issue of moral hazard that negatively impacts business climate in the country [in 2014, $1 billion disappeared from three Moldovan banks – *Banca de Economii*, *Unibank* and *Banca Socială* – it is thought to have been a coordinated effort to extract as much loan finance as possible from the banks without any obvious business rationale]. (p. 45-46)

Figure 4. Property rights and freedom from corruption indexes, 2016
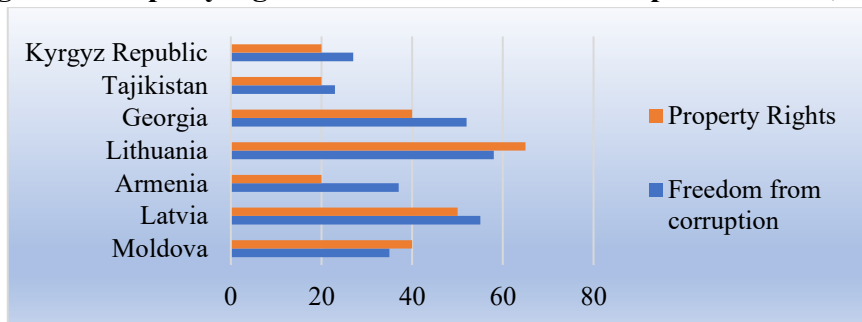
Source: Elaborated by authors, based on The Heritage Foundation: Index of Economic Freedom data set (2021)

According to the National Strategy for Investment Attraction and Export Promotion 2016-2020 (2016), the situation in the country is quite worrying in terms of the rule of law indicators:

Weak protection of the property rights makes the investors vulnerable to perpetrations and abuses. The 2016 Index of Economic Freedom, elaborated by The Heritage Foundation, states that the rule of law in Moldova is undermined by high corruption and low protection of

property rights. Moldova earned one of the lowest scores in the region according to the rule of law components of the index: freedom of corruption and property rights. (p. 47)

Some people consider corruption a kind of a tax. From this point of view, gaining a profit is quite hard in the Republic of Moldova and normally, this fact is repulsive for the investors. Although in the case of countries with high transaction costs, including Republic of Moldova, in terms of continuity of production activities, corruption can sometimes help debottleneck these activities, allowing one to continue production even though s/he does not comply with all the bureaucratic requirements.

While analysing the long-run impact of remittances, we consider as very relevant the factors that determine the quality of the institutional environment and the level of transaction costs, as they ultimately influence the population's marginal propensity to invest in the domestic economy, this in turn affecting the long-run economic development of the country receiving remittances.

3.4. Remittances and moral hazard problem

In our view, remittances entail the moral hazard problem in two ways.

First, once family members who remained home can benefit from financial sources sent by the migrant, they are substantially less motivated to increase their labour force participation, while the temptation to have more leisure time becomes bigger.

Second, large financial inflows allow the governments to be less responsive to the people's needs and complaints. Clearly, families receiving remittances are better ensured in the cases of economic instabilities and shocks. Moreover, being in a favourable economic situation, families may have a romantically distorted overview of the country, as a result, they are less likely to monitor government efficiency and the fulfilment of election promises. In this case, politicians are less likely to fulfil their obligations to the people. Remittances ease the life of politicians by the fact that they improve the lives of many recipient families. As a result, these families are less likely to complain about their living conditions or quality of government than if these families did not have access to financial flows from abroad. This fact fuels the real encouragement of migration and remittances, hence the

remittance trap becomes more and more difficult to escape (Chami, Ernst, Fullenkamp & Oeking, 2018).

For instance, using a large sample of developing countries, Abdih et al. (2008) have shown that large remittance inflows reduce the quality of institutions in the recipient country. This occurs because the access to remittance money makes government corruption less costly for domestic households to bear, consequently, corruption is likely to increase. Moreover, Barajas et al. (2009) show that if conditions are bad at home, families tend to send more members to work abroad and use remittances to compensate for the lack of government services. Hence, the incentive in pressuring the government to offer services of better-quality declines. Households can fend for themselves, the government understands this and does not feel induced to provide services, as a result, government efficiency declines.

On the other hand, we should not ignore the pressure that the diaspora can put on the home country's politicians. Thus, diaspora's access to funds, ideas, and undistorted information could represent a major catalyst for change.

Referring to the case of the Republic of Moldova, we would like to mention one of the interviews with the current President of our country, Ms Maia Sandu, dedicated to Moldova's 30th independence anniversary. Thus, in her interview for *Radio Europa Liberă Moldova* by V. Botnaru, the President states that massive migration has been a very detrimental factor for our society, since it has taken away a big part of our young population which could have put pressure on the government, thereby intimidating authoritarian corrupt regimes. In the absence of such pressure, unscrupulous politicians have found it quite easy to face the resistance of the old generations, by empty promises, "electoral charity" and by translating through the captured media channels the "right" news and information (Radio Europa Liberă Moldova, 2021).

3.5. Remittances and Dutch Disease Phenomenon

Like any other foreign currency inflows, massive remittance inflows can cause an appreciation of the real exchange rate and increase the price of traditional exports. Even though empirical evidence of such "Dutch disease" effects of remittances is limited, the impact is likely to be large in small economies. For instance, some countries, including El Salvador, Kenya, and

R. Moldova, are worried about the effects of large remittance inflows on currency appreciation. Moreover, the symptoms of the "Dutch disease" phenomenon in Moldova were attested for the period of 2004-2012, when the average increase by 10% of remittances was causing a really effective appreciation of the national currency of 0.9% (Prohnițchi et al., 2013). At the same time, the link is opposite for the period 1997 - 2003, when the inflows of remittances were more modest. Thus, they tend to have an adverse effect on the exporters' competitiveness primarily during the more robust economic growth periods (Prohnițchi et al., 2013).

The growing consumption of recipient citizens may increase the local market price and appreciate the exchange rate. As a result, the failing of the tradable sector of the domestic economy, the rising current account deficit, and inflation with weaker monetary control may occur (Kireyev, 2006). Meanwhile, the growing pressure on wages may lead to job losses in the tradable sector, while the sudden rise of prices would increase the labour costs in the non-tradable sector, thus leading to the loss of national competitiveness (Lubambu, 2014).

Taking into account the symptoms of the "Dutch disease" phenomenon, governments have to acknowledge the problems deriving from the consumption of remittance recipient persons and accordingly, set up business incentives that would stimulate long-term investments, which in turn could generate benefits for the whole society.

4. Policy recommendations

As stated above, business climate and the population's marginal propensity to invest at home are important factors to consider while attempting to maximize the advantages linked to Moldovan external migration. As a result, governmental intervention is crucial and should strive for goals including maintaining emigrants' interest in the country's evolution and the development process, improving the information about business prospects, spending of the remittances in the official economy, increasing the access to formal money transfers from abroad.

Following our analysis, we have synthesized some policy recommendations for the Republic of Moldova, which may also be applicable for other ex-socialist countries.

Thus, in order to boost the investment of migrant remittances into the economy of their origin country, it is essential to keep reduced transaction costs. As some authors pointed out (Valetka, 2013) growing financial literacy, and widening the set of financial instruments for households on the policy agenda matter too. As suggested in the "National Strategy for Investment Attraction and Export Promotion 2016-2020" (2016), the government might create a specialized organization to channel remittances for investment purposes, by offering inter alia, less expensive credits or higher awards for business purposes. To apply for these advantages, migrants or their families would need to demonstrate the provenance of their money. In particular, R. Moldova has implemented "PARE 1+1" program, deemed to be a decent beginning for engaging the diaspora's financial potential in the economic development of the country.

However, the limited effects of programs such as "PARE 1+1" have been largely criticized. For example, some beneficiaries of "PARE 1+1" claim that they no longer want to resort to the state, because of bureaucracy, and that any support from the state is hardly given, they have to allocate too much time for traveling and documents, whilst the time for them is more important. Moreover, they declare that a little is offered to them, whereas the requirements are too high and that this money is spent mostly on custom fees when bringing equipment from abroad. They believe that once they have received this support from the state it would have been good to be exempted from VAT, but that way, they imported equipment in the country and gave the money back to the state, for VAT (Razmerița, 2014).

Therefore, while considering the limits of the state in the management of remittances, neoliberal recipes suggest that lower taxes to encourage production, savings, investments and the elimination of regulations that would allow a flexible and quick reallocation of resources from uncompetitive sectors, remain the best solutions for channelling resources from remittances into wealth enhancing activities.

By the same token, there is a need to build the capacity of institutions and human resources to lead research into the whole spectrum of remittances and labour migration matters in accordance with international standards (National Strategy for Investment Attraction and Export Promotion 2016-2020, 2016). Household and individual surveys on migration issues may

complement official sources based on the balance of payments, by providing important information on the origins, destinations, and amounts of remittances received by households.

Likewise, it is important to reduce legal obstacles to labour mobility between R. Moldova and the EU countries. The efforts should be coordinated towards effective migration management, including such important subjects as illegal migration, cross-border human trafficking, the mutual recognition of professional qualifications, skills matching between migrant workers and jobs abroad, and the portability of pensions, health, and other social benefits (Kupets, 2012).

Conclusions

Remittances play a significant role in the economic development of the Republic of Moldova and other countries in the region and in general have a positive impact on the economic development of the ex-socialist countries. Nevertheless, they determine negative effects as well.

Primarily, the loss of labour resources is a serious problem slowing down the development of the Republic of Moldova's economy. Moreover, a large share of remittances in the national economy results in macroeconomic problems, such as Dutch disease and consumption-based growth.

Hence, countries have to acknowledge the risk of falling into the remittance trap, which may be viewed, notably in the long run, as the dilemma in which a country finds itself when the high value of migrant remittance inflows leads to a high value of human and financial capital outflows, as well as to the moral hazard problem of the country's population and government. Accordingly, remittance trap negatively affects the sustainable growth and development of the economy which eventually deepens the country's dependence on remittances, proving the vicious nature of the trap.

The main remedy for escaping remittance trap, for mitigating Dutch disease, is improving the competitiveness of industries that deal with foreign competition. This remedy includes boosting a country's physical infrastructure, upgrading the education system, and lowering the cost of doing business. Also instead of contemplating migration, governments may play more active role in promoting the formation of new businesses, by seed funding and other financial assistance for start-ups.

Moreover, empirical studies suggest that a growing number of labour migrants and remittance amounts from them reduce the pressure to implement economic reforms in their home countries, leading to the moral hazard problem of both the population and government, which in turn seriously challenges the long-term development of the ex-Soviet countries. In this context, it is worth mentioning the importance of adequate state policy interventions which could direct the remitted financial inflows towards productive investments instead of conspicuous consumption.

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Issues on the Impact of Migration on the Labour Market and the Role of National Employment Agency in the Integration of Returned Migrants in the Republic of Moldova

Raisa DOGARU[1]

Abstract

For the Republic of Moldova, international labour migration is an important factor in overcoming imbalances both in the labour market and in the national economy. International labour migration, through its transfers, contributes to economic growth and the combating poverty. At the same time, labour migration generates certain economic and social risks related, first of all, to the aging population and the increase of the labour force deficit on the labour market. One solution to overcoming these risks would be to stimulate return migration and the integration of returned migrants into employment, an activity that is the responsibility of the National Employment Agency. The analysis of the impact of labour migration on the national economy and the labour market, as well as the role of the Employment Agency in the process of integration of returned migrants is the object of study of this article.

Keywords: labour migration, return migration, integration of returned migrants

JEL code: J6

Introduction

International labour migration can be seen as an important factor in overcoming labour market imbalances for the countries of origin and destination. From the perspective of the destination countries / the latter, the effects of the phenomenon of international migration on the labour market consist in reducing the labour market imbalances, by covering the need for

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labour in areas that are not of interest to the domestic workers, even in the conditions of a high level of unemployment, or due to the lack of qualified personnel. Within the countries of origin, the effects of international labour migration on the labour market are both positive and negative. On the one hand, it can help to eliminate the imbalances between the labour demand and supply, reducing the unemployment and bringing new work experiences, new technological ideas specific to advanced countries. On the other hand, the phenomenon of international labour migration / mobility can also lead to a deficit in the labour market if the working conditions offered are unattractive and there are wage differences compared to those in the destination countries, which discourages the participation in the domestic labour market and promotes the formation of migratory behaviour and culture.

In this context, in order to anticipate unpleasant situations related to the labor shortage in certain segments of the labor market in the Republic of Moldova, the public authorities draw special attention to the expansion of return migration. Thus, the Employment Strategy of the Republic of Moldova for 2017-2021 directly indicates the creation of effective levers to attract migrants to work at home, and the creation of all favorable conditions for their integration into employment in the Republic of Moldova. The National Employment Agency of the Republic of Moldova has a special role in this process.

The analysis with consideration of these aspects is extremely important when looking for solutions meant to change the existing situation on the labour market in a positive direction oriented towards capitalization and development.

Namely, the analysis of the return migration from the Republic of Moldova and the role of National Employment Agency (NEA) in the integration of labour migrants returned to the labour market from the Republic of Moldova is the object of study of this article.

In order to research the return migration from the Republic of Moldova, the economic effects and the social challenges, several qualitative and quantitative research methods were used, such as: the method of sociological observation, the method of document analysis, the method of statistical analysis. An extensive specialized bibliography was used in the elaboration of the article. The article concludes with relevant conclusions.

1. Literature review and data methodology

In order to successfully carry out this study, a vast literature dedicated to the integration of returned migrants on the labour market was used. Aspects such as labour migration and its impact on development the role of labour migration in expanding the dual labour market (Piore, 2014), and global trends in migration (International Labor Organization) were analyzed. Also, the normative acts and the strategic documents that are currently in force in the Republic of Moldova were analyzed. The analyzes performed in the article were mainly based on the methods of descriptive statistics and document analysis. Statistical data from the National Bureau of Statistics, the National Employment Agency, as well as some data taken from various studies conducted in recent years were used.

2. Labour migration, contemporary issues

Migration has become a defining feature of the modern global economy, and the main factors underlying its expansion are the processes of globalization, technical progress, the new economic order, etc. The importance of contemporary migration is linked not only to the number of migrants, but also to the fact that the migratory phenomenon has become global and takes on more and more diverse forms. People travel for various periods of time, but shorter (Сталкер, 2015). They adopt a pattern of circulatory migration, continue to maintain strong connections with where they left off or practice unregulated migration. But with their return home, migrants bring not only money, but also new development ideas, knowledge and new entrepreneurial skills acquired as a result of migration. In this way, migrants obviously contribute to the modernization of the country and play an extremely important role in its intellectual and economic development.

Migration is no longer a phenomenon that affects only those who leave, but also those who remain in the destination country. Thus, contemporary migration has become one of the fundamental elements of social and economic transformation in the contemporary world. In other words, as a multifunctional phenomenon, migration can really be considered *a development factor* (De Haas Hein, 2007). The migratory factor can have a significant impact on economic development in both countries of origin and destination.

For the countries of origin, international migration is a sure way to reduce the unemployment, given that the countries face a huge surplus of labour force and do not have the economic capacity to absorb this surplus. The unemployment, as an indicator of macroeconomic instability, is usually determined by the imperfect functionality of the economy, the insufficient volume of investment needed to create new jobs, the unfavorable business environment, the purchasing power of the population, which is weakly, compromises the increase in consumption and, respectively, the economic growth. For destination countries, which are characterized by an aging population, the high pace of economic development, respectively, the accelerated job creation that cannot be covered by the available human potential leads to a labour force shortage. In this situation, the international migration is the way to solve this economic imbalance (labour shortage). It should be noted that the majority of migrant workers are employed in unskilled jobs, for which, in fact, there is the largest shortage of the labour force (Vaculovschi &Vaculovschi, 2016; Vaculovschi, 2017).

The transfer of knowledge and know-how also comes with a significant contribution to the economic development of the countries of origin and destination. For *the countries of origin*, the transfer of knowledge is manifested through new experiences and professional skills, through the new business and work culture that returned migrant workers have accumulated in economically developed countries and intend to use them in economic units in developing countries, thus contributing to increased productivity and economic competitiveness. For *the destination countries*, this type of transfer is manifested by attracting highly qualified migrant workers, so-called *specialists* who cannot be found in their country of origin.

Technical progress, accompanied by the globalization processes, have led to the emergence of new types of migration such as: *intellectual migration*, it is determined by the growing demand for a skilled workforce in the destination countries. In this context, an optimal solution to reduce the deficit in this segment of the labour market would be to *attract highly qualified staff from abroad,* especially since the attraction of foreign professionals also involves the introduction of world experience and new knowledge in the country. The phenomenon related to the departure of qualified specialists from less developed to more developed countries is

called "*brain drain*" (Mahroum, 2012). The term "*brain drain*" has been launched to describe the emigration of engineers and scientists from Europe to the United States, which continues to be the main destination for highly skilled migrants even today. The category of "*specialist*" (professional worker) has become so important in the research of international migration, that it has become necessary to divide it into subcategories: *top managers; engineers; professionals; researchers; entrepreneurs; students.* It is considered that the "*brain drain*" reduces the economic growth, as the countries of origin lose significant human capital as well as investment in education. On the other hand, the phenomenon of *'brain drain'* is accompanied by another phenomenon, namely the process of *'brain waste'*, which takes place when the qualified specialists migrate to the destination countries to provide employment services of inferior qualification, which can lead in the long run to the degradation of human capital. In fact, a waste of human capital can also take place in the situation when the skilled labour force, remaining at home, cannot be fully realized. If the workforce is not used, it loses its qualification anyway.

The transfer of remittances (or financial assets) which is that part of the income of migrant workers that they send home for the support of their families or for some long-term investment plans (purchasing a home or a durable good, starting a business, etc.) can also have a key impact on economic growth (OIM/UNDP/UNWomen/GMG/SDC/GoRM, 2010). The volume of foreign exchange resources coming to the country as remittances is a rather important source for ensuring a decent living for the families whose one or more members are working abroad. In addition to the fact that these resources contribute to increasing the well-being of families whose members are migrant workers, at the macroeconomic level they also contribute to increasing *domestic consumption*, which in turn stimulates the economic growth. *Remittances*, turning either into final consumption or into savings that can later be transformed into investment resources, stimulate the growth of aggregate demand (Levitt, 1998).

At present, the international practice offers the following tools for transforming remittances into investments that have been successfully established in certain countries: stimulating collective investment through the collective programs; Mi Comunidad, Native associations; strengthening the

external diaspora; implementation of specialized international financial products; providing a wide range of services by financial institutions to migrants and their families, debit cards; remittance guidance projects in the development of small and medium-sized enterprises; national projects related to the knowledge and satisfaction of the basic needs of migrants (Orozco & Welle, 2004).

In recent years, the concept of circular migration has been launched in order to overcome threats related to labour migration, especially of highly qualified specialists, accompanied by a series of immigration policy measures for the countries of origin and destination. Circular migration is an old phenomenon, registered in the context of internal or rural-urban migration. In simple terms, this phenomenon means *repeated migratory experiences, more than a departure and a return*. Circular and temporary migration reflects the globalization, demographic change, new models of mobility and the growing demand for flexible labour markets. Circular migration is an intensely discussed phenomenon in the world in terms of efficient management as a development potential. The contemporary option for circular migration starts from the fact that it brings more benefits and can be a useful tool for low- and middle-income countries of origin, through investment-generating remittances and trade and business networks, but also by improving the human capital base. It can also contribute to the achievement of the *Sustainable Development Goals,* although it should not be seen as a panacea for development or a major means of solving more general problems (Burdelnii & Terzi-Barbăroșie, 2013).

The main benefits of circular migration for migrant workers can be obtained from higher earnings abroad, from remittances transferred, from acquiring or improving skills required in the labour market, as well as from the possibility of good sources of money that can be recovered from investments in developing enterprises. Macroeconomists often describe migrant workers as the flexible "valve" of the European labour market. Among the positive effects of circular migration for countries of origin may be: privileged access to employment and labour markets in destination countries, constant flow of remittances, following repeated waves of migrants, reduced brain drain and return of those competitive, business and enterprise creation by circular migrants, good cooperation with destination countries to strengthen the link between the migration and development. It can be concluded that circular

migration through its forms of manifestation in various destination countries is becoming more widespread, being development-oriented.

In addition to the economic and social benefits, migration also generates certain social risks, primarily the loss of human capital, demographic imbalances, caused by an aging population, and increasing pressure on the health system, etc. According to classifications made by Francesco Cerase there are four reasons which determines the return of migrants, namely: the return for retirement, the return for innovation, the return from conservatism, the return from failure. Return, especially individual planning, requires information and concrete actions that can be provided by public authorities and non-governmental organizations. (Cassarino, 2004)

3. Policies of the Republic of Moldova in the field of migration

Raising awareness of migration as a phenomenon that can produce not only negative social costs but also positive development results for the country and the commitment to manage the challenges and opportunities of migration, has led to various legislative and political activities of the Government of the Republic of Moldova, that recognized the need for a coordinated and integrated approach to migration management (Postolachi et al, 2007). However, the prevalence of emigration and its strong impact on the Republic Moldova indicate the need to assess the reciprocal links between migration and each development sector, and further suggest the need to take this phenomenon into account in public policy-making. In order to promote legal (circular) migration, the Moldovan authorities have continued to expand the legal employment opportunities of Moldovan citizens abroad by concluding / implementing bilateral agreements in the field of labour migration with destination countries, an example being the implementation by the National Employment Agency from 2012 *of the Bilateral Agreement between the Government of the Republic of Moldova and the Government of the State of Israel* on the temporary employment of citizens of the Republic of Moldova in certain sectors of the State of Israel which is valid today. During the years 2013-2020, several stages of implementation of the Agreement were carried out, and 10179 people were employed with individual employment contracts at over 25 employers in different cities of

the state of Israel: Tel Aviv, Ashdod, Rishon Le Zion, Jerusalem, Haifa, the persons returned from Israel, on 15.02.2018 - 1681 returned to Moldova. Moldovan workers employed under this Agreement enjoy the same labour rights and obligations as domestic workers. The Republic of Moldova is also actively involved in promoting various circular migration programs. By National Employment Agency in 2020, 5768 individual employment contracts were registered through the private agencies, 37 in number. The countries predominate: Poland with 3903, Germany with 733, the Netherlands with 573, the USA with 253 and Israel with 219 registered contracts (ANOFM Raport, 2020).

The extension of the legal employment opportunities of the citizens of the Republic of Moldova abroad is also one of the key measures stipulated in the National Employment Strategy for the years 2017-2021, approved by GD No. 1473 of 30.12.2016. Thus, the action direction "Strengthening the institutional and legislative framework necessary to manage the labour migration process" under Priority 4. "Unlocking the potential of migration for sustainable development" provides the following: adjusting legislation in the field of labour migration to change from international labour markets (circular migration, respect for the rights of labour migrants, flexicurity, female migration); further development of bilateral and multilateral cooperation with destination countries; improving regulations on the work of private employment agencies in order to increase the legal employment of migrant workers abroad; strengthening the collaboration relations between the private employment agencies and the National Employment Agency (Strategia Națională „Diaspora-2025", 2017).

A very important instrument for the protection of migrants are the social security and migration agreements with other states, the legal framework being: the revised European Social Charter (art. 12 para. 4), partially ratified by the Republic of Moldova / Law no. 484 of 28.09, Moldova-EU / PNAAA Association Agreement, Moldova 2020 National Development Strategy, Government Activity Program, Cooperation Platforms: Eastern Partnership, Moldova-EU Mobility Partnership, social security agreements, labour migration agreements.

The agreements in the field of social security are very important, the purpose of which is to provide the citizens of the Republic of Moldova with

pension rights or other social insurance benefits in the states where they work; not to admit the loss of social insurance rights acquired on the territory of the Republic of Moldova, in case of relocation on the territory of another state; thus, ensuring the right of citizens to free movement. To date, the Republic of Moldova has concluded agreements in the field of social security with 18 EU member states: Bulgaria, Portugal, Romania, Luxembourg, Austria, Estonia, Czech Republic, Poland, Hungary, Lithuania, Belgium, Germany etc.

The national strategic documents in the field of migration are: National Program for the implementation of the Action Plan Republic of Moldova - European Union in the field of visa liberalization, National Strategy in the field of migration and asylum (2011-2020); National strategy on employment policies for 2017-2021, *regulatory framework*: Law on employment promotion and unemployment insurance no. 105 of 14.06.2018; Action Plan for the implementation of the National Strategy in the field of migration and asylum; Annual national action plans on employment; The action plan for the implementation of the National Strategic Program in the field of demographic security, etc.

The international instruments include the following: 43 conventions of the International Labour Organization (ILO) ratified by the R. of Moldova, which regulate the labour market and 3 basic conventions in the field of labour migration: European Convention on the Legal Status of Migrant Workers (ratified in 2006); Convention n. 97 of the International Labour Organization on migration for employment (ratified in 2005); Convention n.181 of the ILO on Private Employment Agencies (ratified 2001).

The agreements signed in the field of labour migration with the following states: Russian Federation, Ukraine, Belarus, Azerbaijan, Italy, State of Israel. The draft of a new Agreement between the Government of the Republic of Moldova and the Government of the Russian Federation on cooperation in the field of labour migration and temporary work activity of migrant workers on the territory of the Republic of Moldova and the Russian Federation was finalized for signing. Beneficiaries of Labour Migration Agreements: migrant workers employed in an organized or independent manner, posted workers who are or have been insured in accordance with the legislation of both or one of the States Parties to the Agreement. Benefits provided: ensuring equal treatment of Moldovan workers with that of native workers in terms of rights,

obligations, protection and safety at work; old-age pensions and invalidity pensions caused by common illnesses (in the case of bilateral agreements in the field of social security / protection); the pensions and invalidity allowances caused by work accidents or occupational diseases; help in case of death; etc.

Currently, more attention is paid to this phenomenon of migration (both emigration and immigration), both because it has a considerable impact on the development of all sectors of society, and for compliance with the objectives set by the Republic of Moldova for EU membership. Raising awareness of migration as a phenomenon that can produce not only negative social costs, but also positive development results for the country and the commitment to manage the challenges and opportunities of migration, has led to various legislative and political activities of the Government of the Republic of Moldova.

4. Migration policies

The migration policies are included in: The National Development Strategy 2020, which provides *7 solutions for the economic growth and poverty reduction*. The strategy recognizes at the highest level the need for a coordinated and integrated approach to the migration management. With regard to migration, this includes a special focus on remittances and the emigration of young people. In February 2016, the Government of the Republic of Moldova approved the National Strategy "Diaspora-2025", after a longer process of consulting the diaspora, civil society and academics, as well as international partners. In accordance with the Strategy in question, the Communication and Information Platform in the field of Diaspora, Migration and Development is being developed, the aim of which is to establish a single information desk for the citizens involved in the migration cycle phases, as well as to strengthen the partnerships in areas of common interest. (economic, social, cultural, financial, volunteering, philanthropy) of qualified persons / associations and communities in the diaspora, Government, central and local public authorities, academia, private sector, business, indigenous associations, local communities, civil society.

It is estimated that about a third of the country's population, including children, are temporary or permanent residents abroad, many of them looking

for better job opportunities. As a result, Moldova has a large diaspora established in over 30 countries around the world. The Moldovan diaspora has the potential to support local development initiatives through financial flows such as remittances, charitable donations and investments, as well as through the transfers of knowledge and skills. The Moldovan diaspora is a major source of income for the national economy. The remittances are sent through both formal and informal channels, which are difficult to estimate, usually through bus drivers or through fellow migrants on their way home. Most remittances are used to meet basic consumption, home purchase and debt repayment. In this context, the activities of IOM Moldova aim at strategies to streamline the use of remittances in Moldova. For example, since 2010, IOM Moldova has supported the PARE 1 + 1 program, a program to attract the remittances to the local economy, this program is currently being implemented by the Organization for the Development of Small and Medium Enterprises, the money was mainly used to launch a new private enterprise or to develop an existing enterprise, especially in rural areas (Government Decision nr. 972, 2010).

A new element in the reintegration process, developed and promoted with the support of UNDP is the Interinstitutional Referral Mechanism for the Reintegration of Returned Citizens from Abroad, which involves a Memorandum on the implementation of the Memorandum concluded between several institutions, including Ministry of Health, Labour, and Social Protection, Ministry of Education, Culture and Research, Ministry of Economy and Infrastructure, National Social Insurance House of the Republic of Moldova, National Medical Insurance Company, Public Services Agency and National Employment Agency (concluded on 28.05.2018). The mechanism is elaborated based on the Government Decision no. 724 of September 8, 2017 on the approval of the Action Plan for the years 2017-2020 on the reintegration of citizens of the Republic of Moldova returned from abroad and Government Decision no. 725 of September 8, 2017 on the Mechanism for coordinating the state policy in the field of diaspora, migration and development. The Parties to the Memorandum share a common vision on the importance of development in the provision of public services for the reintegration of returned citizens and capacity building of relevant institutions, understand the needs of returned citizens and their families in the

process of economic and social reintegration, assuring access to the qualitative information in the fields of health, employment and social protection, recognition of qualifications obtained abroad, integration of children and young people in educational institutions, issuance of identity documents, other services. The purpose of this Memorandum is to create a framework for the collaboration between the main national actors participating in the reintegration process of the returned citizens. Each institution has appointed responsible persons. The memorandum sets out the responsibilities of the signatory parties.

As a result of the Pandemic, the labour market in most countries has been affected and the impact of Covid on migrants is very high. A study presented during the Diaspora days on 22 August 2020, in an online workshop organized on December 17-18, 2020 by the International Organization for Migration (IOM) and the United Nations Development Program, includes new empirical data on how COVID-19 has affected the migration processes in Moldova, data on the impact of COVID-19, the number and profiles of returning migrants, as well as the specific vulnerabilities of groups affected by declining remittances. Some of the findings of the study launched: most people returning during the pandemic are circular, short-term migrants (85%) who have worked abroad in construction (36%) and home care (27%); incomes decreased for 52% of households during COVID-19; while some households (26%) saw a decrease in remittances, others (20%) reported an increase in money received from their relatives working abroad; the majority of returnees intend to leave Moldova in the near future (61%), but at the same time 37% intend to either find a job or start a business in Moldova; some migrants felt discriminatory and / or hostile attitudes after returning home (24%); The top 3 conditions for the migrants to return permanently are: economic growth and rising living standards (75%), employment opportunities (63%) and the reduction of corruption (59%) (OIM, 2020).

In addition to the legal framework, the role of institutions in the reintegration of returned migrants is of major importance. The role of the National Employment Agency in the reintegration on the labour market of returned migrants is a very important one.

In accordance with the Law no. 105/2018 on the promotion of employment and unemployment insurance, the National Employment Agency

has several tasks: participates in the development of policies in the field of employment promotion and migration for work, ensures the implementation of employment measures, labour migration regulations, organizes, coordinates and controls the activity of the territorial subdivisions, monitors the labour market and forecasts these changes at national level, etc. The National Employment Agency, in order to prevent the unemployment, increases employment opportunities for jobseekers, stimulates employers to employ the unemployed and create new jobs, as well as to implement the strategies and policies designed to protect people in unemployment risk, ensuring a high level of employment, adapting the workforce to the requirements of the labour market, implementing active employment services and measures, which comes with a proactive approach to employment and proposes the modern services and measures, adapted to the needs of different categories of persons (young people, unskilled persons, persons with disabilities, persons aged 50 and over, persons released from places of detention, victims of trafficking in human beings and persons who fight with the consumption of narcotic or psychotropic substances, after psychological and social rehabilitation, victims of domestic violence, rural unemployed), as well as employers. The implementation of these measures will contribute to: increasing the competitiveness of the labour force and, respectively, reducing the gap between the labour supply and demand, by implementing new forms of vocational training of the unemployed such as on-the-job training and vocational training, increasing the number of people from vulnerable groups employed in long-term employment as a result of the stimulation of employers who employ unemployed people in these groups; increasing the number of people with disabilities in employment as a result of stimulating employers to create new jobs or adapt existing jobs to the needs of people with disabilities; increasing the labour mobility in line with structural changes in the national economy and labour market requirements; financial support for the unemployed who start their own businesses and create their own jobs; creation of new jobs in rural areas, by awarding grants to support the local initiative projects that create jobs in rural areas; protection of persons through the unemployment insurance.

Certification of knowledge acquired in the non-formal context of returned migrants is one of the active measures provided in the Law 105/2018, which is aimed more at certifying the knowledge and skills acquired in the

context of non-formal and informal education of returned migrants. The current normative framework includes the Government Decision no. 193/2017 for the approval of the Regulation on adult continuing education, National Action Plan for the implementation of the Republic of Moldova-European Union Association Agreement for the period 2017–2019, the Regulation on the validation of non-formal and informal education approved by Order no. 65/2019 of the Ministry of Education, Culture and Research, the Guide on the implementation of the National System for validation of skills acquired in non-formal and informal education contexts approved by Order no. 1096/2020 of the Ministry of Education, Culture and Research (MECC, 2019). The regulation establishes the normative framework on the certification of competencies, the providers of validation services - ethnic vocational education institutions, the attributions, the management and structure of the Validation Center, the organization and functioning of the Evaluation and Certification Commissions, the Competence evaluation and recognition procedure.

The access of services by returned migrants and the services provided by National Employment Agency in 2020 looks as follows: during 2020, the territorial subdivisions registered as unemployed 1605 people returned to the country, and about 10.5% (168 people) were employed. A high share of migrants is people from the rural areas - 60.2% (966 people), of which 22.5% (361 women). The most requested by the returned migrants were the labour intermediation services, being granted for a number of 526 people, mostly being from rural localities (54.6%), and the age between 35-49 years (238 pers.). When providing services, the territorial subdivisions identified a total of 1684 problems, and 39.6% addressed by women. Most of the problems about 87.8% were those regarding finding a job, about 4.7% were health problems, about 3.4% - regarding the social services, and the rest about 3.8% - were represented other problems. Most of the problems were addressed by migrants returning from Russia (494). More than half approx. 58.6% of people have secondary education, 23.3% have secondary vocational education, 8.2% college education and 9.9% higher education. In large numbers are observed people of average age 35-49 years, about 42.4%. As to the countries of return, Russia predominates - 30.8%, followed by Italy with 12.4%, Germany with 12.2%, Poland with 7%, France with 6.3%, etc. National Employment Agency involves the returnees from abroad, to inform them about opportunities, the

portfolio of services and measures on the labour market, some being: Open Doors Day, International Migrant Day, Diaspora Days 2020 with the title "Summer 2020 - New Directions HOME" etc., the information being present on social networks, starting with the planning until their realization.

Conclusions

In the conditions of development of the economy based on knowledge and innovation, practically all the countries of the world, in order to face the new exigencies related to the economic competitiveness, make great efforts in order to increase the level of education of the citizens and to provide with the labour resources necessary for an economy in development. The extent of migration, especially labour migration, is estimated at about 30% of the country's human potential, the impact on the social and economic situation in the country being significant. Labour migration has become an important factor in combating poverty and increasing the well-being of the population of the Republic of Moldova. There is a very close relationship between migration and the development prospects of the Republic of Moldova. For this reason, in recent years the interest for the process of integrating the effects of the migratory phenomenon in the development strategies and policies of the Republic of Moldova is growing. In addition to state policies, which need to be continuously improved, the institutions that implement the policies have a great role to play, including the National Employment Agency, which needs to develop innovative methods of working with migrants in order to integrate them into the labour market. Migrants returning to their country of origin could visibly contribute to the country's economic growth, as the persons returning bring with them the new work experiences, new technologies, specific to advanced countries.

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Analysis of the Propagation Effects of Remittances on the Vulnerability of External Trade of the Republic of Moldova

Mircea DIAVOR[1]

Abstract

In the Republic of Moldova remittances have become a much-discussed subject, the country ranking among the economies with the highest share of remittances in terms of GDP. What is more, remittances, unlike FDI, external trade and other sources of income, seem to have a significant impact on economic growth. Republic of Moldova is a small open economy vulnerable to external shocks. We will examine the effect of remittances on the balance of trade by creating an econometric model. Am attempt has also been made to capture the positive and negative spillovers that migrants' remittances have on a country's socio-economic development. Within the research a variety of analytical tools are employed including Granger causality tests, unit root tests, coupled with a structural vector auto regression (SVAR), impulse response function (IRF) analyses and variance decomposition. We find that net trade and remittances are closely associated and follow an almost identical path. Remittances have strong effect on the growth of negative net trade of the Republic of Moldova.

Keywords: net trade, remittances, Granger Causality Test, SVAR, variance decomposition, IRF analyses.

JEL: F10, F24.

Introduction

The definition used by the Republic of Moldova for remittance is the definition from the directive 2007/64/EC of the European Parliament and of

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the Council of 13 November 2007: "money remittance means a payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee;" (State Chancellery of the government of Republic of Moldova, p.7).

Remittances are a form of non-commercial money transfer that migrants send home to support their families. They have been growing rapidly especially in countries that exporters of labor and represent a large financial inflow to developing countries.

Despite the volume and, in certain circumstances, the critical role that remittances play in many economies across the world, it is very difficult in this field to track and estimating these flows, as well as their influence on home economies. It is extremely difficult to track the true volume of remittances inflows due to the unlawful migration phenomena and the use of different informal channels to transfer money in the home country at cheaper costs. In 2020 the World Bank (WB, 2021) estimated that remittances amounted to a total 646.237 billion dollars (WB, 2021). Despite COVID-19, remittance flows were stable in 2020, declining at a lower rate than predicted. Remittances to low and middle-income countries were officially reported at $540 billion in 2020, barely 1.6 % lower than the amount of $548 billion in 2019, compared to a drop of 4.8% in 2009, according to the World Bank. That is far lower than the fall of foreign direct investment (FDI) flows to low and middle-income which fell by over 30% (WB, 2021). The lower-than-expected fall in remittances might be because sending money throw informal means was not possible during the pandemic restrictions, so remittances were sent mostly throw formal means which can be traced. However, the worldwide pandemic and low oil prices had a severe impact on migrant workers across the area, and remittances to Europe and Central Asia decreased by roughly 9.7% to $56 billion in 2020 (WB, 2021). In comparison to the previous economic crises of 2009 and 2015, when remittances to the area fell by 11 and 15 percent, respectively, the 2020 economic crisis was not unusual (WB, 2021). In 2020 the Republic of Moldova actually recorded an increase in remittances compared to the previous year, 1,486.74 million dollars compared

to 1,222.89 million dollars in 2019 (NBM, 2021). This is probably because the majority of money was sent throw formal means.

Remittances can be used to purchase essential consumer items, housing, and children's education and health care in disadvantaged homes. They may offer financing for small companies and entrepreneurial activity in wealthier households. They assist pay for imports and foreign debt payments; in certain nations, banks have used future remittances as collateral to secure abroad funding.

During the financial crisis, remittances from source nations such as the United States and Western Europe proved to be robust. Migrants' wages were impacted by the crisis, but many sought to make up for it by reducing their spending and renting costs. Those who were impacted by the crisis found work in other fields. We will test whether for the Republic of Moldova remittances are countercyclical.

Remittances can also have a detrimental impact on local competitiveness by decreasing projected capital returns. Large inflow of remittances can lead to an appreciation of the real effective exchange rate (REER), we will test whether that holds true for the Republic of Moldova.

The migration issue in Moldova may be described as a departure of a large portion of the country's active population, in particular skilled labor, which has prompted fears regarding the economy's future growth. A rise in remittances can also be associated with a decrease in the labor supply for the home country. A labor shortage implies that remittance also account for a potential decrease in economic output. A rise in remittances can thus be associated with a decrease in the labor supply for the home country.

Remittances appear to alleviate poverty, enhance educational achievement, and lead to better health outcomes. As a result, it's logical that policymakers are becoming more concerned with the quantity of remittances pouring into their nations. Remittances can reduce poverty and inequality in the Republic of Moldova, the latest data from the National Bureau of Statistics of Republic of Moldova (NBS, 2021) shows that remittances in 2020 accounted for on average 12.9% of total household income, for the rural area it accounted for 16.1% and for the urban area for 9.4% (NBS, 2021).

Remittances drive demand, and due to limited domestic manufacturing capacity, imports rise in lockstep with remittances. Remittances have a direct impact on disposable income, impacting savings, investments (such as in

education and other social services), and consumption. This, in turn, has an impact on tax collections and encourages internal demand. Moldova's production capacity is insufficient to meet rising aggregate demand. The massive rise in imports is mostly due to the surge in aggregate demand. Through their impact on spending, worker remittances have played a key role in recent years in promoting Gross Domestic Product (GDP). Indeed, consumer growth is the primary driver of GDP growth. Remittances from workers have enhanced households' disposable income, allowing them to maintain strong consumption growth rates and thus imports.

As a result, empirical data is required to determine the signs and magnitudes of the various economic implications of remittance movements. An econometric model is constructed to measure the impact of remittances on the net trade of the Republic of Moldova.

The article is structured as follows: Literature review offers review of the prevailing literature, followed by Data and Methodology which provides description of the model, methodology and data sources. Model and Findings presents an in-depth analysis of model and discusses the empirical results. In Conclusions we summarize the findings, limitations of the model and possible direction of future research are suggested.

1. Literature review

Remittances are problem analyzed on an international scale, including in post-soviet countries like Armenia.

Armenia diasporas is assumed to be over 7 million, compared to the less than 3 million living in Armenia. That makes it an interesting to study the effect of remittances.

A study conducted on the effect remittances have on household choices in Armenia, concluded that recipients of remittances work less and save more, rather them increase their spending. They also found evidence thar remittance start to decline over time (Grigorian & Melkonyan, 2011).

Another study concluded that there is a negative relation between remittances and economic growth. The recipients of remittances may not be less inclined to work, viewing remittances as substitution for salary. They also conclude that government may accede to moral hazard problems just like the recipients of remittances. Without receiving large flows of foreign currency,

the exchange rate would come under strain, so governments may ignore structural problems and imbalances that exist in economy. In case of Republic of Moldova which has a large and persistent trade deficit the inflow of currency hast contributed to the relative stability of the national currency (Chami, Fullenkamp & Jahjah, 2003).

Analysis on whether remittances have a countercyclical effect in case of Sri Lanka found remittances are procyclical and as such should not be seen a shock absorber (Lueth & Ruiz-Arranz, 2007).

A research analyzing the economic impact of migration conducted in 2015 found that remittances grew at a faster rate than private capital flows and that the growth rate of remittances has outpaced the growth rate of official development aid (Lazari, Șargu & Gribincea, 2015).

Another analysis on the remittances flow from 103 Italian provinces to seventy-nine developing countries over the period of 2005 to 2011 found that emittances are adversely linked with the business cycle in recipient nations, and they grow in reaction to external shocks in recipient nations (Bettin, Presbitero & Spatafora, 2015).

A study using data for El Salvador and Bayesian techniques, concluded that "an increase in remittances ultimately culminates in a rise in household income and consequently an increase in consumption that is biased toward non-tradables". As a result of growing non-tradable prices, which are compatible with real exchange rate appreciation, the non-tradable sector expands at the expense of the tradable sector. This is referred to in economics as the Dutch disease, a term that first appear in the Economist in 1977 to describe the downfall of the industrial sector in the Netherlands that occurred after the discovery of the Groningen natural gas field in 1959 (Acosta, Lartey, & Mandelman, 2009, p.17).

 A research conducted in 2013 found that "in Republic of Moldova huge share of negative net export in GDP determines depreciation of national currency and compensate appreciation pressure from remittances inflow". They also found that there is no clear relation between remittances and growth (Stratan, Chistruga, Clipa, Fala & Septelici, 2013, p.27).

Rising remittances in emerging countries can have a significant spending effect, resulting in a rise in the relative price of non-tradable and real exchange rate appreciation, according to this study. The findings also

show that a rise in remittances is followed by a resource mobility effect that favors the non-tradable sector at the expense of tradable products (Lartey, Mandelman, & Acosta, 2008).

A research of the "relationship between workers' remittances and the real exchange rate in 10 developing countries, using Pedroni's panel cointegration tests and FMOLS estimator" was realized. The author obtained data that contradicted the hypothesis of Dutch disease. Remittances from workers have the ability to depreciate the real currency rate in these ten recipient nations, improving their export competitiveness in the world economy (Özcan, 2011, p.1).

The result of researches on relationship between remittances and REER are ambiguous, and should be studies further.

A study conducted using a Vector Error Correction Model (VECM), concluded that in the case of Bangladesh an increase in remittances will cause an increase in inflation. In particular for food price, where a percentage a 15 increase in remittances will lead to the growth of the prices of food by 1.91% (Roy & Rahman, 2014).

Another study on remittances and inflation, measured as the Consumer Price Index (CPI), was conducted using a (VECM) in the case of Pakistan. They found that remittances do increase inflation when exchange rate is included in the model (Ghauri, Ahmed, Vveinhardt, Streimikiene & Qureshi, 2019).

A research using data from Morocco concluded that remittances can provide a stimulant for the recipients to emigrate (van Dalenm Groenewold & Fokkema, 2005).

A study on the trade balance of Serbia concluded that the large and increasing international trade imbalance of Serbia is clearly funded in part by large remittance inflows (Jovicic & Mitrovic, 2006).

Another study on the impact of remittances on trade balance, was conducted using a sample 17 countries in the Asia-Pacific region in the period 1980-2015. The author found that remittance inflows have had a negative effect on the trade balance of the countries included in the study (Tung, 2018).

A research concluded that have a positive effect on the economic development of Estonia, Latvia and Lithuania. They also found that "remittances cause GDP growth to 18.3 units and consumption growth to 7.7 units." (Rausser, Strielkowski, Bilan & Tsevukh, 2018, p.9).

2. Data and Methodology

Despite the volume and, in certain circumstances, the critical role that remittances play in many economies across the world, it is very difficult in this field to track and estimating these flows, as well as their influence on home economies. It is extremely difficult to track the true volume of remittances inflows due to the unlawful migration phenomena and the use of different informal channels to transfer money in the home country at cheaper costs.

The exact value of remittance is hard to estimate, for the purpose of this research our main data source for remittances is the National Bank of Moldova, for other variables the International Monetary Fund (IMF), for the model. For comparative analysis with other countries, we will use data from the World Bank, for analysis of growth in construction sector data from National Bureau of Statistics of Republic of Moldova. We will use quarterly data from 2000Q1 to 2020Q1, avoiding the impact of the pandemic.

A Vector Autoregression (VAR) is a kind of stochastic process model. By allowing for multivariate time series, VAR models extend the single-variable (univariate) autoregressive model. The Structural Vector Autoregression is a variant of the unconstrained VAR, which is a method for forecasting numerous variables in a system. While we let the data to speak and act for itself in a typical unconstrained VAR, the structural VAR introduces crucial limitations that define rules for how particular variables will behave.

In the model we will take the logs of all variables in order to obtain elasticities, and then take the first difference to ensure the stationarity of variables.

We will use a *Structural Vector Autoregression (SVAR)* model to capture the relationship between the following variables:

- Net trade- which is calculated as the difference between imports and exports, *net trade is negative* (imports are bigger than exports). So, when net trade drops the trade balance improves;
- Remittances;
- Imports;
- h_consum- which stands for household consumption;
- CPI- which stands for consumer price index;
- Lending_rate- which stands for the lending rate;
- REER- which stands for Real Effective Exchange Rate;

- Dummy- We will use a dummy variable as an exogenous variable to reflect the effect of the financial crisis. The dummy variable will take the value of one for the periods 2008Q3-2009Q1.

3. The model and findings

Remittances drive demand, and due to limited domestic manufacturing capacity, imports rise in lockstep with remittances. Remittances have a direct impact on disposable income, impacting savings, investments (such as in education and other social services), and consumption. This, in turn, has an impact on tax collections and encourages internal demand. Moldova's production capacity is insufficient to meet rising aggregate demand. The massive rise in imports is mostly due to the surge in aggregate demand. Through their impact on spending, worker remittances have played a key role in recent years in promoting GDP. Indeed, consumer growth is the primary driver of GDP growth. Remittances from workers have enhanced households' disposable income, allowing them to maintain strong consumption growth rates and thus imports.

We will begin our analysis by studying the main destinations of migrants from Republic of Moldova using the latest data (2017) from the World Bank, presented in table 1 (see Appendix, Table 1).

In 2017 in total there were over one million migrants, up from 770.5 thousand in 2010. We are using the latest data available; however, we have to be cautious with interpreting the data. The numbers of migrants in Russia has very likely shrieked, due to the impact of the pandemic on the Russian economy a large proportion of migrants came back and were unable to return due to the decision of the Russian Federation not to allow entry of people unless they have a Russian citizenship.

We will continue our study by analyzing the value of remittances received for Republic of Moldova and a few selected countries with high level of remittances received and have similarities with the Republic of Moldova in geography, size or former membership of USSR, in figure 1.

In nominal term remittances that Moldova receives are not that large, however Moldova is a small economy so we should analyze remittances as a proportion of GDP, in figure 2.

Figure 1. Remittances for selected countries, 2001-2020
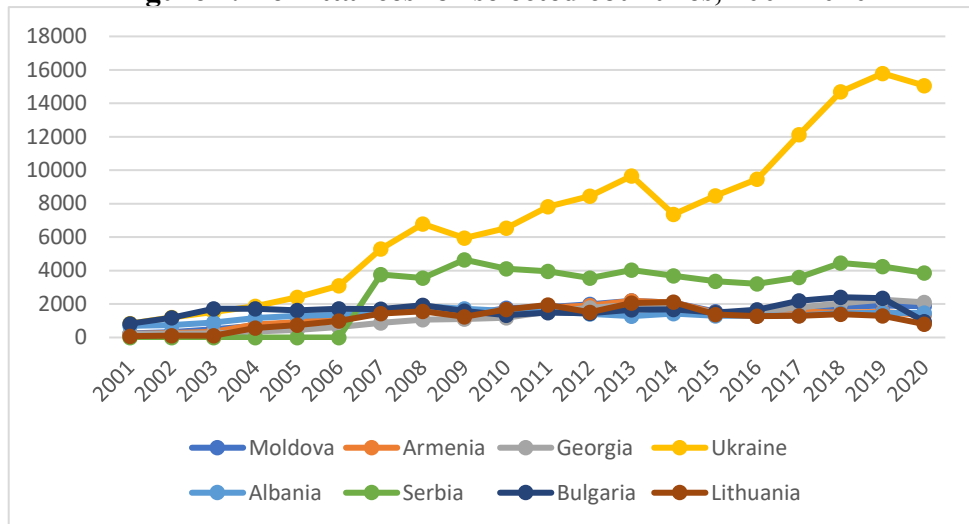
Source: elaborated by author based on data from the WB, available at: https://databank.worldbank.org [visited 22.08.2021]

Republic of Moldova has one the highest remittances to GDP ratio, in the figure above we compare remittances to GDP ratio of Republic of Moldova with similar countries from the region.

Figure 2. Remittances for selected countries as % of GDP, 2001-2020
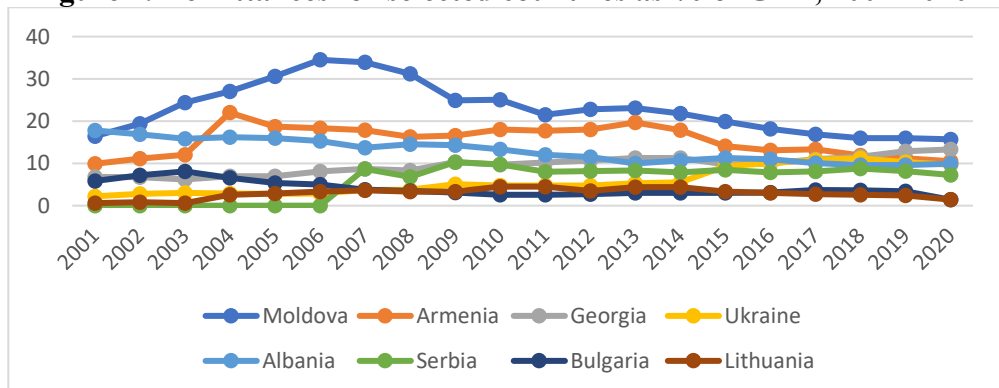
Source: elaborated by author based on data from the World Bank

Once we account for the small size of economy of Republic of Moldova, we see that remittances play a very important role in economic development. In 2006 Republic of Moldova recoded the highest remittances to GDP ratio of 34.5%. Since then, it has dropped to its lowest value in last two decades, in 2020 the ratio was 15.7%, compared to 2001 when it was

16.4%. We will analyze whether remittances have a counter cyclical in the case of Republic of Moldova in figure 3. The letter "l" stands for logarithm. Remittances are plotted on the left axis and GDP on the right axis, future figures will be the same.

In case of the Republic of Moldova, remittances where not countercyclical in the 2008 crisis, as shown in figure 2.1. In 2020, remittances appear to be countercyclical, when according to National Bank of Statistics (NBS), GDP fell by 7% while remittances grow year on year by 21.5% according to data from the National Bank of Moldova (NBM). As discussed previously this probably because remittances were transfer mostly throw formal means and not because of the countercyclical nature.

Figure 3. Remittances and GDP
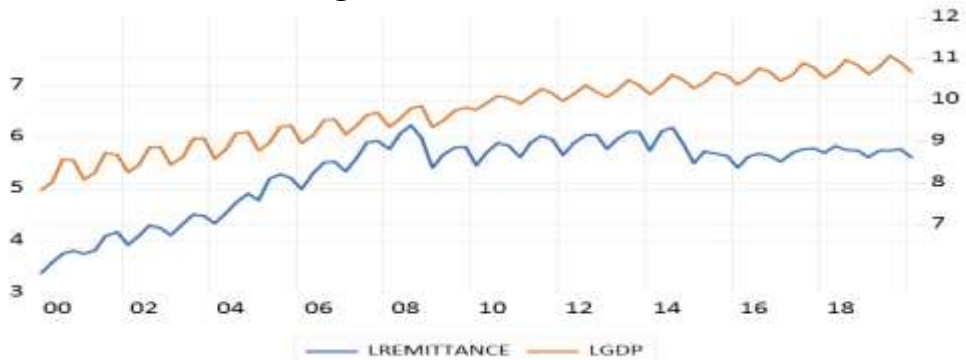
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

One of the symptoms of the Dutch disease is that it increases demand for non-tradable goods, such as the construction sector in figure 1 (Appendix).

According to study on remittances and labor migration in the Republic of Moldova found that the "largest share of migrants' remittances has been invested either in the house/apartment procurement/construction" (Ghencea & Gudumac, 2004, p.64), which means that some of the effects of the Dutch disease seems to hold true for the Republic of Moldova. The other symptom of Dutch disease which could lead to inflation and the appreciation of the exchange rate, which could reduce the competitiveness of exports, it cannot be said for certain to hold true for the Republic of Moldova, at the tail end there is an increase in the REER but does not appear to be a result of remittances, presented in figure 4.

Figure 5. Remittances and REER

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

Next, we will test whether remittances cause the recipients to emigrate using the Granger Causality Test, the results are presented in Table 1.

Using the Granger Causality Test with 4 lags we reject the null hypothesis for both cases sing the p-values are smaller 0.05. We can conclude that based on the Granger Causality Test that remittances do cause labor force and that labor force does cause remittances. It is possible that remittance cause the recipients to emigrate which in turn causes an increase remittance.

Table 1. Granger Causality Test for remittances and labor force

Pairwise Granger Causality Tests
Date: 08/17/21 Time: 10:22
Sample: 2000Q1 2020Q1
Lags: 4

Null Hypothesis:	Obs	F-Statistic	Prob.
LREMITTANCE does not Granger Cause LLABOR_FORCE	77	3.44356	0.0127
LLABOR_FORCE does not Granger Cause LREMITTANCE		6.91496	0.0001

Source: elaborate by author in Eviews 10, based on data from IMF and NBM

Other studies have shown that remittance can contribute to a negative trade balance, we analyze this in figure 5.

There is a clear relationship between remittances and net trade (net trade is the negative trade balance). Periods of dips in remittance are connected to

periods of dip in negative net trade, in other words when remittances decrease the trade balanced improves.

Figure 5. Remittance and Net trade

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

In 2017Q1 a dip in remittances had no effect on the negative trade balance, however in 2018Q1 to 2019Q4 we can see a clear v shaped evolution of both variables. The biggest dip was in 2009 Q1, this reflects the effect of the financial crisis. In figure 6 the remittances and household consumption are analyzed.

Like with the negative trade balance, remittances and consumption follow a similar pattern with periods of dips and rises reflected in both variables. The biggest dip was in 2009 Q1, this reflects the effect of the financial crisis. There was a considerable drop in remittances in 2015Q1 that did not seem to effect consumption, perhaps money was sent throw informal means.

Next, we will to create our model by starting with the Unit Root test using Augmented Dickey-Fuller with first difference and an intercept with the Schwarz Info Criterion, to test for the stationarity of variables.

Figure 6. Remittance and household consumption

Source: elaborated by author based on information from the IMF and NBM

The result for LNET_TRADE is presented in Table 2 from Appendix. Test criteria:
1. H0: D(LNET_TRADE) has a unit root and is not stationary;
2. H1: D(LNET_TRADE) has no unit root and is stationary;
3. α = 5% or 0.05;
4. Prob = 0.0001 < 0.05 therefore we reject the H0;
5. D(LNET_TRADE) does not have a unit root and is stationary.

We perform the same test for all the other variables and conclude there are stationary when taken the log values with first difference.

Next, we have to perform a number of tests to select the correct number of lags. If the lag length is too small than the model will be mis specified, if the lag length is too large than degree of freedom are wasted. The model should be stable and there should be no autocorrelation at the selected lag. The result of the tests are presented in tables 3-5 and figure 2 from Appendix.

The LM Autocorrelation test in the figure indicates that at 4 lags there is no serial autocorrelation problem, so 4 lags would be appropriate. The AR roots graph shows that at 4 lags we are at the limits of the stability of the model. The lag length criteria the SC test suggest 2 lags, AIC suggests 4. Finally, the residual normality test (Cholesky of covariance method) show there are no problems of normality at 4 lags, the Jarque-Bera p-value of 0.6555 which is higher than 0.05 proves that residuals are multivariate normal. Thus, we will select 4 lags for our model.

We will next use the Granger causality test. This test allows us to understand which variable Granger cause another. The test result is too large to present as a figure, so we analyze selected variables.

For the Net Trade variable, the Granger Causality Test shows that remittances, consumption, CPI and lending rate all cause negative net trade of Republic of Moldova. It is interesting that the Granger test does not infer that imports cause the negative net trade. Imports are driven by remittances and consumption respectively. In other words, remittances may be more useful at predicting changes in the net trade.

Imports are Granger caused by remittances, consumption, the lending rate and REER.

Household consumption is Granger caused by remittances, the lending rate and REER.

The VAR estimates table is too large to be presented in this paper, but we will discuss the results. We have also estimate individual equations, in total 210 coefficients. As an example, the equation for net trade is presented in figure14 (see appendix).

Table 6 from Appendix shows the equation for net trade. The Durbin-Watson coefficient is close to the value of 2, so we do not have problems of autocorrelation. The same is true for all the other equations.

In continuation, we will now proceed with the analysis for the VAR estimation results starting with net trade.

We can see that net trade is strongly endogenous (strong influence) on its own first lag with a T-statistic of -3.519 and p-value of 0.005, at lag 3 it has a T-statistic of -1.729 and is significant at the 10% level.

Remittance has a strong influence on the net trade balance at the first lag with a T-statistic of 4.43 and a p-value of 0.000. It also has a strong influence at the second lag, with a T-statistic of 2.3 and a p-value of 0.217, but then it dies out.

The CPI at the first two lags is positive and has a T-statistic of 1.44 at lag 1, at lag 2 it has a weak influence on net trade balance. At lag 3 however it has strong negative influence with a T-statistic of -3.2 and p-value of 0.0015, at lag 4 it has a positive influence lag with a T-statistic of 1.65 and is significant at the 10% level.

The REER has a significant and negative influence on negative net trade at the second lag with a T-statistic of -1.95 and p-value of 0.0512.

Moving to imports remittances have strong and positive influence at the first two lags on imports. At lag 1 the T-statistic is 4.36 and at lag 2 the T-statistic is 2.29 with p-values of 0.000 and 0.0222 respectively. At lag 3 and particularly lag 4 the remittances are strongly exogenous (have a weak influence) on imports.

Imports strongly influenced by its own first two lags, but not the third and fourth lag. The T-statistics for the first and second lag are -2.59 and -3.14, with p-values of 0.0098 and 0.0019.

Household consumption does not have strong influence on imports at the first three lags, but has a strong influence at the fourth lag. At lag 4 the T-statistic is 2.31 and a p-value of 0.0213.

The CPI has a strong negative influence on imports at lag 3, with T-statistic of -2.45 and p-value of 0.0147.

Imports are strongly influenced by lending rate at lag one and three, a smaller influence at lag four. For lag 1 the T-statistic is 2.48 and the p-value is 0.0136, at lag three the coefficient is negative with a T-statistic of -2.38 and a p-value of 0.0179. The fourth lag has a p-value of 0.1143 and could be considered significant at the 10% level, with a T-statistic of 1.58.

The REER has a strong negative influence of imports at lag (at 10% significance level) one and three. The T-statistics are -1.69 and -2.41, with values of 0.0913 and 0.0162.

The final variable that we will analyze is household consumption. Household consumption is strongly influenced by remittance at the first lag, with T-statistic of 3.15 and a p-value of 0.0018. At lags two, three and four remittance is strongly exogenous.

Imports have a significant influence on household consumption at the first lag with a T-statistic -2.520 and p-value of 0.0122.

Household consumption is strongly influenced by its own second and fourth lag. The T-statistic for the second lag is -4.118 and p-value of 0.000, at the fourth lag the T-statistic is 2.48 and the p-value of 0.0134. The CPI at lag 4 has T-statistic of 1.77 and a p-value of 0.0777, so it is significant at the 10% level.

The lending rate is strongly endogenous on household consumption at the first three lags. The T-statistic are 1.82, -2.86 and -1.82 and their

respective p-values 0.0697, 0.0045 and 0.0700. The second lag is significant at the 5% level, is also has the highest T-statistic.

Finally, the REER has a strong influence on household consumption at las 2 and 3. The T-statistic are -1.88 and -3.32 with p-values of 0.0608 and 0.0010 respectively.

Next, we will analyze the variance decomposition, which shows the percentage of the error made forecasting a variable aver time due to specific shock. It will tell us how much variability of the dependent variable is explained by its own shocks and how much is explained by shocks in the other variables. We will analyze the variance decomposition for net trade, imports and remittance. The result of the variance decomposition of net trade are presented in the table 2.

Table 2. Variance decomposition net trade

Variance Decomposition of D(LNET_TRADE):

Period	S.E.	D(LNET_T...	D(LREMITT...	D(LIMPORT)	D(LH_CON...	D(LCPI)	D(LREER)	D(LLENDI...
1	0.114250	100.0000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
2	0.164082	79.28870	12.03953	0.145979	0.398164	3.925991	0.040133	4.161499
3	0.186373	69.94848	10.64660	0.292684	0.644561	4.678222	4.126290	9.663167
4	0.203687	64.88303	9.261735	1.759493	0.616079	11.40928	3.473668	8.596714
5	0.216817	66.28090	8.233564	1.558696	1.307119	11.20683	3.267477	8.145412
6	0.227199	66.72446	8.063480	1.846930	1.851134	10.34859	3.283347	7.882061
7	0.234570	64.19571	7.698215	1.732794	1.767017	13.36313	3.236113	8.007020
8	0.238484	63.85940	7.673488	1.788741	1.731114	13.95164	3.236005	7.759615
9	0.249748	61.95432	7.026958	2.867603	4.037228	13.50444	3.477264	7.132185
10	0.256819	60.28603	6.646790	3.559294	5.904443	12.88500	3.400024	7.318425

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

For net trade we can see that in first period it is 100% explained by its own shocks. In second period remittance explains 12% of changes in net trade, while lending rate 4.16% and CPI explains 3.9%. In the third period remittances star decaying representing 10.64%, lending rate plateaus at 9.6% and CPI grows to 4.67%. We also see that in the third period REER, which for the first two periods did was had not a significant influence on net trade, now explains 4.1% of the variation in net trade, and continuous to be significant in the following periods. For the fourth period CPI jumps from 4.67% to 11.4% and continuous be important in explaining the changes in net

trade. Household consumption in the fifth period start becoming significant and only reaches significant value in the ninth and tenth period when it explains 5.9% of the changes in net trade.

Next, we will analyze the variance decomposition of imports in Table 3.

Table 3. Variance decomposition imports

Variance Decomposition of D(LIMPORT):

Period	S.E.	D(LNET_T...	D(LREMITT...	D(LIMPORT)	D(LH_CON...	D(LCPI)	D(LLENDI...	D(LREER)
1	0.062718	59.35519	6.270287	34.37452	0.000000	0.000000	0.000000	0.000000
2	0.081074	51.69932	9.333837	26.67185	0.095595	1.416446	7.957447	2.825502
3	0.090731	48.94005	8.040457	22.37071	3.434246	2.790127	10.76106	3.663345
4	0.098854	48.81826	6.829476	19.27006	3.425103	7.217472	9.912204	4.527424
5	0.108856	52.12324	6.024841	17.29971	5.440319	6.586503	8.235370	4.290012
6	0.117172	54.40464	6.319598	16.07390	5.156128	5.914219	7.944892	4.186626
7	0.122341	52.41502	6.355162	14.75570	4.870554	9.443204	8.284394	3.875965
8	0.125587	52.95699	6.033826	14.07830	5.011969	9.845418	7.862559	4.210940
9	0.134963	51.26437	5.620081	13.81121	8.221586	9.753827	6.842582	4.486339
10	0.139261	50.46167	5.392773	14.13501	8.996798	9.494210	7.305591	4.213946

Source: elaborate by author in Eviews 10, based on data from IMF and NBM

Now we will analyze the decomposition of imports. In the first period net trade explains 59% of the shocks in importance, since net trade is calculated as the difference of exports and imports. The second variable that explains the variance in imports is remittances. Remittances finance a substantial part of imports. In second period remittances plateau at 9.33% and star to decay, lending rate explains 7.95%. Consumer and businesses take loans to purchase goods or services, this in turn increases imports. However, household spending only becomes significant in explaining the changes in imports in third period and continuous to be significant. The lending rate plateaus in the third periods at 10.76% and starts to decay, REER becomes significant at explaining the variation in imports at lag 2, and continues to be significant at around 4%. CPI becomes significant in the third period at 2.8% and then jumps in nest period to 7.2% and continues to be significant in explaining imports.

Finally, we will analyze the effect of shocks to household consumption, in table 4. In the first period 61.8% of shocks to the household consumption are explained by its own shocks. Net trade explains 27.59%, remittances explain 6.59% and imports 3.95%. In the second period imports jumps and plateau at

10.56% and continue to be significant. CPI becomes significant at 2.36% and in the fourth period explains 8.84% of the changes in household consumption.

Tabel 4. Variance decomposition Household consumption

Variance Decomposition of D(LH_CONSUM):

Period	S.E.	D(LNET_T...	D(LREMITT...	D(LIMPORT)	D(LH_CON...	D(LCPI)	D(LLENDI...	D(LREER)
1	0.051418	27.58898	6.590820	3.952990	61.86721	0.000000	0.000000	0.000000
2	0.060728	28.72463	6.847469	10.56883	45.24154	2.360300	4.986271	1.270968
3	0.071887	23.51774	8.092071	7.834790	34.92134	6.507442	15.91770	3.208913
4	0.079274	23.82844	6.729842	9.209148	28.78690	8.848083	13.45692	9.140669
5	0.088922	20.98243	7.142608	7.401602	34.83522	7.361135	12.04455	10.23245
6	0.092733	19.75332	6.851134	8.186720	34.15825	7.802254	11.11290	12.13542
7	0.099031	17.32117	7.823931	7.337072	35.13771	10.81107	10.11554	11.45350
8	0.101054	18.21094	7.775546	7.047511	34.08698	10.47498	9.715236	12.68880
9	0.109184	17.33216	8.063555	6.276555	37.86009	9.291782	8.402958	12.77291
10	0.111986	16.47973	8.083718	6.877483	38.20982	9.390148	8.454088	12.50502

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

The lending rate start to become significant in the second period at 4.98% and then jumps to 15.91% in the third period. From there it starts to decay, but continuous to be significant in explaining the variation in household consumption. In the third period REER is significant in explaining the variation in household consumption at 3.2% and then jumps to 9.14% in the fourth period and continues to remain significant at around 12%.

Next, we proceed with the impulse-response function. Impulse-response functions allow track the reaction of the variables in our model to a one unit increase in the current value of one of the VAR errors. In plain terms how a unit shock in "x" effects "y".

We will apply a SVAR with shorth-run impulse response by imposing restrictions on the S-matrix. We will select accumulated responses and 10 periods. For the impulse definition we will use Cholesky decomposition method.

Figure 7 presents impulse-responses of net trade to remittances. In figure 7 the x axis (bottom) represents periods, in this case quarters. The y axis (left) shows the percentage change. The orange dots are the standard error confidence bands. The confidence intervals are calculated as +/-2 standard error confidence bands. The magnitude of the shock is one standard deviation. So, a

shock in remittances has a positive effect on net trade, net trade is negative, so an increase in net trade is a deterioration of the trade balance.

Figure 7. Impulse-response function of net trade to remittances
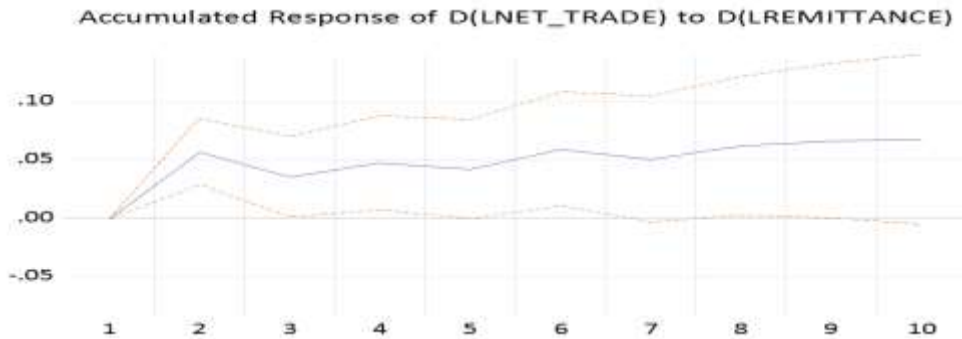
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

In second quarter a one standard deviation shock in remittances correspondence to 0.057 increase in the net trade, which when transformed from standard deviation into percentage gives us that *a 1% change in remittances in the second quarter corresponds to 0.73% change in net trade.* The effect is long lasting even after 10 quarters.

In figure 8 we analyze the impulse-responses of net trade to household consumption.

Figure 8. Impulse-response function of net trade to household consumption
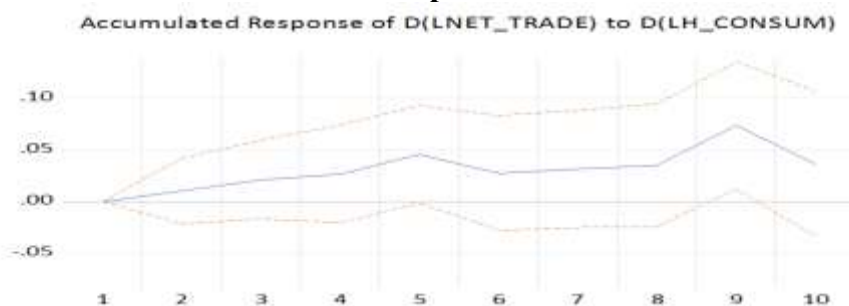
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

Analyzing Figure 9 we can conclude that household consumption has a positive and long-lasting effect on net trade. However, unlike remittances it

grows gradually then rises in the fifth quarter, after that follows the pattern on gradual growth and a peak in the ninth quarter after which it falls.

In the next figure analyze the impulse-responses of net trade to Consumer price index are analyzed.

Figure 9. Impulse-response function of net trade to Consumer price index
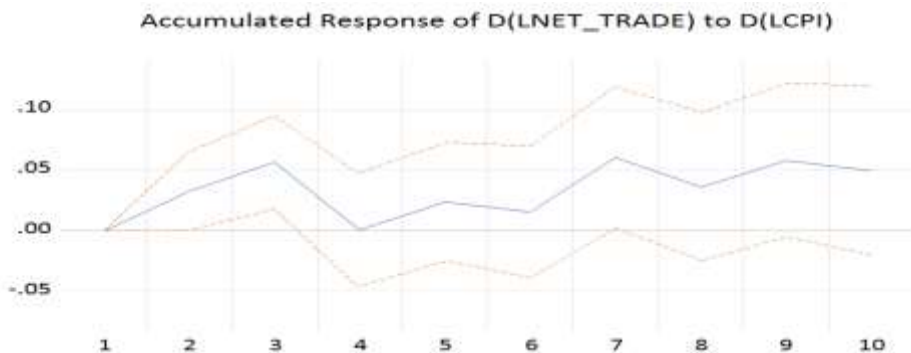
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

In figure 9 net trade responds to a one standard deviation shock increasing steadily until the third quarter, after which it plunges to 0. It is possible that consumers anticipating a rise in prices decide to increase consumption, and thus imports, contributing to an increase in net trade in the first three periods. It however never goes negative, indicating that increases to CPI do not improve the trade balance in the short term. The result of figure 9 show that under short term restrictions consumption remains robust even when prices increase.

Finally, in figure 10 we analyze the impulse-response function of net trade to lending rate. We expect that as a result of an increase in the lending rate consumption should decrease and import should decrease, thus the negative net trade should decrease, but that doesn't happen in the first two quarters. However, in the third quarter that is exactly what happens and it continues until the sixth quarter, is stays negative until the tenth quarter. When comparing the result of figure 9 and 10 we can see that the negative net trade drops in the third period as a result of the increase in lending rate and becomes negative, however net trade drops in the fourth period after an increase in the CPI.

Figure 10. Impulse-response function of Net Trade to Lending Rate
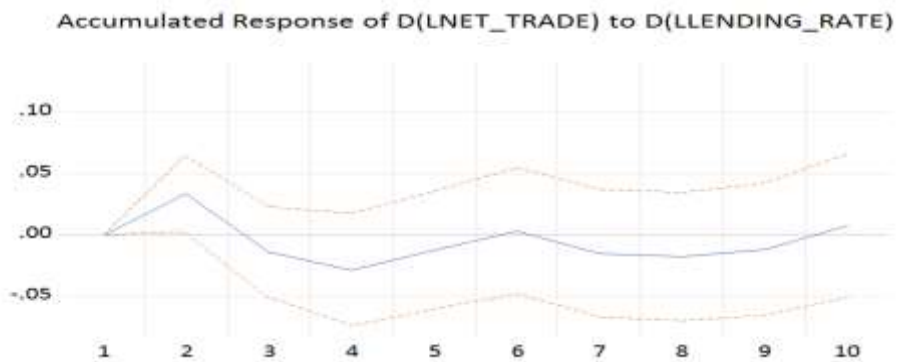
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

This can be explained that after initially taken a loan a period of time is then necessary to pay it back. That could also explain the trend observed.

Conclusions

We analyze how remittances effect the net trade of Republic of Moldova using a multitude of analytical tolls: Granger Causality Tests, Structural Vector Auto Regression model, Variance Decomposition and Impulse Response Function.

A limitation of the model is that the exact value of remittances is difficult to estimate due the informal channels used by migrants to transfer money to the home country. In the future the dataset may be improved by taking the data for remittances for the year 2020, a year in which due the pandemic restrictions on the movement of people were put in place making it more difficult to transfer throw informal means, and then interpolating the data to the previous years. This however requires proper and substantial explanation for using data that is different from that offered by National Bank of Moldova or other official sources.

Having completed an in-depth analysis of the impact of remittances on the economy of the Republic of Moldova and in particular on the net trade of the Republic of Moldova we can conclude the following:

– Republic of Moldova has a very high remittances to GDP ratio, in 2020 the ratio was 15.7%, constituting a source major vulnerability;

- A considerable amount of consumption in Republic of Moldova is sustained by remittances;
- Remittances and net trade are closely associated and fallow an almost identical path;
- Remittances do not appear to be counter cyclical in case of Republic of Moldova;
- Based on the Granger Causality Test we can conclude that remittances cause recipient to emigrate, and that a shrinking labor force causes remittances to increase;
- Based on the Granger Causality Test we can conclude that remittances, consumption, CPI and lending rate all cause negative net trade of Republic of Moldova;
- In the short-term remittances may be more useful to predict changes in net trade;
- In the second quarter remittances, CPI and the lending rate explain about 20% of the variation in net trade;
- The shocks in remittances have the biggest impact on net trade in second quarter, about 12%, after which it decays;
- According to our model remittances have strong and continuous positive impact on net trade, peaking in second quarter;
- In the second quarter a 1% change in remittances corresponds to 0.73% change in net trade;
- Consumption has a moderate impact in the short term on net trade;
- In the short-term an increase in CPI does not cause the trade balance to improve;
- An increase in lending rate has cause net trade to decrease, so the trade balance improves.

In future researches the model may be used for forecasting and scenario testing. The model has strong forecast performance with a Theil Inequality Coefficient for Net Trade using static method of forecast of 0.0043, and 0.017 using dynamic method of forecast. Scenario testing would be particularly useful for testing how a change in one variable would impact the other variables within the model, that would allow policymakers to anticipate and plan ahead for shocks.

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Appendix

Table 1. Migration data of Moldavian citizens

Destination	Total	
World	1024551	100%
Russian Federation	294522	29%
Italy	176241	17%
Ukraine	157826	15%
Romania	151249	15%
United States	42403	4%
Germany	27000	3%
Portugal	20377	2%
Uzbekistan	18850	2%
Spain	18806	2%
Canada	14178	1%
Kazakhstan	12348	1%
Israel	11102	1%
Czech Republic	10740	1%
Greece	9866	1%
Belarus	7653	1%
France	6658	1%

Source: elaborated by author based on data from the WB.
https://databank.worldbank.org [visited 22.08.2021]

Figure 1. The trend and value of constructions

Source: elaborated by author based on data from NBS.
https://statistica.gov.md/index.php
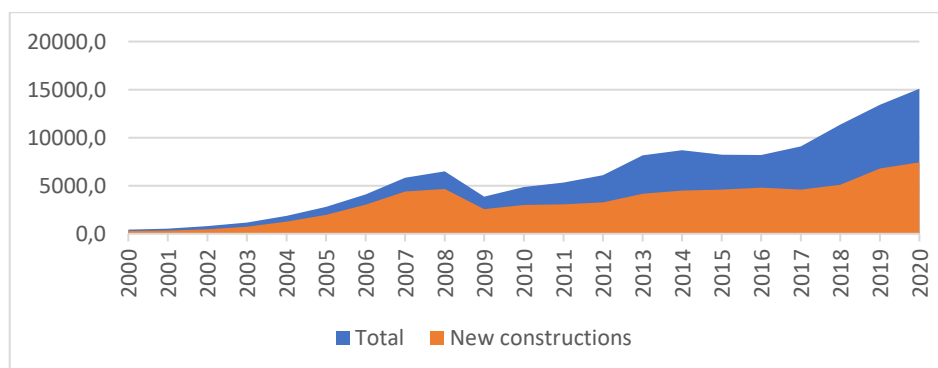
Table 2. Unit root test for net trade

Null Hypothesis: D(LNET_TRADE) has a unit root
Exogenous: Constant
Lag Length: 3 (Automatic - based on SIC, maxlag=11)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.821585	0.0001
Test critical values:	1% level	-3.519050	
	5% level	-2.900137	
	10% level	-2.587409	

*MacKinnon (1996) one-sided p-values.

Source: elaborated by author in Eviews 10, using data from IMF
Test criteria:
6. H0: D(LNET_TRADE) has a unit root and is not stationary;
7. H1: D(LNET_TRADE) has no unit root and is stationary;
8. α = 5% or 0.05;
9. Prob = 0.0001 < 0.05 therefore we reject the H0;
10. D(LNET_TRADE) does not have a unit root and is stationary.

Table 3. Serial Correlation LM test

VAR Residual Serial Correlation LM Tests
Date: 08/16/21   Time: 11:15
Sample: 2000Q1 2020Q1
Included observations: 76

Null hypothesis: No serial correlation at lag h

Lag	LRE* stat	df	Prob.	Rao F-stat	df	Prob.
1	86.09551	49	0.0008	1.942262	(49, 172.0)	0.0010
2	56.89567	49	0.2047	1.185751	(49, 172.0)	0.2130
3	53.60402	49	0.3022	1.107344	(49, 172.0)	0.3118
4	52.85034	49	0.3277	1.089577	(49, 172.0)	0.3376
5	58.16951	49	0.1735	1.216450	(49, 172.0)	0.1811

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

Figure 2. AR roots stability

Inverse Roots of AR Characteristic Polynomial
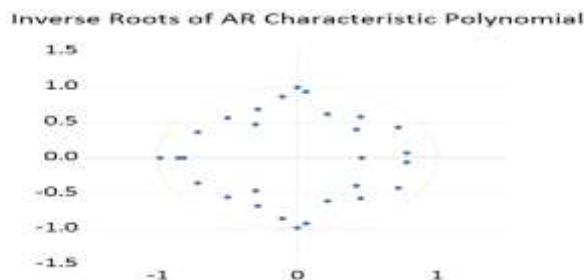
Source: elaborated by author in Eviews 10, based on data of IMF and NBM

Table 4. Normality test Cholesky of covariance method

Component	Jarque-Bera	df	Prob.
1	1.740384	2	0.4189
2	2.164614	2	0.3388
3	0.488083	2	0.7835
4	2.543971	2	0.2803
5	0.417474	2	0.8116
6	0.915996	2	0.6325
7	3.115098	2	0.2107
Joint	11.38562	14	0.6555

Source: elaborated by author in Eviews 10, based on data of IMF and NBM

Table 5. Lag selection criteria

VAR Lag Order Selection Criteria
Endogenous variables: DLOG(NET_TRADE) DLOG(REMITTANCE) DLOG(IMPORT) ...
Exogenous variables: C DUMMY
Date: 08/16/21   Time: 11:19
Sample: 2000Q1 2020Q1
Included observations: 76

Lag	LogL	LR	FPE	AIC	SC	HQ
0	651.8201	NA	1.21e-16	-16.78474	-16.35539	-16.61315
1	810.5880	279.9328	6.79e-18	-19.67337	-17.74131	-18.90123
2	942.3256	208.0068	7.99e-19	-21.85067	-18.41591*	-20.47798*
3	998.1105	77.80522	7.33e-19	-22.02922	-17.09175	-20.05597
4	1083.591	103.4770*	3.36e-19*	-22.98925*	-16.54907	-20.41544

Source: elaborated by author in Eviews 10, based on data from IMF and NBM

Table 6. Equation for Net trade

Equation: D(LNET_TRADE) = C(1)*D(LNET_TRADE(-1)) + C(2)
    *D(LNET_TRADE(-2)) + C(3)*D(LNET_TRADE(-3)) + C(4)
    *D(LNET_TRADE(-4)) + C(5)*D(LREMITTANCE(-1)) + C(6)
    *D(LREMITTANCE(-2)) + C(7)*D(LREMITTANCE(-3)) + C(8)
    *D(LREMITTANCE(-4)) + C(9)*D(LIMPORT(-1)) + C(10)*D(LIMPORT(
    -2)) + C(11)*D(LIMPORT(-3)) + C(12)*D(LIMPORT(-4)) + C(13)
    *D(LH_CONSUM(-1)) + C(14)*D(LH_CONSUM(-2)) + C(15)
    *D(LH_CONSUM(-3)) + C(16)*D(LH_CONSUM(-4)) + C(17)*D(LCPI(
    -1)) + C(18)*D(LCPI(-2)) + C(19)*D(LCPI(-3)) + C(20)*D(LCPI(-4)) +
    C(21)*D(LREER(-1)) + C(22)*D(LREER(-2)) + C(23)*D(LREER(-3)) +
    C(24)*D(LREER(-4)) + C(25)*D(LLENDING_RATE(-1)) + C(26)
    *D(LLENDING_RATE(-2)) + C(27)*D(LLENDING_RATE(-3)) + C(28)
    *D(LLENDING_RATE(-4)) + C(29) + C(30)*DUMMY
Observations: 76

R-squared	0.928028	Mean dependent var	0.033482
Adjusted R-squared	0.882654	S.D. dependent var	0.333520
S.E. of regression	0.114250	Sum squared resid	0.600442
Durbin-Watson stat	1.998675		

Source: elaborated by author in Eviews 10

Geographical Indications: Eastern Partnership Countries case

Natalia MOGOL[1]

Abstract

In the Eastern Partnership (EaP) countries, the subject of geographical indications is particularly important. Although the approach to the subject of GIs in the EaP countries is uneven and differs from country to country, the attention that each of these states pays at the national level to the field of geographical indications cannot be neglect. In countries such as Georgia and Moldova, the development of the GI system is one of the national strategic objectives. This interest is largely due to those economic benefits offered by the implementation of the geographical indications system, especially in countries where the share of the agri-food sector in GDP is significant. Despite the fact that challenges regarding the implementation of the association agreement in the part concerning geographical indications in the EaP countries are quite similar, there are no complex studies regarding the implementation of the geographical indications systems in the Eastern Partnership Countries. The main purpose of this paper is to fulfill the existing gap and to analyze the current situation in the field of GI highlighting best practices but also the vulnerabilities of the GI system in the EaP countries.

Keywords: association agreement, eastern partnership, geographical indications, intellectual property, enforcement of geographical indications

JEL Code: O38, F15, K42

Introduction

2009 is the year in which the Republic of Moldova (MD), together with Ukraine (UA), Georgia (GE), Armenia (AM), Azerbaijan (AZ) and Belarus

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(BE) became part of one of the most ambitious European projects - the Eastern Partnership (EaP).

Officially launched on 7 May 2009 at the Eastern Partnership Summit in Prague, the project was conceived in the context of the 2004 EU enlargement, almost for the promotion of the European values at the political and economic level in jurisdictions concerned.

Over the past 12 years, thanks to the EaP, some Eastern European countries, such as Georgia, Ukraine and Moldova, have signed Association Agreements, which have allowed citizens of the Republic of Moldova, Ukraine and Georgia to travel without visas to the EU and trade without taxes. Armenia has signed a Comprehensive and Enhanced Partnership Agreement wich provides for more liberalization in commerce. Azerbaijan and Belarus are still at the stage of negotiations.

A significant feature of the bilateral agreements signed by EU in the last decades is that the intellectual property provisions, which they include often, provide for a higher level of protection than that which is required by TRIPS (e.g. supplementary protection of patents, protection of medical trials data, very high level of geographical indications (GIs) protection, etc.) (Blakeney, 2014).

The agreements applied between the EU and Georgia and Moldova since 2016, the Ukraine since 2017 and Armenia since 2021 are not an exception. Here is to mention that GE and MD has previously to AAs signed agreements on reciprocal recognition of GIs, applied for Georgia from April 1, 2012, and for MD from April 1, 2013. In both cases, those special GI agreements were incorporated in the AAs.

The Association agreements mentioned above provide for the establishement of the Deep and Comprehensive Free Trade Areas (DCFTAs) applied between the EU and Georgia and Moldova since 2016 and the Ukraine since 2017.

The DCFTAs have two key elements: *trade liberalisation* and *regulatory approximation*. *Trade liberalisation* (the 'free trade' component of the DCFTAs) means removing tariffs and reducing non-tariff barriers to trade in goods, services and investment, thus increasing market access for goods and services for both sides. The parties to each of the agreements regularly exchange information and monitor developments in trade.

According to European Commission Report (2020), for all three DCFTA countries (GE, MD, UA), the EU became the biggest trading partner. Total trade with the DCFTA countries has overall slightly increased year by year, reaching €50.6 billion in 2019. EU-Ukraine bilateral trade has increased steadily in both directions and reached € 43.3 billion in 2019. Ukraine is also the 4th largest exporter towards the EU of agriculture products. In 2019, the overall trade between the EU and Georgia decreased on a year-on-year-basis by 3%, amounting to €2.6 billion and the total trade between the EU and Moldova grew by 3.9% compared to 2018, to reach slightly over €4.7 billion.

Regulatory approximation is another of the 'deep and comprehensive' component of the DCFTAs. The EU partner countries commit to approximate their legislation to the EU legislation in a number of trade-related policy areas, such as sanitary and phytosanitary matters, technical specifications and standards (lowering technical barriers to trade), public procurement, services and customs procedures. The European Commission monitors the process, taking into account the development of the EU legislation in the areas covered by the Association Agreement/DCFTA

In the context of the embargoes imposed by the Russian Federation, in particular to the Republic of Moldova and Ukraine, the Eastern Partnership States have reoriented their trade policies towards the Community market, and with this, they have started to implement EU product quality standards, including specific quality schemes, namely geographical indications systems.

1. Literature review

There are a quite wide range of works dedicated to geographical indications system (e.g. Calboli, 2015; Blakeney, 2014; Abbott, Cottier & Gurry, 2019; Kireeva & O'Connor, 2010; WIPO Handbook, 2017) and also there are certain interesting researches regarding the implementation of the association agreements between European Union and particular EaP countries (e.g. Kawecka-Wyrzykowska, 2015; Kyryliuk, Mekshun & Polkovnychenko, 2017; Mogol, 2014; Oliinyk, Baranovych, & Akhtimirova, 2018).

However, despite the fact that challenges regarding the implementation of the association agreement in the part concerning geographical indications in the EaP countries are quite similar, there are no complex studies regarding

the implementation of the geographical indications systems in the Eastern Partnership Countries.

The main purpose of this paper is to fulfill the existing gap and to analyze the current situation in the field of GI highlighting best practices but also the vulnerabilities of the GI system in the EaP countries.

This research focuses on the provisions of the agreements concluded between the EU and the EaP countries, in particular chapters relating to geographical indications, but also the national regulatory framework of Belarus, Armenia, Azerbaijan, Georgia, Moldova and Ukraine, in this particular field.

2. Data and Methodology

The aim of this paper is to compare the EaP countries practices regarding the implementation and development of the geographical indications protection system.

Thus, the Paper is based on the research of the available regulatory framework in the field of intellectual property focusing particularly on geographical indications.

It includes the comparative analysis of the current situation and of the evolution of the national GI systems, as well as the impact of the Association Agreements on the status quo in this particular field.

3. The system of geographical indications' in the Eastern Partnership States

Examining the current situation, we can divide the 6 states of the Eastern Partnership into two groups:

- Group of WTO Member States (AM, GE, MD, UA)
- Group of non-WTO member states (AZ, BY) with observer status

The group of WTO Member States is certainly distinguished by a more comprehensive legal framework in the field of reference. This is mainly due to the fact that the protection of geographical indications is mandatory for

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' In the context of this study, the notion of geographical indication will be frequently used to cover the notion of designation of origin, unless the notions will be used separately.

WTO Member States as provided for in the Agreement on Trade-Related Intellectual Property Rights (TRIPS).

Therefore, unlike BY and AZ where GI protection is provided for in trademark protection laws and is assimilated to the latter, in AM, GE, MD and UA there are special laws that expressly provide for the protection of geographical indications being also provided for the differentiation between the two related concepts: geographical indication (GI) and designation of origin (DO). Among the mentioned states, there are AM and MD that have practically transposed the community legislation in this field in the national legislation. MD went even further, unlike Community legislation, Law on appellation of origin, geographical indications and traditional specialities guarantee 2008 (Moldova) does not contain any restrictions on the nature of products that can benefit from protection through the quality system cited (AM, expressly excluded mineral waters as ineligible for protection as GI).

Although harmonised, the legal framework of the EaP states in the field of GIs slightly differs from the Community system in several aspects, in particular,

1) Regarding definitions each of the examined countries applies different definitions of GIs and AOs, some (MD, AM) limits it to names, others (GE) opens the definition of GIs to signs, but the most specific are the definitions provided by the Law on the Protection of Rights to Indication of Origin of Goods 2019 (Ukraine) which provides a very explicit subordination between the GIs and AOs:

Geographical indication — appellation of origin" identifying a product originating from certain geographical place and having special quality, reputation or other characteristics stemming mainly from this geographical place of origin, preserving that at least one of the stages of this product's manufacture (production (extraction) and/or processing and/or preparation) takes place in a certain geographical area;

Appellation of origin — a type of geographical indication meaning the name identifying a product originating from a certain geographical place and having special qualities or properties stemming, solely or mainly, from particular geographical environment with natural and human factors characteristic for this geographical place, if all stages of this product's

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" In some jurisdictions the term appellation of origin is used instead of the designation of origin, without affecting the essence and the scope of the rights

manufacture (production (extraction) and/or processing and/or preparation) take place in a designated geographical area;

2) Regarding who can apply in AM and MD, the legislation provides that only an association regardless of its organizational and legal form can initiate the process of recognizing a geographical indication. In UA, only in 2020 the law was modified and a specific provision on the group's right to apply was introduced. Before 2020, the law of Ukraine on the Protection of Rights to Indication of Origin of Goods expressly defined the applicant as any person or group of persons who has filed an application for registration of a geographical indication.

In the context of the above, it is to be mentionned that in Ukraine in the case of the overwhelming majority of the 16 DOs and 5 local GIs for mineral waters, cheeses, wines, handicrafts, the protection was requested by a single legal entity.

Another specific practice regarding who can apply is that of Georgia, where Law on Appeals of Origin and Geographical Indications of Goods 1999, art. 2 (d), (Georgia) defines the applicant as: a natural or legal person, public authority or legal person under public law, voluntary association of entrepreneurs, regardless of the organizational-legal form, which requires the right to register a designation of origin or geographical indication and / or the right to use a designation of origin or geographical indication.

Probably, for this reason in Georgia, most of the 34 designations of origin and 21 local geographical indications for wines, mineral waters, cheeses, etc. are registered in the name of the Ministry of Agriculture of Georgia.

The registration of a geographical indications in the name of a single legal person or a public authority can be jeopardized by several factors, the most important of which is that the geographical indication system was built as a collective, optional and voluntary system which involves the establishment by a group of producers (future users of the protected geographical indication) of clear rules which they undertake to comply with when producing the PGI product.

Whereas if a certain producer or the State initiates the GI registration process without consulting the opinion of all or at least a significant part of the producers involved in the production of the GI product, the rules will be established unilaterally without consulting all interested parties, which in principle may lead to a lack of interest from producers in promoting and fully

exploiting the GI, but also in insufficient motivation to comply with the provisions of the specifications.

That is why, although to register a GI in the name of a single private company or a public authority is a short cut to preservation and protection of important national symbols such as GIs are, it shall constitute merely an exception than a rule.

3) regarding the validity of the right, in contrast to BY and AZ laws, where the regime of GI registration's validity is identical to trademarks, i.e. the established term of validity of the registration of geographical indication is 10 years from the date of the application for registration, in AM, UA, MD and GE, the validity of the GI registration is unlimited, is conditionned only by the preservation of the special conditions. But, interestingly, in Armenia the validity of the right to use the geographical indication is set at 10 years.

The Law on Geographical Indications 2010, art. 13 (2) (Armenia) provides that the right to use the protected geographical indication or designation of origin shall be entitled for a period of ten years. This date can be extended for no more than ten years for every single time, provided the technical requirements of that particular product are met.

In UA, GE and MD the right to use is conditionned only by the fullfilment of the technical specification's requierements.

4) regarding official controls, esspecially in the part of the correspondence of GI products with the requirements of the specifications - the weak link in all EaP countries. It is generally recognised that only by implementing rigurous control mechanisms it is possible to ensure a credible GIs system, but even at the EU level there are different approaches to this subject (e.g. France with a very sophisticated control system and Poland where the State Agency on Food Safety is merely responsible for the official control). Due to the complexity of this issue, the experience of EaP countries is not uniform. We have on one hand BY and AZ, where there is no official control provided in the special laws, on the other hand MD, UA, AM with very explicit provisions on official controls and GE in the middle with an indirect refference to official controls in the special law. At this stage any EaP country with a perfectly functional control system, could be detected. However, there are areas that can be delimited as an example in this regard. For example, the wine field

in MD, where due to a professional management provided by the National Office of Vine and Wine, traceability from grapes to wine bottles is ensured.

There are many other areas where EaP countries shall harmonise their legislation in the field of GIs in order to align to EU standards, but those mentionned are the most important.

Of course the issue of harmonization of the legislation in the field of GIs is an ongoing one and is more relevant for those EaP countries that signed special agreements with EU or Agreements that contains special provisions on GIs.

4. Enforcement of the EU GIs in Armenia, Georgia, Moldova and Ukraine

An important aspect of the implementation of the geographical indications system is the enforcement of GI rights. GI enforcement is the core issue in the respective section of the Bilateral Agreements.

In accordance with the provisions of the examined Bilateral Agreements the Parties shall enforce the protection provided for in corresponding articles of the Agreements by appropriate administrative actions or legal proceedings, as appropriate, including at the customs border (export and import), in order to prevent and stop any unlawful use of the protected geographical indications. They shall also enforce such protection at the request of an interested party (AA EU-MD, 2014, AA EU-UA, 2017, AA EU-GE, 2014).

A key provision of the EU bilateral agreements regarding geographical indications is *ex officio* protection, which provides that the public authorities has to actively monitor the market for breaches.

The high level of protection provided under bilateral agreements with the EU is a challenge for the signatory states, in particular because, as a result of their entry into force, they are obliged to ensure the protection of more than 3700 EU GIs.

Protective measures are materialized in, but not limited to:

1) Prevention of trademark registration of EU GIs infringing signs, usually realised by intellectual property offices.

Case Laws:

Ucraine

The Ukrainean legislation defines the "champagne of Ukraine" as the individual category of goods with specific characteristics. That is why upon

discussion of the list of the geographical indications of the European Union, the transition period has been established for the geographical indications. According to Oliinyk et al. (2018) at a time when local wineries understood that they would be limited in the use of the name "Champagne" for the sparkling wines, they sought another attractive name for the sparkling wines. The name "Asti" suited well for this purpose. Thus, the local winery NYVA located in the Tairove, Odessa region (southwestern province of Ukraine), launched the new product TAIROVO ASTI combining the well-known ASTI DOCG (Denominazione di Origine Controllata e Garantita) with the name of the Tairove village, Odessa region. To support the right to use this name, before the UA-EU AA came into force, a series of trademarks were registered with ASTI DOCG, including TAIROVO ASTI (Latin & Cyrillic), SALUTE ASTI (Latin & Cyrillic) for sparkling wines in class 33.

At the same time, the prosecution's records of the trademarks by the examining authority and by the Chamber of Appeals of the Ministry of Economic Development and Trade of Ukraine indicate that since signing the EU-Ukraine Association Agreement and its entering into force as of 1 September 2017 the situation totally changed. Namely, by the decision of the Chamber of Appeals of the Ministry of Economic Development and Trade of Ukraine (hereinafter the "Chamber of Appeals") on 7 September 2017, issued in respect of the application no. m 201517110 ASTI&dev., a refusal decision. The case, first of all, illustrates an attempt for registration of the ASTI name in the name of the Italian Consortium which mimics the Consortium for the Promotion of Asti (Consorzio per la Tutela dell'Asti), but has nothing to do with the said Consortiumin an attempt to circumvent the grounds for refusal of the legal protection.

2) Prevent the use of similar signs in the internal market by administrative measures involving authorities such as competition authorities, food safety agencies, etc.

Case laws:

Ukraine

In 2012, the Antimonopoly Committee of Ukraine (the AMCU) issued a decision with regard to "Zvenigorodsky Cheese Factory" LLC, in which the Ukrainian company's actions were found to be a violation of the law on protection from unfair competition in the form of dissemination of misleading

information. The AMCU found that this company produced and sold melted cheese of its own production named "Sandwich cheese with Parmesan" while its composition lacked "Parmesan" (Oliinyk, Baranovych, & Akhtimirova, 2018).

Republic of Moldova (Case no. 22h-131/18)

In 2015-2016 National Food Safety Agency (NFSA) of the Republic of Moldova detected substantial batches of wine marked with GI Prosecco protected on the territory of the Republic of Moldova based on AA. The consignments were intended for export mainly to the Russian Federation. NFSA seized the lots, banning their sale. The economic agent challenged the actions of the NFSA inspector, claiming that he owns rights to the Prosecco Pronto trademark.

Background: Application for the trademark, PROSECCO PRONTO, filing number 035942, applicant Bulgary Winery S.R.L., Republic of Moldova. The rejection decision was issued on 17.07.2015 based on the geographical indication PROSECCO.

The producer Bulgary Winery SRL from the Republic of Moldova argued in favor of registering its trademark by the fact that Prosecco is the name of a vine variety that was planted by the producer on its land to be used for the production of sparkling wines.

The counter-arguments put forward by Consorzio di tutela della denominazione di origine controllata Prosecco, Piazza Filodrammatici, 3, I-31100 Treviso (TV), Italy, focused on the fact that the variety name was replaced by GLERA in order to protect geographical indication and the replacement happened before the planting of the variety by the Moldovan producer. Moreover, Bulgari Winery did not object to the protection of GI Prosecco under AA and started using the name Prosecco commercially using graphic symbols that would increase the risk of confusion.

The decision of the District Court was a controversial one, it stated: *the Prosecco brand is "generic on the territory of the Republic of Moldova in relation to "champagne", sparkling wine"*. Also, the court considered that AGEPI should reject the application for registration of the trademark IR 1169551, because it contravenes the national legislation, namely the provisions of art. 7 lit. c) and d) of Law no. 38 of 29 February 2008 on trademark protection, due to the fact that Prosecco is a name of a vine variety.

The decision was subsequently canceled on appeal, and the Court of Appeal decided the case in favor of AGEPI and the Consorzio di tutela della denominazione di origine controllata Prosecco.

Bulgari Winery tried, later on, to register the PROS and ECCO trademarks separately, first directly and second through a related company. The application 038105 PROS was rejected based on the opposition submitted by Consorzio di tutela della denominazione di origine controllata Prosecco. Application no. 038130 ECCO, although initially rejected for lack of distinctiveness, obtained protection following the Decision of the AGEPI Appeals Commission.

3) Prevention of breaches of AAs commitments regarding GIs at customs borders in both directions (import and export) through the Customs Services.

Border measures are particularly important because the main flow of alcoholic beverages (wines, sparkling wines and brandy) with infringing names are destined to exports, mainly to Russian Federation. In Russian Federation the names коньяк, кагор, шампанское are considered as generic names for the respective category of product. Moreover, according to labeling regulations the product category name shall be indicated on the label. Russian consumer does not understand that "pastoral wine", coming from Moldova is the same as "кагор wine". Important issue is that according to trade agreements applicable in the Commonwealth of Independent States (AM, AZ, BY, KZ, KG, MD, RU, TJ, UZ), the custom duties imposed at the importation into Russian Federation to product category "коньяк" are lower than the custom duties imposed for the product category "brandy".

A particular challenge of implementing EU Bilateral Agreements in the part relating to geographical indications is determined by the fact that the list of EU GIs includes some indications that securing rights is particularly difficult.

Traditionally, from the Soviet era, the local vineyards used some geographical indications protected in the European Union as the generic names for different categories of goods, like "champagne" instead of "sparkling wines", "cognac" for "brandy", and the like. For Moldova and Georgia, the challenge of implementing the association agreement is not so prominent because both countries are party to the Lisbon Agreement. The situation is different in Ukraine and Armenia.

As it can be observed, from the four EaP countries which are WTO members, only Armenia did not sign an Association Agreement, but a Comprehensive and Enhanced Partnership Agreement (CEPA). Obviously, it is not only because of the GIs, but certainly GIs are a very sensitive issue in the EU-AM negociations.

Particularly, Armenian economy is very dependent on the production of alcoholic beverages which are mostly exported to Russian Federation. Taking into account the soviet inheritance, Armenian producers use as generic term GI Cognac for designating high quality Armenian brandy and GI Champagne for sparkling wine produced in Armenia.

Thus, EU offered to Armenia a phase-out of the use of the geographical indication (GI) "Cognac" for products originating in Armenia, in line with Article 237 CEPA.

For a transitional period of 24 years after the entry into force of this Agreement for "Cognac" and for a transitional period of three years after the entry into force of this Agreement for "Champagne", the protection pursuant to this Agreement of those geographical indications of the European Union shall not preclude those names from being used on products originating in the Republic of Armenia and exported to third countries, where the laws and regulations of the third country concerned so permit, in order to designate and present certain comparable products originating in the Republic of Armenia, provided that:

(a) the name is labelled exclusively in non-Latin characters;

(b) the true origin of the product is clearly labelled in the same field of vision: and

(c) nothing in the presentation is likely to mislead the public as to the true origin of the product.

But, for the purposes of facilitating the smooth and effective termination of the use of the European Union geographical indication "Cognac" for products originating in the Republic of Armenia, as well as assisting the industry of the Republic of Armenia in maintaining its competitive position in export markets, the European Union shall provide to the Republic of Armenia technical and financial assistance. That assistance, to be provided in conformity with EU law, shall include, in particular, actions

for developing a new name and promoting, advertising and marketing the new name in domestic and traditional export markets.

The issue is very sensitive because the economy of Armenia is largely affected by the possibility to use the transcription in Cyrillic of the denomination Cognac for the exports of the Armenian brandy, particularly to Russia. Another issue is the requirement to include a reference to "cognac" in Cyrillic and other non-Latin alphabet languages on the label of Armenian brandy when exported to Eurasian Economic Union members.

Some similar experience had Moldova in late 90's, before acceding to WTO and becoming member of the Lisbon Agreement. That time, at the political level it was decided to stop the use of particular EU GIs and to replace them by alternative names as it is represented below (Table 1).

Despite the fact that the implementation of alternative names affected Moldovan producers, after 20 years we can say with certainty that problems remained only for two of the seven names, namely Cognac and Cahors.

The Cahors case is particularly sensitive. In the Republic of Moldova, a very popular wine is a sweet red desert wine, which traditionaly was sold under the product category "кагор". In all Christian EaP and in some EU countries (Bulgaria, Poland, etc.) "кагор" is used especially during religious rituals and Easter Holydays. The name "кагор" is considered as an evocation of the AO CAHORS, protected in the Republic of Moldova by virtue of Lisbon Agreement on the protection of appelations of origin (1958) and AA EU-MD (2014) for dry wines. According to Moldova's obligations the wines bearing "кагор" on the label are prohibited. But producers are very dissatisfied, because products bearing "кагор" on the label are present in the EU market and even produced in some EU countries. Proof of this, together with the questions *Do "кагор" constitute an evocation of the PDO CAHORS*? *Shall this be prohibited*? was addressed by Moldovan side to EU within the fifth reunion of the MD-EU GI Subcomitee in 2019, but was not yet answered till today (Joint Minutes of the sixth EU-MD sub-committee on geographical indications, 2020).

In line with CEPA provisions, Armenia shall start the process of replacement of the name Cognac and totally replace it even for exports in third countries within 24 years from the date into entry of the CEPA. Also, in line with its CEPA obligations, the use of the name "Champagne" should be

fully phased out (including in non-Latin characters) for Armenian products within the prescribed terms (Joint Minutes of the EU-AM partnership committee in trade configuration, 2019)

Table 1: Moldova's experience on replacing the protected geographical indications used as a generic term.

PDO/PGI	Product category for which PDO/PGI is applied	Name used in USSR, (cyrillic with transliteration)	Alternative name implemented in MD	Product category to which alternative name is applied
CHAMPAGNE	Wine	Шампанское (shampanskoe)	Spumant	Sparkling wine
COGNAC	Wine spirit	Коньяк (coniac)	Divin	Matured wine distillate
CAHORS	Wine	Кагор (cagor)	Pastoral	Red and pink dessert wines
PORTO	Generous wine (liqueur wine)	Портвейн (portvein)	Prometeu	Wine heated with O2 access in minimum doses
XÉRÈS	Wine	Херес (heres)	Ialoveni	Pellicular wine
MADEIRA	Wine	Мадера (madera)	Luceafăr	Heat-treated wine with O2 access in excessive doses
SAUTERNES	Wine	Сотерн (sotern)	Nectar	White dessert wines
MARSALA	Wine	Марсала (marsala)	Cărpineni	Caramelized wine

Source: Munteanu, S. (2016, Octobre 27-28) Accord entre l'UE et la Republique de Moldova, 4ème Séminaire International d'Antalya sur les Indications géographiques Indications Géographiques en Turquie et dans les autres pays Méditerranéens: Tendances, Défis et Perspectives d'avenir, Antalya -Turquie

Due to common soviet inheritance, the UA faces similar challenges. Thus, advantageous UA measures have been negotiated and UA-EU Association Agreement expressly provides for certain transitional periods. Particularly, art. 208 of the UA-EU Association Agreement provides:

For a transitional period of 10 years from the entry into force of this Agreement, the protection pursuant to this Agreement of the following geographical indications of the EU Party shall not preclude these geographical

indications from being used in order to designate and present certain comparable products originating in Ukraine: (a) Champagne, (b) Cognac, (c) Madera, (d) Porto, (e) Jerez /Xérès/ Sherry, (f) Calvados, (g) Grappa, (h) Anis Português, (i) Armagnac, (j) Marsala, (k) Malaga, (l) Tokaj.

For a transitional period of seven years from the entry into force of this Agreement, the protection pursuant to this Agreement of the following geographical indications of the EU Party shall not preclude these geographical indications from being used in order to designate and present certain comparable products originating in Ukraine: (a) Parmigiano Reggiano, (b) Roquefort, (c) Feta.

Although the Republic of Moldova is a signatory to the Lisbon Agreement, a transitional rule has been introduced in the text of the MD-EU Association Agreement regarding the granting of a 5-year period to bring the regulatory framework in line, in particular with regard to GI rights enforcement measures.

Without prejudice to the Republic of Moldova's previous commitments to grant protection for the Union geographical indications derived from international agreements on the protection of geographical indications and the enforcement thereof, including the commitments undertaken in the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, and in accordance with Article 301 of this Agreement, the Republic of Moldova shall benefit from a transitional period of five years from 1 April 2013 to put in place all complementary actions necessary to stop any unlawful use of the protected geographical indications, in particular the measures at the customs border.

Georgia did not negotiate any transitional measures for GI protection.

5. The impact of GI protection under bilateral agreements: advantages and disadvantages

At the time of signing, the balance of mutual protection of GIs in bilateral agreements signed by the Eastern Partnership States with the EU was clearly in favor of EU Member States, and it will probably remain like this in the future. However, it can be emphasized that all these bilateral agreements provide for the possibility for the Contracting Parties to add new GIs to be protected. In line with this provision, at the moment of signature of the bilateral agreements on GI protection between MD and EU, the EU forwarded

a list of 3500 GIs. Meanwhile the list was completed with over 200 new EU GIs, thus constituting in 2021 over 3700 EU GIs. Same situation is in GE and UA. But same provision is applicable to GE, MD, UA GIs. On signature of the bilateral agreements on GIs protection between MD and EU, the MD forwarded only 2 GIs. Meanwhile the list was completed with other 6 new MD GIs and continue to be completed on a current basis.

The bilateral agreements allow producers from Georgia, Moldova, Ukraine and Armenia to protect, on the territory of the European Union, geographical indications registered at national level without incurring any costs on their part. The protection is ensured on the basis of the exchange of lists at specialized committees (for comparison to ensure the protection of a trade mark at Community level is charged a fee of approximately 900 Euro and representation by accredited persons is also required which also involves significant costs). At the same time, the savings made by the EU states for the protection of GIs in the Eastern Partnership states are not to be neglected. For example, to register those over 3700 GIs only in the Republic of Moldova, through the national procedure, it would have been necessary to pay over 900000 Euros official fees, not to mention related fees for legal assistance.

Noticing such an imbalance between the number of GIs in the EU's Eastern Partnership States protected and the EU GIs protected in the Eastern Partnership States involuntarily, the question arises who benefits from this exchange of lists?

For sure, from the point of view of GI protection EU bilateral agreementss are very advantageous for EU. We agree with Engelhardt (2015), affirming that advanced protection of European GIs represents an alternative strategy to maintain European market shares throughout the world, which can, at the moment, be achieved best through bilateral and regional agreements.

On the other hand, as mentionned before by some authors (e. g. Kawecka-Wyrzykowska, 2015), AAs as a whole offers a number of advantages to GE, MD and UA, although some of them are of an unquantifiable character and some will appear only in the longer term. First, the implementation of the AA will stabilise the internal economic and legal systems, making domestic laws more predictable and more difficult to reverse, thereby contributing positively to the long-term development of the countries. To put it differently, an AA with a major partner such as the EU is

a signal to investors both at home and abroad that economic reforms will not be reversed, as they are guaranteed by a legally binding international agreement. This will increase the attractiveness of EaP as economic partners for foreign investors.

GI protection could actually result in increasing competition and innovation in the market and it should not be neglected. In particular, the recognition of GIs can force outside producers ''to develop innovative techniques to improve upon a product to compete vis-a-vis the [GI-denominated] product category.'' According to Calboli, 2015, it was precisely after Australia conceded to EU pressure and ceased to use several terms protected as GIs in the EU (deemed to be generic in Australia) that the wine industry in Australia truly grew because Australian producers started to invest in local names, which became symbols of excellent wines worldwide. Likewise, the U.S., a country notoriously anti-GI protection, has long enforced strong protection for appellation of wines due to the relevant business interests of California and other wine-making regions.

Conclusions

GI protection is a very sensitive issue. For countries as Moldova, Georgia, Ukraine and Armenia the promotion and development of geographical indications will contribute to the recognition of the local products both on local and on the export markets.

Especially this is important in the context of exporting GI products to the Community market which allocates considerable amounts of money annually to the promotion of the GI system and to consumers who are extremely interested in products of specific origin and quality.

After a thorough analysis of the situation in the field of GIs in the Eastern Partnership countries, the following main impediments for the development of the system of geographical indications might be delimited:

- Low level of awareness of the system of geographical indications both private and public;

- Insufficient promotion of the concept of product with geographical indication, so that the average consumer does not know the advantages offered by products with protected geographical indication;

- Sophisticated and sometimes non-transparent GI recognition procedures;

- Lack or inefficiency of existing official control systems;

- Difficulty in undertaking some combined collective actions on the part of both the authorities and the producers (it is difficult for us to work in a team);

- Insufficient level of PGIs enforcement.

In order to overcome those challenges some actions shall be undertaken:

1. Regarding the legal framework, more legislative harmonization is needed in the upcoming years. In all the analyzed states, the official control system of the correspondence of GI products with the requirements of the specifications is the weak link, in this sense both training of existing bodies and the creation of premises for the emergence of private control bodies shall be undertaken in order to establish a credible official control system. In addition, because the registration of a GI is subject to the payment of fees, at least during the establishment of the system the exemption (according to the Community model) or at least partial (according to national experiences) payment of fees for the registration of a geographical indication would be a good step forward;

2. Regarding the institutional framework, that most often it is too complex. Usually, a group of producers shall interact with, at least 4 different authorities (1 - group registration, 2 – technical specification approval, 3 – GI registration, 4 - control of compliance of the product with technical requierements, 5 – market surveillance authorities, 6 – border measures, etc.). It would be great to find solutions in order to simplify the procedures (e.g. to find solutions in order to merge some procedures, like steps 1-3);

3. One of the key actions that should be taken in all countries analyzed is to promote the system of geographical indications so that public authorities and producers but also the average consumer understand that a product with a protected geographical indication is a product that has an origin and a guaranteed quality that offers advantages to each of the economic actors:

- Manufacturers obtain an efficient mechanism for product differentiation and at the same time customer loyalty;

- Consumers gain access to a credible quality system guaranteed by the manufacturer and by the state;
- The state benefits from the quantitative and value increase of the consumption of domestic products.

Also, very important is the uderstanding that Association Agreement with the European Union is not an end in itself and is not a guarantee of success on its own. Without a strong commitment to develop economic, institutional and political fields, none of Moldova, Georgia, Ukraine or Armenia will succeed. For this purpose, the fulfillment of the assumed obligations is a crucial one and GIs sector is not an exception.

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Intercultural Competence - Way to Solve the Problems of Today's World

Roxana DOROBANȚU-DINA[1]

Abstract

This article highlights the need to form intercultural competence, which is closely in line with the dynamics of globalization and migration - so much publicized in recent years. Intercultural education is the study discipline included in the Romanian National Curriculum starting with 2017, which is taught in the sixth grade, this being the alternative to open communication, understanding, tolerance, interaction, solidarity and intercultural dialogue between people - regardless of ethnicity, race, religion, social condition, etc. Based on theoretical and praxiological analysis regarding the formation of the intercultural competence to the students from the gymnasium classes, three stages imposed in the finalization of the pedagogical experiment are completed: finding, training and verification. The added value of the scientific research paper is supported by teacher training activities based on the theme presented, through the elaboration and application of the Initiation Guide in Education and Intercultural Competence. Increased attention was paid to the theoretical-applied foundations that formed the basis for the elaboration and application of the Pedagogical Model for the formation of intercultural competence to the students from the gymnasium classes.

Keywords: culture, intercultural education, competence, intercultural competence.

JEL Code: I21, I 23

Introduction

Intercultural education is a relatively new field, which is referred to in the literature for the past 40 years. Romania's integration into the European

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Union, on January 1, 2007 is one of the reasons why more and more attention is paid to interculturality.

Part of the "new education", along with education for sustainable development, education for the environment, education for health, financial education, intercultural education has had a very important role in shaping the human being since schooling. (Lupșa 2019).

At the moment mankind is facing a number of problems, of which we mention only: interethnic or interstate wars, epidemics, arms or human trafficking, natural disasters, fires, floods, migration, racist problems and religious fundamentalists, famine, proverty, etc. - and the modern man has to face all of these challenges; In the life of a people, culture and the intercultural approach have a decisive role on the formation of the next generation's personality. This is the reasoning behind this study, "Training intercultural competence for students in middle school."

Researching specialized works in fields such as history, sociology, psychology and pedagogy shows that intercultural issues and fundamentalist-spiritual approach have led several times to trigger socio-economic conflicts, national or regional, which have forever marked the population. Thus, we argue that education and intercultural competence lead to the formation of a moral-civic behavior among students, based on knowledge of their own cultural values and those with whom they live, acceptance, understanding, integration, interaction and mutual respect. (Guțu, 2011; Guțu, 2014)

The phenomenon of globalization - as an action of transforming the world into a unit (Rus, Bota, 2002), directs our attention to the issue of interculturality, which becomes one of utmost importance and topicality. In the school environment, through formal, non-formal or informal activities - intercultural education is an inexhaustible source of interaction and knowledge of one's own culture and the culture of those with whom people live, through which relationships of friendship, understanding and tolerance towards those belonging to another race, religion, culture, ethnicity, nationality, etc. are formed and developed. The school has an essential role in this sense, because only an educated person has an intercultural vision of the world and relationships with peers, without prejudices or stereotypes. According to specialized studies (Plugaru & Păvălache, 2008), culture and interculturality are the terms that best define the relationships between people,

regardless of ethnicity, nationality, skin color, religious affiliation, sex, age, socio-economic level or geographical positioning. Romania - the country at the crossroads between the West and the East has come into contact throughout its millennial history with cultural elements of several peoples: Turks, Tartars, Slavs, Poles, Bulgarians, Germans, Jews, Saxons, Szeklers, Hungarians, Roma (Malița, 2002); a series of words are preserved to this day in the Romanian vocabulary, and some cultural elements are reflected in customs, proverbs, sayings, legends, etc.

The phenomenon of migration in Romania is also part of the problems of today's world (Abdallah-Pretceille, 1999), (Hofstede, 1996), for which political leaders at European and international level must find solutions as soon as possible; the phenomenon of migration began in the nineteenth century and continues at a rapid pace. It could be said that it has intensified in the last 15 years, with a greater opening after 2007, the year of Romania's integration into the European Union. The main causes of immigration in our country are closely related to getting a job, raising a family or continuing studies. (Antonesei, 2001; Ciobanu & Cozărescu, 2010)

In the hectic pace of daily life, marked by *the phenomenon of globalization and migration* - we say that the formation of intercultural competence of students in middle school is the main point of interest of the current National Curriculum. Referring to intercultural competence, the profile of the high school graduate is well defined by language skills, social and civic skills - which show solidarity, interaction, openness to cultural diversity, acceptance, tolerance and intercultural dialogue. (Chiş, 2005)

2. Literature review

The theoretical and praxiological research action undertaken by us, based on the specialized literature of researchers: Sadovei Papuc, Cristea and Cojocaru-Borozan, (2016), Sadovei, Cojocaru-Borozan, (2014), will lead to the formation of intercultural competence of students from middle school classes - making use of all the levers of the school institution: methods, means, free games, open communication, teamwork, artistic and sports activities school and extracurricular etc. An essential role is assigned by the teacher to social-charitable actions, leisure activities, thematic visits and

excursions, inviting notable people from ethnicities or minorities, as examples of success and good practice, implementing educational mini-projects based on Erasmus-type experience exchange, through the EEA Financial Mechanism.

The school - through its teachers is meant to prepare students for successful integration into social and professional life. The rapid evolution of technology and digitalization that is expanding nationally and globally, undoubtedly lead to new cultural horizons. (Cebanu, 2014) The first beneficiaries of information that circulates rapidly from one corner of the world to another in online format are students. Today, people communicate spontaneously, see each other more easily, even if they have never interacted, find out news from any corner of the world about culture, habits, values and principles of life - computer support being the basis of all these facilities. Intercultural education learned empirically in the family and systematically continued in school, is the premise for success in intercultural communication (Goraș-Postică, 2003).

Thus, we support Batelaan's theory (Batelaan, 2003) regarding intercultural competence, which largely confirms our hypothesis, namely:

- implementation of a school curriculum aimed at specific skills based on globalization, and not on ethnocentrism;
- approaching student-centered activities, which stimulate critical thinking and appreciation of diversity. (Ciscai, 2008).

According to the New National Curriculum for primary and secondary education published in 2017 - the profile of the high school graduate includes the training of these social and intercultural skills, which support the integration of young people in social and professional life. In fact, according to specialized studies in psychology (Cuznețov, 2010, 2013), pedagogy (Cucoș, 2001, 2009), history, sociology, etc. the education of children is closely in line with the environment in which they live; educated people have a culture that influences social and professional evolution, they show interest in knowledge and progress on the social scale. At the opposite pole are people who come from a subcultural environment, who have low self-esteem, show distrust of their own strengths, social vulnerabilities and lower interest in education and training. (Berezovski & Chisari, 2011) The family environment greatly influences the students' openness to intercultural dialogue,

interknowledge, discovering the material, cultural and spiritual values of those they come in contact with and belong to ethnic groups, other races, ethnicities or social categories. (Voinea, 2010) Intercultural education - as part of the "new education" (Nedelcu, 2007, 2008; Butnari, 2017) and an extension of school education begins in the family. (Cristea, 2009) The family is the social environment in which the child makes contact with the material, cultural and spiritual values, the first customs and traditions - but also with the prejudices or stereotypes that leave their mark on the education of the student. (Cuznetov, 2015)

Considering the developing personality of the student entering the school environment, the prejudices with which he comes from the family, (Verza, 2000) which generate the tendency of marginalization, social exclusion, segregation, racism or xenophobia (towards persons or minority groups), but also of the preponderant theoretical character of the school curriculum, we consider that the topic of forming the intercultural competence of the students from the gymnasium classes is topical and of maximum importance.

In the pedagogical experiment we demonstrated that extracurricular activities carried out systematically with non-formal and informal, in an organized environment, within the school-family-community partnership can lead to the formation of intercultural competence; thus, students will demonstrate a better knowledge of national cultural values, through the interdisciplinary approach of lessons in history, geography, Romanian language, technology education, foreign languages, etc., will demonstrate team spirit, moral-civic behavior, intercultural dialogue, tolerance, interaction, openness to communication and solidarity.

According to the research of the researcher (Gauthey, 1990) a person can relate well in an intercultural environment with the following qualities: empathy, flexibility, ability to help others, respect for the culture and values of those with whom they interact and belong to ethnic groups, they are of another religion, race, social condition, etc., the ability to accept that not all things are "black and white", but to have the power to understand the other with the uncertainty and friendliness of any social context.

Legislative documents from Romania, respectively Education Law 1/2011, New National Curriculum for primary and secondary education -

necessary conceptualizations, approved in 2016, Recommendation of the European Parliament and of the Council, 18 December 2006 in Official Journal of the European Union, L394 / 10 , 30.12.2006 provide as the main purpose of education: the formation of integrity and the development of a set of skills, based on knowledge, skills and attitudes, which recommend the graduate for insertion in the labor market, in socio-cultural and economic life. European training profile for secondary school graduates according to the 2016 National Curriculum includes the following key competences: 1. Social and civic competences; 2. Communication skills in the mother tongue; 3. Communication skills in modern languages; 4. Mathematical and basic skills in science and technology; 5. Digital competence; 6. Competence to learn to learn; 7. Competence for initiative and entrepreneurship; 8. Competence for cultural awareness and expression.

Researcher Lilia Pogolșa states in her specialized studies that have been undertaken in this regard, that "The school is called to offer, through intercultural education, a model of peaceful and constructive coexistence in a society in which I live in "Together with members of several ethnic groups." (Pogolșa, 2012) This is the premise behind our research, which will demonstrate that education and intercultural competence are formed in school, (Zaiț, 2002) mainly through extracurricular, non-formal and informal activities, representing the path of communication to interaction, without prejudice, racism, xenophobia, actions of marginalization, social exclusion or segregation. (Ivasiuc, Koreck and Kovari, 2010).

The pedagogical model resulting from the research contributes to granting equal opportunities for all students (and people in general), regardless of race, ethnicity, religion, group membership, culture, etc.

Choice of experimental group (participants).

One of the research directions we focused on in the pedagogical experiment was closely related to the way in which the formation of intercultural competence influences formal, non-formal and informal activities. Thus, for *the experiment group*, which included: 6th grade B (24 students) and *the control group:* 6th grade A (26 students) we applied the "before and after" method, which highlights the changes that have occurred along the way, which have allowed to improve some activities or the teacher training program, facilitating the achievement of expected results and

achieving the proposed purpose. The participants of the pedagogical experiment (who are students in the sixth grade of high school) are a leading indicator in the formation of intercultural competence, because at this age abstract thinking is solid, students discover real situations from the concrete circumstances of life, empathize and can make their own value judgement.

Development of the concept of competence. A number of researchers who have studied in fields such as pedagogy, psychology, sociology, history, etc. have referred to the concept of intercultural competence approached in close accordance with the concept of culture and interculturality, as this is a topical field. (Potolea & Toma, 2010)

According to researchers (Dumbrăveanu, Pâslaru, Cabac, 2014; Dulamă & Delory, 2011; Ray, 1999), the concept of competence has known several stages. In Romania, it was first used in vocational education, comprising the relationship between theoretical notions and their implementation, in a process in which the essential role belongs to the skills and attitudes of students. Subsequently, other valences in the teaching-learning-assessment process were assigned to the competence concept as follows:

1. *between 1960 and 1970,* the concept of 'competence' was mainly aimed at the formation of linguistic and communication competence, thus reflecting the student's ability to communicate correctly and coherently;

2. *between 1970 and 1990,* the competence concerned the area of management, communication and results obtained in the field of foreign languages;

3. *the year 1990 brings* a series of changes in the education system as a result of the stages of reforming the Romanian school; thus, in 2009 it is developed and applied to the National Curriculum focused on competencies and not on objectives as it was before 1990. The most brief approach would be: the transition from an objective-based education and mainly on didactic contents (knowledge acquired by students) to a curriculum that focuses on the student and his ability to apply theoretical notions at the end of a level of education, expressed in skills.

Approaching the concept of "competence" has been one of the constant concerns of specialists in the field (Pâslaru, 2003, 2011); thus over the years

competence has been defined in over two hundred ways - and even now there is no unanimously accepted definition.

In Romania, the introduction of key competences in the National Curriculum (in 2016) is based not only on the need to reform the education system that operated according to the same principles of the 1970s, but also out of a desire to be in line with the educational policies of other European states; in this regard, in 2006 the Council of Europe Recommendation is addressed to the ministers of education of the countries of the European Union, regarding the competence-centered curriculum.

In the European literature, the concept of competence has a greater approach in the late 1980s - early 1990s, despite the fact that there have been constant reformulations and negative remarks on the conceptualization of competence.

Thus, the researcher (Cojocaru, 2017, p. 3) from the Republic of Moldova in specialized studies and scientific papers defines competence as: "a well-structured and thoroughly mastered system of knowledge, skills, abilities and attitudes".

In another scientific paper, researcher Cojocaru defines the concept of competence as follows: "Competence is a potential (cognitive, operational, affective-attitudinal, conative) that manifests itself successfully when the situation requires it" (Cojocaru, 2011, p. 3).

From the perspective of psychology, Șchiopu, U., defines: "Competence is a remarkable professional capacity, springing from knowledge and practice; it gives efficiency, precision, safety and allows solving difficult situations in the direction in which it was formed ". (Șchiopu, 1997, p. 69)

The author Goraș-Postică Viorica (2008, p. 47) defines the notion of competence as "an association of theoretical notions, aptitude and attitudinal acts in a given context".

Specialized studies, scientific papers and all literature in fields such as pedagogy, psychology, sociology, history, etc., address the concept of "competence" assigning different meanings as it results from the analysis of the works of well-known authors: Cucoș (2003); Cojocaru, Ticuță (2011); Cojocaru, Aștifenei (2019); Cojocaru, Vladu (2017); Ovcerenco, Sadovei, Papuc, Cojocaru-Borozan, (2014); Cucoș, Cozma (2001); Pâslaru (2011),

Gremalschi (2015); Gillert (2003); Nedelcu (2008); Chiş (2005); Cucoş (2009); Pogolşa, Petrovschi, Samoilenco, & Uzicov (2012); Cristea (2009) etc.

In the Education Law (2011) the concept of "competence" had a completely different meaning until 2014, essentially referring to the attributions and responsibilities of the institutions, authorities, officials, whose purpose was to implement the obligations according to the job description, "according to the area of competence" - aiming very little or not at all at the concordance between the information received by the students and their applicability. In the Education Code of the Republic of Moldova (until 2014) clarifications on the level of practical acquisitions that students should have at the end of an education cycle can be found in a very superficial way, which is improved by developing and implementing the New National Curriculum for primary and secondary education since 2016. In the late 1990s and early 2000s intercultural competence experienced a new approach in the works of Constantinovici (2007), Жуков (2005), which paid more attention to the level of theoretical acquisitions and the ability to perform certain operations, to the detriment of the emotional experiences or feelings that individuals have in general.

Another Russian researcher, Выготский (2003) shed new light on the value of communication, which leads to influencing people's quality of life, the superiority of interaction and not just the knowledge of cultural elements: "us-others".

Romanian researchers Zamfir, & Vlăsceanu (1993), referring to intercultural competence stated in 1993: "a process by which a group receives, internalizes and applies values, norms, patterns of behavior or lifestyles specific to another group with which they are in contact".

This wording is closer to the situations in which migrants find themselves, as a phenomenon and issue on the table of political leaders worldwide this year.

According to the researcher Simensen (2003, apud Ciscai, p. 31) intercultural competence is "a fashion, a cliché used in the education system, although no one seems to know exactly what it means".

The Romanian researcher Constantin Cucoş (2003, p. 39) defines intercultural competence as: "the ability to change them, adapt their attitude, behavior and knowledge to the interaction with people belonging to other

cultures". Also, in another scientific research paper, Professor Constantin Cucoș (Cucos 2009, p. 129) addresses the topic of intercultural competence, arguing that it "means that rational ability to relate to people belonging to other cultures, demonstrating permissiveness, respect and understanding of diverse cultural meanings ". In this sense, the researchers Gremalschi (2015) and Popescu (2013) also refer in his works of great value.

According to the author Ciscai (2008, p. 39) *show that three stages must be completed for the formation of intercultural competence:*

1.cognitive - the baggage of knowledge with which the student from the family environment comes to school;

2.affective - the feelings and emotions that the student experiences in the family and that accompany him during school;

3.behavioral - refers to the student's attitude, behavior, which is based on the two aspects listed above.

The problem of research with the title "Formation of intercultural competence of students in middle school" is defined by establishing the theoretical and applied foundations of intercultural education, which smooth the way to knowledge, acceptance, appreciation of culture, tolerance, solidarity, interaction and intercultural dialogue .

The object of the research consists in the formation of the intercultural competence of the students from the gymnasium classes, within the formal, non-formal and informal extracurricular activities, emphasizing the theoretical-applied fundamentals mentioned previously.

The research hypothesis is clearly and succinctly formulated: whether we will implement the conceptual, theoretical and practical delimitations according to our theme; if we introduce in the classes the team work activity, the activities based on free games, dances, music, thematic excursions, the exchange of experience within the Erasmus projects which include mobility in other states, socialization and mutual knowledge activities; by developing, applying and confirming the pedagogical model for the formation of intercultural competence - then there is a very high probability of forming intercultural competence for students in middle school.

The purpose of the research is to develop, apply and validate the pedagogical model for the formation of intercultural competence, in accordance with the theoretical-applied foundations of the proposed topic.

Research objectives:

1. studying research in the field and discovering the basic concepts for the formation of intercultural competence;

2. knowledge of the evolution of the concept of intercultural education which is the foundation of the formation of intercultural competence;

3. specifying the factors and extracurricular activities of formal, non-formal, informal learning that underlie the formation of intercultural competence;

4. elaboration, application and verification of the pedagogical model for the formation of intercultural competence, according to the theoretical-applicative foundations of the present thesis;

3. Scientific research methodology

The methodological research is based on the principles, theories and conceptions of pedagogy, social, school and family psychology, taking into account the studies, specialized works and theories of researchers in the field. (Ovcerenco, Gherman & Untu, 2007; Ovcerenco, Sadovei, Papuc & Cojocaru-Borozan, 2014)

Based on the questionnaires applied to parents, students and teachers, we could see to what extent intercultural education contributes to the formation of intercultural competence, implicitly to the formation of a behavior based on understanding, openness to communication, interaction, solidarity and tolerance. Given the two major phenomena (globalization and migration) that are the challenges of the modern world, we believe that regardless of the specialty in which he trained, the teacher should prove openness to interculturality and train students in social and intercultural skills. The dynamics of the entrepreneurial segment has shown that in most of them entrepreneurs have a greater openness than candidates who opt for a job if they prove social and intercultural skills in a higher percentage compared to those who are just good specialists.

The theoretical landmarks that formed the basis of our research are: culture, intercultural education, intercultural competence, which are approached generously in the scientific research works of the authors. The concept of intercultural education is found in the specialized works of several researchers, among whom we cite: Abdallah-Pretceille, (1999); Butnari,

(2017); Ciobanu & Cozărescu (2010); Ciscai &Marchiș (2008); Cucoș (2009); Cucoş, Cozma (2001); Goraş-Postică (2003); Ivasiuc, Koreck & Kovari (2010); Nedelcu (2008); Plugaru, Pavalache (2008); *Pogolşa, Petrovschi & Samoilenco, Uzicov (2012);* Ray (1999); Rus (2002); Rus, Bota, (2002); Voinea, (2010).

The concept of competence is treated with the utmost seriousness by researchers in specialized studies, scientific papers and in all literature in fields such as pedagogy, psychology, sociology, history, etc. Thus, the concept of "competence" is assigned different meanings as it results from the analysis of the works of well-known authors: Cucoș (2003)**;** Cojocaru, Ticuță (2011); Cojocaru, Aștifenei (2019); Cojocaru, Vladu (2017); Ovcerenco, Sadovei, Papuc & Cojocaru-Borozan, (2014); Cucoş & Cozma (2001); Pâslaru (2011); Gremalschi (2015); Nedelcu (2008); Chiş (2005); Cucoş (2009); *Pogolşa, Petrovschi, Samoilenco, Uzicov (2012)*; Ovcerenco, Gherman, Untu (2007); Guţu, (2014); Sadovei (2008); Sadovei, Papuc, Cristea, Cojocaru-Borozan (2016); Sadovei, Cojocaru-Borozan (2014) etc.

In approaching the concept of the concept of *intercultural competence,* the specialists in the field stood out: Dulamă (2011); Fantini (2007); Hofstede (1996); Dumbrăveanu, Pâslaru, & Cabac (2014); Voinea (2010); Zait (2002); Rus (2002); Popescu (2013); Poledna, Ruegg, & Rus (2003);

The conceptual approach of family education is found in the works of Cuznetsov researchers (2010, 2013, 2015, 2016); Șchiopu (1997); Verza (2000);

The basis of our research were the *epistemological landmarks* according to the legislative acts, among which we mention:

1. Recommendation of the European Parliament and of the Council of 18 Dec. 2006 in Official Journal of the European Union, L394 / 10, 30.12.2006 on the description of key competences; ; (art. 10, 12, 14)
2. The new National Curriculum for primary and secondary education - necessary conceptualizations, approved in 2016. p. 47-49
3. Education Law of the Republic of Moldova, no. 547 of 21.07.1995 published in the Official Gazette, no. 62-63 of 09.11.1995, Art. No. 692. 15. (art. 5, 27)

4. Education Code of the Republic of Moldova. Code no. 152 of 17.07.2014. Official Gazette, no. 319-324 of 24.10.2014, Art. No. 634. (art. 2, 5, 6, 7, 36)

5. Framework Convention for the Protection of National Minorities, document available at http://www.anr.gov.ro/docs/legislatie/internationala/Conventia_Cadru _pentru_Protectia_Minoritatil or_Nationale.pdf, (accessed in April 2020); Art. 32, 34, 41;

6. International Convention on Economic, Social and Cultural Rights, Art. 13, p. 4, conf. Ivasiuc A., Koreck M., Kovari R., "Together" Agency, Institute for the Study of National Minority Issues, Intercultural Education, from theory to practice", 2010;

The research methods and tools implemented in our research are:

- theoretical: scientific documentation, analysis and systematization of scientific data
- praxiological: pedagogical observation; application tests, questionnaires, interview guide;
- hermeneutics: interpretation of scientific data;
- experimental: pedagogical experiment;
- statistics and mathematics: mathematical analysis of statistical data.

By implementing praxiological methods: application tests, questionnaires, interview guide, etc. the aim is to determine to what extent the elements of culture that underlie the "iceberg of culture" are found in the attitude, behavior and social and intercultural skills of students (norms of life, moral and spiritual values, respect, punctuality, communication, leisure management, honesty, faith, family, friendships and hierarchical relationships, division of labor, etc.) Equal attention is paid to the elements of surface culture (language, gastronomy, clothing, greeting, social conduct, music, dance, arts, literature, theater, architecture, etc.) which is based on culture from the depths of the iceberg of culture.

The direct observation method facilitated the detection of changes in students' attitudes, so that through the implementation of the knowledge acquired and the means at their disposal in the school environment they can form intercultural competence. At the age of preadolescence (which ends at 12-13 years) students "face" a series of changes, whether emotional,

physical or intellectual. Thus, their behavior changes and adapts to meet other challenges; they start to have a higher self-esteem, they try new friends, they communicate more, they are preoccupied with the group of friends mainly in the virtual environment, directing time resources to social networks (Facebook, Instagram, Tik-Tok, etc.), want to meet new people, discover the beauty of the world around them through trips, camps, study visits, educational projects based on experience exchange, volunteer actions, etc. All these resources can contribute to the formation of intercultural competence, if they are managed with professionalism and teacher vocation, regardless of the chosen specialization, within the School-Family Partnership. (Dorobantu-Dina, 2019).

Description of instruments for assessing intercultural competence: questionnaire, measurement scale, sociometric tests, etc. Scientific novelty and originality. The research work finds its utility in secondary education, a situation in which students are in the process of knowing and identifying the spectrum of activities for the formation of intercultural competence. In this sense, we have included the theoretical-applied landmarks indispensable for the formation of a moral-civic behavior, for a better theoretical training of students, which leads to the formation of skills necessary for social and intercultural skills. Essentially, the novelty and originality of the title research *"The formation of intercultural competence for students in middle school classes"* resulted in: the delimitation of the basic concepts necessary for the formation of intercultural competence; presentation of the history of intercultural education, competence and intercultural competence; the approach from a historical, social, psychological, pedagogical perspective of the formation of intercultural competence, emphasizing the importance of extracurricular activities, such as: teamwork or pairs, social-charitable and entrepreneurial actions, educational mini-projects based on experience exchange, team sports activities, excursions, planting of trees and ornamental shrubs, technical-application competitions, celebrations, free games, folk or modern dances, knowledge of traditions and values specific to ethnic groups, people belonging to another race, religion, culture or have another socio-economic and cultural level. Also, as an element of novelty and scientific originality in this paper is the elaboration, application and confirmation of the Pedagogical Model. training intercultural competence in middle school

students; promoting the elements underlying the formation of intercultural competence; highlighting the factors and activities on which the research problem is best formed.

The theoretical significance of the research consists in the analysis, description, explanation and delimitation of the conceptual framework for the formation of intercultural competence; Given the research and analysis of concrete situations related to intercultural education, we aimed to specify the theoretical landmarks necessary for the formation of intercultural competence and the appropriate framework for its training in secondary education. Taking into account the need for the formation of intercultural competence, supported by the problems of today's world, of which we mention here only the phenomenon of globalization and migration - which intensified with Romania's accession to the European Union on January 1, 2007, we support the importance of intercultural competence for smoothing communication between people, solidarity, openness to communication and prosocial interaction.

In other words, we argue that the theoretical significance of research with the title "Training intercultural competence of students in middle school" is based on: holistic approach to intercultural education, which allowed us to establish the theoretical and applied foundations in training intercultural competence, as well as their delimitation during extracurricular, formal, non-formal and informal activities; elaboration, application and scientific verification of the Pedagogical Model training in intercultural competence, which led to better communication between students, mutual aid, better school results, integration and solidarity, openness to knowledge of the cultural values of those belonging to another culture, ethnicity, race, religion, etc.

4.The Model and Findings

The applicative value of the research is the date of attestation of the pedagogical tools that highlight the usefulness of the Pedagogical Model for the formation of intercultural competence, whose quality is a holistic one, representing equally a guide for conducting intercultural education classes and not only, which can lead to better school results and intercultural, prosocial behavior.

The Optional at the school's decision was also elaborated and implemented with the title: "Moral behavior through intercultural communication" with addressability to the sixth grade students; the establishment of the "Diamond" Theater Troupe of the "I.C. LĂZĂRESCU "Țițești, Argeș County (Romania), a band that was awarded in the National Contest with direct participation" My Intercultural Journey ", held in the city of Oradea (Romania), 2019; elaboration and application of the Guide for the training of teachers from the perspective of education and intercultural competence; specialized studies, scientific papers and theoretical-applied foundations of specialists in the field, which support the formation of intercultural competence of students in middle school classes; obtaining the research objectives and validating the pedagogical experiment, undoubtedly lead to the formation of a moral-civic and intercultural behavior of the students.

Implementation of scientific results. The pedagogical experiment respected the three obligatory stages: the stage of ascertaining, training and verifying the Pedagogical Model of training the intercultural competence of the students from the gymnasium classes. The scientific research process, which was intentionally challenged to establish the context in which intercultural competence is formed for students in middle school classes under predetermined conditions, included 100 students. Initially, the number of respondents in middle school classes was 110 students; of these, six students had a fluctuating attendance at school, as a result of going abroad for seasonal work with their family, three students got married at the end of the sixth grade and did not continue their classes and one student transferred to another school. The preparatory research included: 50 teachers, 100 parents and 50 sixth grade students from the I.C. LĂZĂRESCU" Țițești, Argeș County (Romania). The sixth grades were established randomly at the beginning of the 2018-2019 school year. Experimental group: 6th grade B (24 students); control group: 6th grade A (26 students).

The implementation of the scientific results generated by the pedagogical experiment are supported by the elaboration and application of the Guide for the training of teachers from the perspective of education and intercultural competence; elaboration and application of specialized studies and articles presented in national and international workshops, by participating in a series

of national and international conferences and especially by the multitude and diversity of extracurricular activities with students.

The scientific results obtained highlight the fact that there is a close connection between the theoretical-applied foundations and the pedagogical model for the formation of intercultural competence; as a result of the elaboration, application and verification of the Pedagogical Model of intercultural competence has shown that middle school students are interested in knowing, discovering, preserving and promoting their own cultural values and also the cultural values of those with whom they interact with; students who are of another ethnicity, race, religion, social condition; It was found that extracurricular activities lead to the formation of intercultural competence giving students the opportunity to demonstrate tolerance, acceptance, interaction, solidarity and open communication without prejudice, stereotypes, marginalization, social exclusion, segregation, discrimination or racism.

Conclusions

In this research we referred to the topic of intercultural education, which is one of utmost importance and topicality in the context of two major global issues: the phenomenon of globalization and migration. The formation of intercultural competence for middle school students is the desideratum contained in the educational policies entitled "new education", which can contribute to solving some of the burning problems of today's society. Delimiting the theoretical aspects, carrying out the pedagogical experiment and processing qualitatively and quantitatively the results obtained, I formulate the following conclusions:

1. Based on the analytical study in the field of the research problem, we defined and exposed the essence of the basic concepts, namely: culture, intercultural education, competence, intercultural competence. We made an analysis of the evolution of intercultural education, which contributed to the clarification of epistemological guidelines regarding intercultural competence.

2. The theoretical study and highlighting the current problems faced by the school, family and society as a whole related to intercultural

education, led to the specification and description of the formation of intercultural competence of students in middle school classes.

3. Collaboration with parents based on the Educational Partnership, can contribute to a better functionality of the relations between school and family, respectively to the formation of intercultural competence and to solving some of the problems of today's world, respectively the phenomenon of globalization and migration.

The scientific problem and the purpose of the research were solved by *achieving the following objectives:*

- specifying the conceptual and theoretical framework of intercultural education by highlighting the basic concepts;
- studying the staged evolution of intercultural education that contributes to the formation of intercultural competence of students in middle school classes;
- the interdisciplinary approach of intercultural education that can lead to the formation of intercultural competence;
- establishing the psycho-pedagogical conditions that lead to the formation of intercultural competence of students in middle school classes. Based on the above, the following recommendations are required:
- approaching intercultural education in a sustained and creative way through written media, audio-tv and through social communication networks, blogs, you tube, etc.
- capitalization of formal and non-formal activities regarding the involvement of students in activities specific to intercultural education, based on normative acts initiated by educational policies at national level;
- the training of teachers from the perspective of approaching intercultural education, as a discipline recently introduced in the national curriculum, included in the "new education", as an alternative to solve some of the problems of today's world, including of course migration and globalization.
- the need to develop teaching aids, guides for teachers, to support the understanding of the importance of intercultural education and the need to train intercultural competence in middle school students;

- promoting activities related to intercultural education on the school's Facebook page;
- initiating and supporting the partnership between school and family as well as with other institutions, which can lead to a more efficient approach to intercultural education and implicitly to the formation of intercultural competence;
- based on the research undertaken, we sometimes found limits that led to some difficulties: on the part of the parents, most of the mothers responded to our requests, in a percentage of 80%. A Project of intercultural activities with parents could not materialize. Teachers are reluctant when they choose to attend training courses with personal financial support.

However, we believe that this research is a starting point in studying the components that can lead to the formation of intercultural competence in middle school students and can be the basis for analyzing how to initiate and develop intercultural competence.

Researchers Cuznetov (2004) and Guțu (2008) from the Republic of Moldova argue in scientific papers that the family environment makes its mark on the formation of the child's behavior, so that it is influenced by what he sees or hears in the house. Often the family environment is where the student comes into contact with prejudices, stereotypes, attitudes of social exclusion or marginalization of those who belong to ethnic groups or are of another race, religion, social condition, etc. Through his attitude, the teacher can contribute to the formation of intercultural competence, as a vector of opinion or behavioral model; examples from personal life, beautiful speech, paraverbal language, initiation and development of formal or non-formal extracurricular activities encourage and support the formation of intercultural competence of students in middle school classes.

Starting from the premise that intercultural education is the transdisciplinary discipline that underlies the formation of intercultural competence, we appreciate that this is not only the desideratum of the Romanian education system focused on the formation of key competences, but is a condition for integrating young people into social and professional life; by forming the intercultural competence we come to the support of solving the problem of the current world, namely the limitation of

xenophobia, discrimination, racism, segregation on ethnic, cultural, social criteria, etc. (Musteață, 2006).

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Cross-cultural Analysis of Main Economic Partners of the Republic of Moldova

Angela PIRLOG[1]

Abstract

The paper represents a comparative study of national culture features of the main commercial partners of the Republic of Moldova and the countries preferred by Moldovan citizens to emigrate: Romania, Russia, Italy and Germany. The research focused on two cultural bipolar models: Hofstede, which comprises six cultural dimensions: individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity, long-term vs. short-term orientation, indulgence vs. restraint, and Trompenaars-Hampden-Turner, which contains seven dimensions: universalism vs. particularism, individualism vs. communitarianism, neutral vs. emotional, specific vs. diffuse, achievement vs. ascription, sequential time vs. synchronous time, internal vs. external control. The established similarities and differences, knowledge of cultural specificity in international interactions, both social and economic, is an added value for individuals to successfully integrate and fit into a society, other than their native, and for businesses to be successfully managed on international level.

Keywords: Hofstede, Trompenaars and Hampden-Turner, cultural dimensions, migration, intercultural interaction, countries

JEL code: F22, M14, O57, Z13

Introduction

The contemporary social and business environment, characterized by a high degree of globalization and cultural diversity, emphasizes the importance of developing a better understanding of intercultural interaction

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that occurs during contacts between entities and people from different cultures.

Recently, due to the independence (Declaration of Independence of the Republic of Moldova, 2021) and openness of the Republic of Moldova to the outside world, contacts of any type and at any level, have developed. The citizens of the Republic had the opportunity to travel freely, to work abroad, foreign businessmen started to invest in the Republic of Moldova, domestic enterprises were more open to export.

The most valuable connectors with the global environment and economy are the free movement of people, foreign direct investments and foreign trade. They are the essential links of the national economy of the Republic of Moldova to the world economic space, by offering individuals and companies from our country opportunities to integrate and develop on international social and economic level.

In order to analyse and evaluate the similarities and differences of national cultures of the main Republic of Moldova's economic partners along with the preferred by Moldovans countries in order to immigrate, it is certainly necessary to use specific models to examine the values of these cultures. The models proposed by various specialists (Hofstede, Hofstede & Minkov M, 2010; Trompenaars & Hampden-Turner, 2020) in this area of research are not all-encompassing and are not mutually exclusive. Each approach presents different perspectives and can be useful separately or in combination with others.

We consider that important countries for our scientific approach are: Romania having the common shared history during centuries and partner number one in bilateral commercial relations; Russia, due to its influence, economic, but especially culturally, on the cultural group of the Balkan countries, of which our country is part, and, also, having a big number of emigrants from the Republic of Moldova; Italy is still a top country preferred by Moldovans to emigrate and also having considerable impact on commercial relations with the Republic of Moldova; Germany, also placed in the top of commercial partners of our country.

1. Literature review

The analysis of the literature related to the researched and described in this article subject shows that multiple attempts have been made to study the cultural dimensions in various countries. Different researchers have worked on discovering, analysing and offering practical advice how effectively interact in different cultural environments. Several authors have used this approach, from the study of Kluckhohn & Stroedbeck (1961) to the contribution of Geert Hofstede (2001), his team (Hofstede, Hofstede & Minkov, 2010) and the works of Trompenaars & Hampden-Turner (2020), the GLOBE project (House et al, 2004). The Dutch psychologist Geert Hofstede is one of the researchers, who has dedicated his entire academic career analysing behavioural patterns of various cultures and their impact on quality of life in over 50 countries around the world. His research starts with the statement: all modern or traditional societies face the same fundamental problems - only the answers differ, respectively they can be subjected to a comparative cross-cultural study (Popov, 2019, p.4).

Trompenaars and Hampden-Turner states in "Riding the Waves of Culture" (Trompenaars & Hampden-Turner, 2020) that each culture has its own specific solutions to universal problems. In their surveys, they presented a series of dilemmas to respondents and asked them to choose one of a given solutions. In his way they established the respondents' cultural inclination.

In Moldova the importance of national and organizational cultural similarities and differences due to their impact on the processes of communication, negotiation and management were studied by national researchers (Covaș & Pirlog, 2017; Tâu & Ibrahim Mustafa Sharfeldin, 2017).

Cultural values dictate manners that people from the Republic of Moldova use to interact with representatives of other countries, thus affecting international business development that influence approaches that individuals use to perform certain tasks (Tâu & Ibrahim Mustafa Sharfeldin, 2017).

2. Data and Methodology

The positive dynamics of foreign trade of enterprises in the Republic of Moldova proves that the need for interaction with representatives of

companies in other countries is constantly growing. Figures 1 and 2 show which countries have the closest economic contact with it.

Exports from the Republic of Moldova (figure 2.) with a much lower due to objective causes, such as: economic recession and trade barriers imposed by Russia, light economic growth in the EU, high international quality standards, pandemic crisis COVID 19.

Figure 1. The Volume of Imports to the Republic of Moldova (main commercial partners)
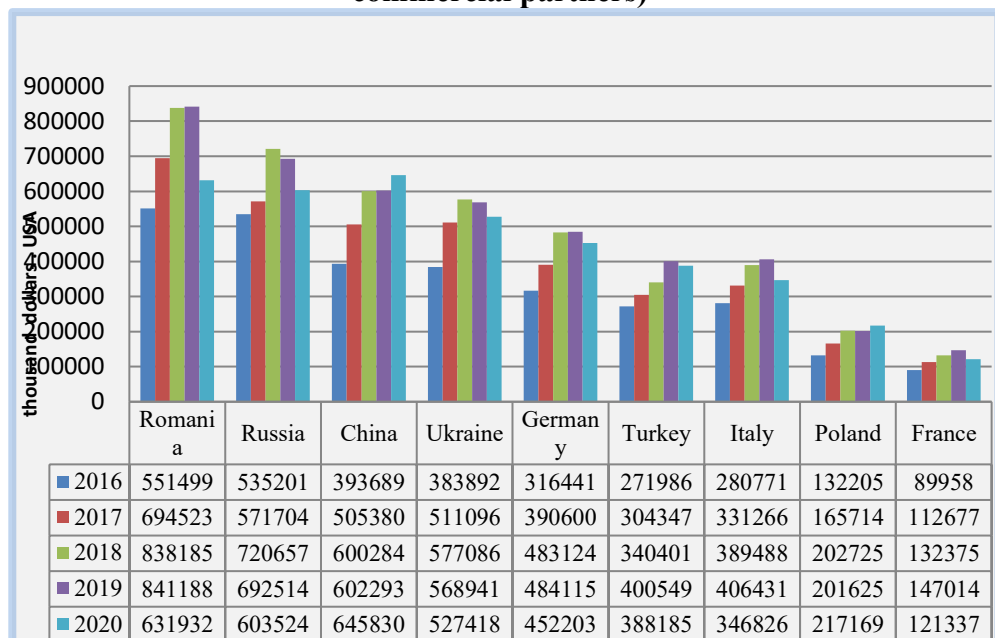
	Romania	Russia	China	Ukraine	Germany	Turkey	Italy	Poland	France
2016	551499	535201	393689	383892	316441	271986	280771	132205	89958
2017	694523	571704	505380	511096	390600	304347	331266	165714	112677
2018	838185	720657	600284	577086	483124	340401	389488	202725	132375
2019	841188	692514	602293	568941	484115	400549	406431	201625	147014
2020	631932	603524	645830	527418	452203	388185	346826	217169	121337

Source: Elaborated by author based on (Annual time series. International trade,2021   [visited on 10.06.2021]

According to the Ministry of Internal Affairs of the Republic of Moldova and Office of Migration and Asylum (2018) the phenomenon of *migration* in the Republic of Moldova is characterized by the international emigration of Moldovan citizens, less by the immigration of foreigners. Studies in the field of migration (Extended Migration Profile, 2018) show that the main share of Moldovan migrants remains emigration for economic purposes, especially due to low level of income in our country.

However, in recent years, among other causes of migration are the academic ones (the tendency to obtain internationally recognized studies, which would ensure a successful job) and family reunification.

By 2014-2015 about 2/3 of the emigrant population, estimated at up to one million people, was established Russian Federation but in recent years Moldovan citizens have moved to other countries, preferring European countries.

The Ministry of Internal Affairs of the Republic of Moldova, Office of Migration and Asylum (2018) specifies in the same survey that at the end of 2018, 42% of migrants were in the Russian Federation, over 23% in Italy, 7% in the US, 3% in Ukraine, Canada, Germany, Spain and Israel.

Figure 2. The Volume of exports from Republic of Moldova (main commercial partners)
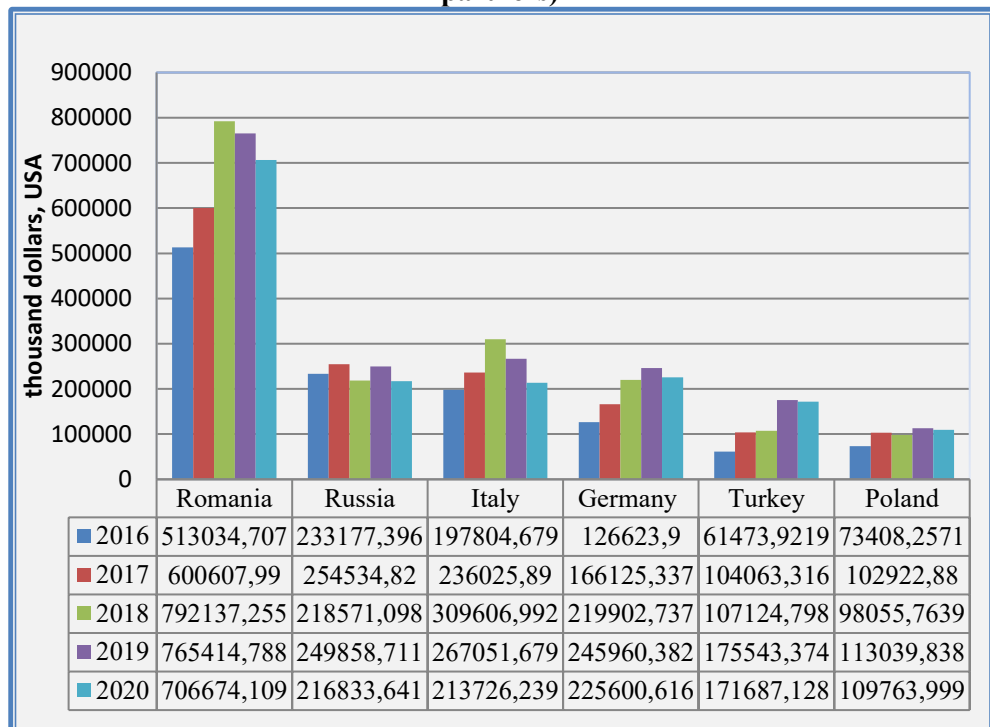
	Romania	Russia	Italy	Germany	Turkey	Poland
2016	513034,707	233177,396	197804,679	126623,9	61473,9219	73408,2571
2017	600607,99	254534,82	236025,89	166125,337	104063,316	102922,88
2018	792137,255	218571,098	309606,992	219902,737	107124,798	98055,7639
2019	765414,788	249858,711	267051,679	245960,382	175543,374	113039,838
2020	706674,109	216833,641	213726,239	225600,616	171687,128	109763,999

Source: Elaborated by author based on (Annual time series. International trade,2021) [visited on 10.06.2021]

According to data of Government of Romania (2021), the number of Moldovan citizens who have Romanian citizenship has significantly increased in the last 20 years and today reached 642,149 people out of a de facto population of about 2.7 million inhabitants, which means that one in four Moldovans has Romanian citizenship.

People, in order to be effective in contacts with representatives of other cultures, should be aware of the thing that an intercultural approach of social and economic relations is necessary, either in business or in other types of relationship. Relationships between people, organizations, companies, institutions, states, regional bodies, etc. involve the interference and interaction of different cultures. Thus, an individual or an enterprise is defined by a set of core values that represent his/her or its "cultural profile". In social and business relationships, people and organizations from different countries come into contact with each other, so that the interaction takes place in an environment characterized by cultural diversity.

For the present research, that is a comparative analysis of six cultural dimensions according to Hofstede model, based on the official information from Hofstede Insights (2021b, 2021c, 2021d, 2021e, 2021f) and seven dimensions according to Trompenaars-Hampden-Turner (2020) described in the latest edition of "Riding the Waves of Culture: Understanding Diversity in Global Business" of main economic partners of the Republic of Moldova that can be seen in figures 1 and 2.

Hofstede and his colleagues distinguished six cultural:

1. *Power Distance Index (PDA)* shows the level of inequity and the relationship with authority.
2. *Individualism versus collectivism (IDV)* is the relationship between individual and group. Individualism is characteristic of societies, in which the connections between individuals are distant: everyone is expected to take care of themselves or take care of their own family. Collectivism is specific for societies, which integrates people into strong subgroups, protects them for making them loyal.
3. *Masculinity versus Femininity (MAS)* determines the social implications of masculine and feminine characteristics. Masculinity encourage competition, assertiveness, definition of social roles of sexes, and femininity is specific for societies where the social roles of the sexes overlap, the main characteristics are modesty, sensitivity and concern about quality of life.
4. *Uncertainty control or avoidance (UAI)* is the way how the uncertainty is treated, regarding aggression control and expression of emotions. Uncertainty control indicates the extent to which members

of a culture feel threatened by unclear or unknown situations and the level at which they are open and prepared for them.

5. *Long-term orientation versus Short-term orientation (LTO)* determines the way to solve a short-term or long-term issue. In a long-term oriented society, time is perceived as a vector, and people tend to look to the future more than to be interested in the present or to remember the past. Short-term cultures appreciate traditional methods, spend a lot of time developing relationships, and generally view time as a circle. This means that the future and past events are interconnected, and "what cannot be done today can be done tomorrow".

6. *Indulgence versus Restraint (IVR)* determines the freedom of the individual in relation to cultural norms, shows the ability of a culture to meet the immediate needs and personal desires of the society members. In indulgent societies the satisfaction and happiness are encouraged. Where restraint is a value, strict rules and social norms prevail and personal desires are inhibited.

Fons Trompenaars and Charles Hampden-Turner distinguished seven dimensions of national culture:

1. *Universalism Versus Particularism* is the dimension about rules and relationships. Universalism is the situation in which people focus more on rules, laws and values. Particularism is the situation people believe that the circumstances and relationships they are in determine the rules they live by.

2. *Individualism Versus Communitarianism* is about what prevails: individual or the group. Individualism states that team members believe in personal freedom and achievements. They prefer to make and be responsible for their own decisions and take care of themselves Communitarianism is the tendency where group is more important than the individual.

3. *Specific versus Diffuse* is the dimension that outlines how much people are involved and delimitation of public and personal life.

4. *Neutral versus Emotional* is all about how people express their emotions: neutral are determined by strong emotional intelligence and the reason influences their actions. Emotional individuals are active to express their feelings and emotions.

5. *Achievement versus Ascription* determines how people concept the attribution of status. People with achievement rely on value performance, regardless of their position in the society or organization. The mentality "you are what you do" is the most important. Ascription inclination of a society means that power, titles and position are the most important in defining people's behaviour and status.

6. People manage time differently. Thus, the dimension *Sequential Time versus Synchronous Time* shows the way they perceive it. People who are oriented to sequential time like to have things happen in a logical, sequential order. They are punctual, like to plan and stay on schedule. Those who prefer synchronous time, recognize the present and the future as the same period of time. They view plans, deadlines and commitments as moveable segments.

7. *Internal Direction versus Outer Direction* involves the way people view their environment. If people within a society have internal direction, they believe they can control their environment in order to achieve their goals. Individuals using outer direction think that events, happening with and around them, influence and control them. They focus their attention on others and avoid conflict as much as possible.

3. The Model and Findings

In the figures below (figure 3 and 4) we present the comparative study of the cultural dimensions of four countries: Romania, Russia, Germany, Italy, countries with which the Republic of Moldova has the most intense economic and trade exchanges and also preferred by Moldovans for emigration.

As we can see in the figure 3, the obtained high score of *Distance to power* (PDI) for Russia (93) and Romania (90), as expected, proves the fact that they shared a common communist past. Work relationships between high-level employee and their subordinates are distant. The boss is an authoritarian figure and the main decision-maker in the majority of cases. Very rarely do employees dare to contradict their superiors and the employees have to obey.

Germany (35) and Italy (50) present a low to medium level of power distance.   It means that hierarchy in society and organizations has a

conventional distribution of roles and a basic characteristic is decentralization. The specific type of leadership is that democratic.

Figure 3. Cultural dimensions of the main economic partners of the Republic of Moldova (according Hofstede model)

%	PDI	IDV	MAS	UAI	LTO	IVR
Rep. Moldova	90	27	39	95	71	19
Romania	90	30	42	90	52	20
Russia	93	39	36	95	81	20
Germany	35	67	66	65	83	40
Italy	50	76	70	75	61	30
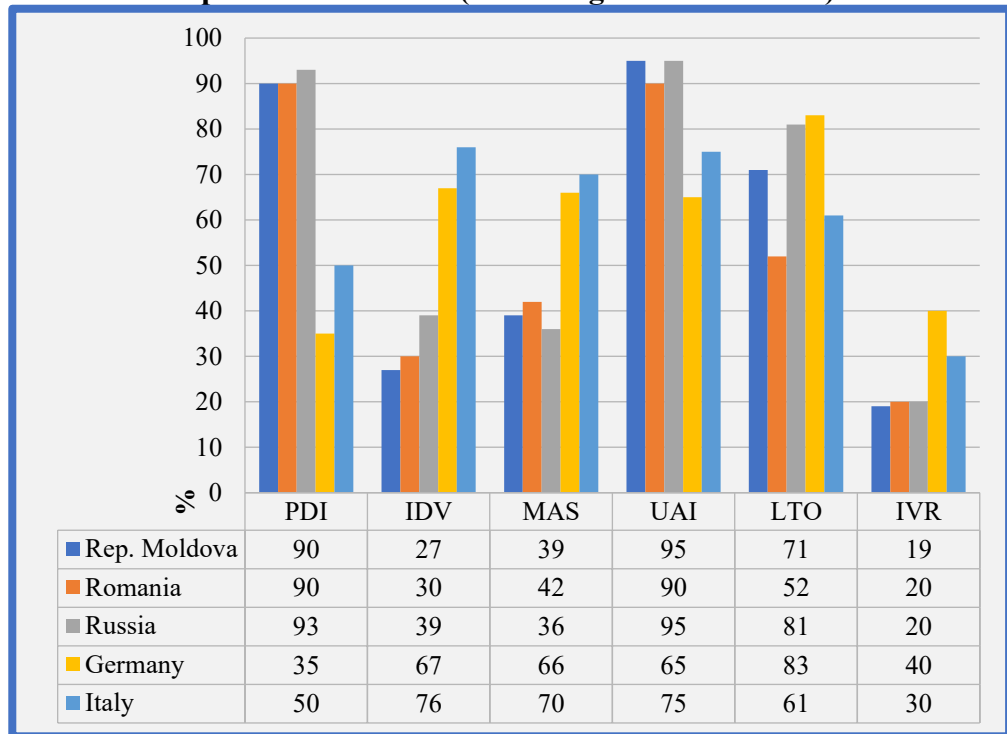
Source: Elaborated by author based on (Pirlog, 2020; Hofstede Insights, 2021) visited on [15.06.2021]

In the countries where the level of the *Individualism / Collectivism* (IDV) is low as it is in the Republic of Moldova (27), are countries where the relationship prevails over goals. People prefer to keep friendships at work and outside it, rather than set the professional goal that can threaten the relationship. We noticed, that Romania (30) and Russia (39) are not very far from Moldova's score. In these countries the government has a dominant role in their economic systems. Society expects the government to solve and manage the entire economic system and the economic changes to come from government structures rather than from themselves. Justice is selective depending on those with power and influence. Corruption is flourishing, being one of the conditions for slow development.

At the far pole are Germany and Italy. They present high level of individualism that means individual performance, personal freedom and independence are valued the most. Also, laws and rights are supposed to be the same for everyone.

The score for *Masculinity/Femininity* (MAS) in the Republic of Moldova (39), neighbouring countries: Romania (42) and Russia (36) indicate that the societies have characteristics of feminine cultures. These cultures are characterized by gentle behaviour, compromise, conflict avoidance. In feminine societies, work has the role of obtaining a minimum comfort for existence.

Far from above mentioned countries, with a high index of masculinity, we can see Germany (66) and Italy (70). In these countries, specific male characteristics: competition, power struggle, knowledge and recognition prevail. In masculine cultures, conflict is solved through confrontation ending with the victory of the strongest and working means economic development, productivity and performance.

Moldova is in the top of the negative ranking of *Uncertainty avoidance* (EVI), having the index 101. Not far are Russia (95), Romania (90). High level of stress and anxiety, excessive concern for the unknown are main indicators of these cultures. Stress in everyday life, at home and at work. Anxiety is a diffuse state of concern about what can happen. The uncertainty of life is seen as a threat for people. Reforms, professional, economic, social and political changes, innovations are avoided. What is different is considered dangerous, being preferred already known practices, even they are dysfunctional. Bureaucracy and control characterized by strict rules have the role to prevent uncertainties and changes. People prefer to keep their jobs stable, to the detriment of unsatisfactory working conditions or a toxic organizational environment and a low salary. (Popov et al, 2020)

Germany (65) and Italy (75) define their societies with a low level of uncertainty and ambiguity acceptance. People in these countries are open to what is new, different and try to implement new social and technological practices. The phenomenon of encouraging innovative changes in society and work lead to development of companies and institutions

The score obtained by the Republic of Moldova (36) for time orientation (OTL) means that the thinking and planning of our society is short-term oriented.

We have noticed that Romania (52) and Italy (61) are above the average score and quite highly placed are Russia (81) and Germany (83).

In short-term oriented cultures the results of the efforts made, opening or investing in a business, achieving goals are expected as fast as possible. The financial resources are invested in real estate, expensive cars or clothes. The country's economic growth is slow because there is no money for long-term investment (Popov et al, 2020).

In countries with long-term orientation financial resources are invested in business, personal investment or education, which could have positive long-term consequences. More important are the long-term profits, over 5-10 years.

Table 1. National cultural profile in the Republic of Moldova according to the Trompenaars-Hampden-Turner cultural model

Cultural Dimensions in the Republic of according Trompenaars-Hampden-Turner	
Individualism **Medium level**	Communitarism/collectivism **Medium level**
Universalism **Low level**	Particularism **High level**
Specificity **Decreasing average level**	Diffuseness **Growing average level**
Attribution **Medium level**	Ascription **Medium level**
Inner Direction **Growing average level (young generation)**	Outer Direction **Decreasing average level (older generation)**
Affectivity **Decreasing average level**	Neutrality **Growing average level**
sequential time **Growing average level (older generation)**	Synchronous time **Growing average level (young generation)**

Source: Elaborated by the author based on (Pirlog, 2017; Trompenaars & Hampden-Turner, 2020)

By the score of *Indulgence* (IVR) in Moldova (19) proves that it is low and is a characteristic if an austere culture. We note that restraint is also specific for Romania and Russia (20). In general, this trend is observed in former communist countries or other authoritarian regimes. Freedom of expression is discouraged and the expression of personality is a difficulty

(Popov et al, 2020). Members of society, including the organizational framework, are afraid of criticism and others' opinion. Cultural restraints inhibit the development of personality and the realization of his/her own desires, people become tense, stressed and nervous.

Germany (40) has a high degree of permissiveness and individual freedom but still under the medium level. This is felt in everyday social interactions where citizens show happiness, optimism and kindness.

Another model that we used to characterize the national cultures of analysed countries is that of Fon Trompenaars and Charles Hampden-Turner.

Information from Table 1, containing characteristics of national culture in the Republic of Moldova established by Pirlog (2017) and figure 6, displaying the scores of countries in our study established by Trompenaars & Hampden-Turner (2020), will help to make a comparison of these cultures according Trompenaars-Hampden-Turner model.

Figure 6. Cultural dimensions of the main commercial partners of the Republic of Moldova (according to the Trompenaars-Hampden-Turner model)

%	Univ. vs Particularism	Ind vs. comunitarism	Specific vs. Diffuse	Neutral vs. Affective	Ascription vs. Attribution	Secvential vs. Sincronous time	Inner vs. Outer Orientation
Romania	36	72	38	24	36	45	34
Russia	15	79	39	26	33	32	49
Italy	43	34	36	22	34	29	55
Germany	76	65	74	74	76	93	27
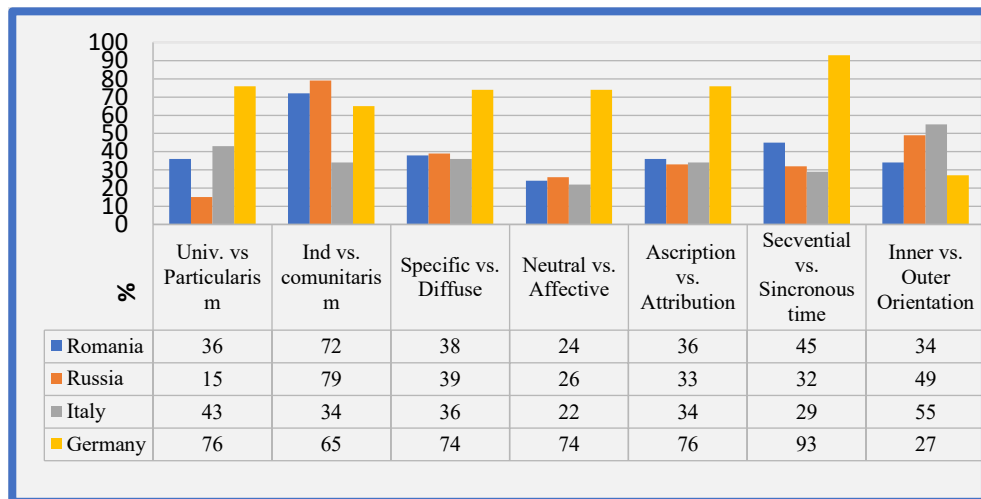
Source: Elaborated by author based on (Trompenaars & Hampden-Turner, 2020)

Particularistic societies in our study are Romania, Russia and Italy. The same tendency is seen in the Republic of Moldova. It means that the emphasis is made on relationships and not on rules. There are several truths because

people respect and take into consideration each other opinions. In business success, relationships have the main role.

Germany is considered a *universalist* country. It means that the emphasis is made more on rules and not on relationships and there is always just one truth of a specific situation. The contracts are the only framework for all business activity and interaction.

Diffuse trend countries are: the Republic of Moldova, Romania, Russia, and Italy, where people's personal and professional lives overlap, and believe that having good personal connections with their business partners is an essential condition for success. There is no clear limitation of workplace relationships and other types of social relationships.

Specific-oriented culture is that of Germany. People there believe that their professional life should remain separate from personal and their aspects must be kept distinctive from each other. Interactions between people are very well defined. People in such a culture believe that they can work very well together without necessarily having a good personal relationship.

Germany is country with a high score of *individualism.* Surprisingly individualistic societies are considered Romania and Russia. Probably, it is the case of horizontal individualistic cultures (eg. Sweden, Norway) people are expected to act as individuals and at the same time not be different from others (Triandis, 1995). The status of individuals, work and individual results are of great importance in these countries (Hofstede, Hofstede & Mincov, 2010; House et al, 2004).

In *collectivist* cultures, like that of Italy in our study, the group and adherence to it matter the most because security and help is offered in exchange for individual loyalty. Belonging to a group is valued more than personal freedom and independence.

The most *neutral* society in our study is that of Germany. Germans do not show what they are and think, emotions are reflected only occasionally. Communication could be considered monotonous, almost boring.

Romania, Russia and Italy are countries with high level of *emotional inclination*. Individuals externalize their feelings and thoughts (verbal and nonverbal) without reservation or self-control. Communication is active, declamatory and dramatic.

The Republic of Moldova score demonstrates a medium level of this dimension with neutral tendency. It means it contains characteristics of both, but more of to be neutral.

The country in our research with *ascription tendency,* is Germany. Social discrimination is insignificant there. Immigrants can integrate quite well into German society, women and men have the same rights, and sexual minorities are not disadvantaged. The position in the hierarchy does not take into account age, but knowledge and experience. Employment and wages are based on proven knowledge and skills, not diplomas other or less relevant papers. Hierarchical or professional advancement and dismissal depend on performance.

Attribution of status is specific to other representatives in our study: Romania, Russia, and Italy. Usually, elderly people (considered more experienced) are managers here, with high education degree, from the majority ethnic group and, most frequently, from higher social strata. Diplomas are very important when hiring. Hierarchical or professional promotion is slow and depend on age or seniority. In interpersonal relations, politeness and respect for the elderly, graduates of prestigious universities, doctors, etc. are very important.

Germany has a *sequential perception of time*. It means that rigorous planning of activities, random actions, etc. are treated with circumspection or disapproval; efficiency in carrying out activities or tasks, repeated delays are perceived negatively. Non-punctuality in business relations, delays, non-compliance with deadlines are interpreted as lack of interest in business. Perseverance and consistency in achieving goals are important as key features. Only one action is undertaken in a certain period of time and this must be completed before undertaking a new action.

At the opposite pole we can see the Republic of Moldova, Romania, Russia and Italy with *synchronous* perception of time. Their national cultures are characterized by: the development of events or activities that is determined rather by the urgencies; the development of interpersonal relationships have a great importance; satisfaction of all involved parties, respect of the partner "image".

Due to the information in this article we can analyse the Cultural Adaptability Profile (CAP) (Hofstede insights, 2021a) or other characteristics using specific tools (Trompenaars & Hampden-Turner, 2021) to assess and

predict how a person or management will react and cope with an intercultural situation and/or in an intercultural environment in order to maximize the chance of a successful insertion and collaboration. This reaction depends on a wide range of factors. One of them is the interaction between the personalities and their cultural values.

Conclusions

National culture represents a nucleus of resistance and protection against any form of external interference. Cultural aspects play a major role in the gradual establishment of relationship between people, relationship based either on mistrust and hostility, or on trust and openness.

Assessing and exchanging data on the national culture specific to countries preferred by migrants from the Republic of Moldova, as well as businessmen who want to internationalize their business, constitutes an added opportunity to develop cooperation mechanisms about estimating, analysing, avoiding intercultural risks and successful cooperation of representatives from analysed countries.

The knowledge of the national cultural characteristics in the Republic of Moldova and of main commercial partners and countries preferred by Moldovans for migration, examined in the present research, would facilitate the successful integration and management in different cultural environment, of the diverse workforce within the international enterprises and projects both in the country and abroad. Thus, we demonstrated the usefulness of knowing the properties of the "cultural profile" in the Republic of Moldova that could be effective for quantifying the cultural values of society members in terms of 13 dimensions, Hofstede (6) and Trompenaars-Hampden-Turner (7). Likewise, our model of the national cultural profile will help us to understand, manage and transform culture, hopefully, without losing our identity.

In this context, we could build an "appropriate model" suggested for intercultural interaction of individuals and management, as well as for methods for developing intercultural competence and transfer of managerial techniques and know-how according to the cultural profile of the Republic of Moldova and countries analysed in this paper.

Also, we would like to note that, in order to have a complete picture of attitudes and behaviours of people within any society, the characteristics

of the national culture should be analysed along with other variables, such as: age, sex, marital or socio-economic status.

We hope that the research exposed in this paper will be useful to individuals, authorities and enterprises from the Republic of Moldova that have access to the international space in order to make the interaction mutually successful.

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The Impact of Human Resource Management Policies on Business and Marketing Strategy Implementation within the Marketing Organization

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Abstract

During the last three decades, significant research has been undertaken on the characteristics and relationships of the marketing organization with the implementation of strategies. These are the structure, culture, processes, and influence and leadership characteristics of the marketing institution. However, there has been little attention given to the human resources management policies of the marketing staff. These policies are one of the strongest sensations of people and organizations, when properly implemented, to conduct themselves correctly. In this study, we show that mid-level marketer implementation of HR policies differ substantially in the type of marketing strategy adopted by the companies. Companies with aligned enterprise and marketing strategies have achieved considerably stronger performance than companies with unequalled business and marketing strategies.

Keywords: Marketing strategy, management of resources, implementation of marketing strategies, types of strategy, performance

JEL Code: M10

Introduction

The fast marketing, technological or strategic changes continue to make the marketing organization's study important and pertinent since at least 1957.

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The marketing organization's characteristics were specifically studied (Workman Jr et al., 1998). The study focuses on following: marketing policies (Homburg et al., 2012; Olson, 1994; Olson et al., 1995, 2005; Olson & Slater, 2002; Vorhies & Morgan, 2003, 2005), culture, strategy development and implementation development (Deshpandé et al., 1993), for instance: (Atuahene-Gima & Murray, 2004; Slater et al., 2006, 2007, 2011; Slater & Narver, 1993; Slater & Olson, 2000, 2001, 2002). A marketing structure is another important element of the marketing strategy (Jaworski & Kohli, 1993; Vorhies & Morgan, 2005). HRM policies for medium-sized marketing managers represent a major but largely unknown corporate and strategic consideration.

To create a competitive advantage, we first study literature related to marketing policy and HRM. We focus on key categorical HR policies affecting marketing function and the functioning of marketing managers. In response, we will discuss the strategic contingency factors that affect the relative importance of this marketing policy for marketers and the implications of variations in corporate performance overall. Our research design and analysis techniques are then described. Our analysis results, its interpretation and its organizational and scholarly implications are covered in the final section of the manuscript.

Ballantyne (2000) identified the potential benefits of integrating HRM thinking in the marketing sector in the context of an internal marketing concept for the banking sector. Piercy, (1998); Porter, (1980) speculated on the huge advantages of improved HR and marketing collaboration. Four various mechanisms have been identified:

- Customer training redirection,
- Enhanced employee ownership for meetings,
- Customer tracking and employee satisfaction, and
- Customer satisfaction remediation and training measures.

Chimhanzi (2004) has developed and tried a conceptual model with effective HR and marketing ties focusing on marketing strategy's history. Her thesis is that successful strategic implementation is based on everyday activities at all company levels, including marketing. Factors like poor education and poor motivation lead to poor marketing performance. This can be done via isolated HR systems (training, rewards, remuneration, development, assessment).

Similarly, if marketing strategies and plans are developed isolatedly, HR may not understand the marketing function. It is assumed that the effectiveness of the marketing strategy is determined by the extent of the link between HR and marketing and the frequency and non-conflict between the two tasks, written communication and interpersonal communication. Unfortunately, the only positive relationship with the defined results variable was interpersonal communication and the lack of conflict.

Although these studies supported the concept of improving HRM's marketing functions, they are broad guidelines. As a group, there are no reductions in the levels of the specific HRM policies. Policies on staff resources "consist of functions and activities necessary for the effective management of the company's human resources. The main aims of these activities have traditionally been to attract, retain and motivate employees." In this study, we examine middle management policies for selection, education, assessment and compensation, so that those relating to higher business overall results are identified (if not conclusively causal).

Barney (1991) and Barney & Wright (1998) were introducing the first strict concept for competitive advantages "where a company implements a value creation strategy that is not being implemented simultaneously by existing or potential competitors". The competitive advantage, therefore, demands a valuable and rare resource. However, copying the valued and rare value of a source is not easier for competitors. It must also be difficult to imitate and not replace a resource for a sustainable competitive advantage (Balkin & Gomez-Mejia, 1990). According to Barney (1991), first resources include every asset that allows the company to devise and implement strategies including all organizational processes, corporate characteristics, information, knowledge, etc. Wright et al (1994) pointed out the company's possibility to provide a competitive source of benefits "including all of the knowledge, experience, expertise and commitment of its employees." From this study, the main question is how organizational processes for managing human resources facilitate the development of a strategy and its implementation? "People and how we handle them become increasingly important because many more competitive success sources are less strong than they were," argued (Pfeffer, 1992; Pfeffer & Salancik, 2003; Wright et al., 1994, 2001). "The organization, its employees and how they operate

remain as a crucial, differentiating factor" he continues to argue. Many investigations have been published that link the resource-based approach to the function of human resources.

Selection: "The most obvious way companies improve their human capital stocks is through the individuals they hire". Snell & Dean Jr. (1992) suggest that businesses with more complex processes need specialized personnel to find the most skilled candidates and recruit them who need more time and resources on the company's side. Higher productivity levels reduce this additional cost.

Training: Companies invest in education when improved education promises a higher level of productivity than direct training costs (Miles et al., 1978; Snell & Dean Jr, 1992). In addition, investments are more likely in training companies that produce complex goods or services and/or companies that produce rapidly developing products or services.

Appraisal: The evaluations of performance have two objectives: administration (for example, which promotes, ends and increases) and development (Hofstede, 1978; Huber & Power, 1985) (e.g. to what extent feedback and the needs for training are taken into account). Becker (1962) says that employee development is useful if enhanced expertise is in line with the commitment to generate extra revenue or to increase productivity above training costs. This concept means, therefore, that if the importance or the impact of decision-making by these staff is potentially increasing, the costs of a thorough assessment by marketing staff are financially reasonable.

Compensation: Compensation systems are designed to recompense past conduct and have noted the multidimensional compensation design (Balkin & Gomez-Mejia, 1990; Barney, 1991; Becker, 1962). Three broad categories have been identified: pay strategy, positioning on the market and pay policy. In the wage strategies, the wage mix, its benefits and stimulus are of relative importance. Positioning in the market refers to an above or below the average industry level of payment of certain companies. The pay policy decisions take into account the administrative and procedural criteria of the company in compensating employees (J. B. Barney & Wright, 1998; Wright et al., 2001). Every pay policy measure they include in their study is not explained descriptively (Balkin & Gomez-Mejia, 1990). However, we can infer its significance from the surveys they created for each one. In this study, we have included the following salary policies:

-   Risk-sharing (marketing employee income partly depends on the achievement of departmental performance goals),
-   Equity Internal (comparable pay across various marketing departments)
-   Level Pay
-   Pay based on employment (Employees are only paid for educational and senior positions based on employment functions)
-   Payment Duration (recognize that long-term outcomes are more important than short-term ones, that projects can span several years, and that long-term connections with key customers are important).
-

Figure 1. Conceptual Models
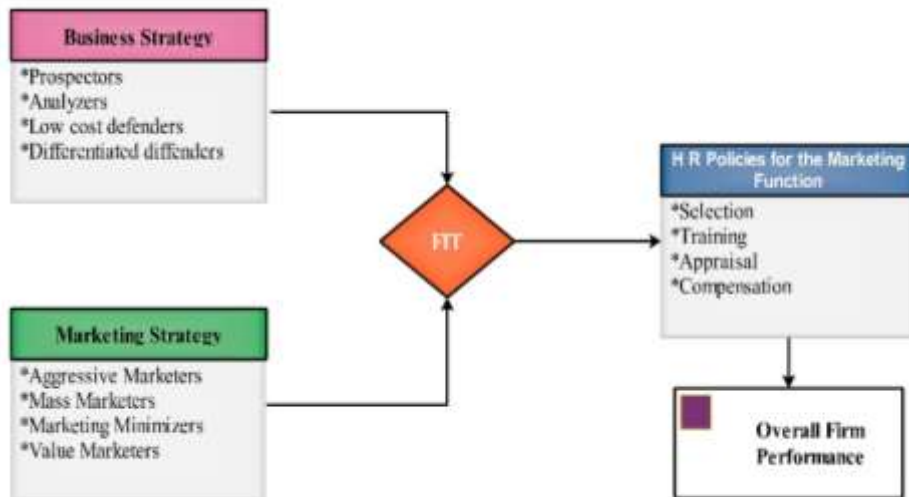
Source: Elaborated by the author

1. Contingency model

Figure 1 shows the theses behind this study's HR marketing policy to vary with applications governed by a general business strategy and that comply with the business strategy adopted in the marketing strategy. This corresponds to the observation of Porter (1980), "Strategic fit among many activities is fundamental not only to competitive advantage but also to the

sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features."

1.1. Business strategy

It focuses on companies in the industry or market competitiveness. Varadarajan & Clark, (1994) and Walker Jr & Ruekert (1987) have developed the two main business strategy frameworks to address the desired rate of change on the product's market (Hambrick, 2003). The study was based on Ruekert & Walker Jr, (1987a) findings, which suggested combining the typologies as well as the Slater et al., (2007) studies, with several studies to validate the hybrid business strategy typologies including Olson, (1994); Olson et al., (1995), (2005); Olson & Slater, (2002); Slater et al., (2007). These covers: prospectors, analyzers, low-cost advocates (rapid second-hand drivers to take advantage of market changes to improve features and services created by market prospectors) (they try to sell out part of the total amount). In this study, we consider (those who attempt to seal a portion of the total market by providing a stable set of products or services of superior quality).

1.2. Marketing strategy

Whether or not the company is supported by its strategy/section and the targets of a large company are largely dependent on the success of this marketing strategy (Walker Jr & Ruekert, 1987). The marketing strategy includes a series of integrated decisions and measures that enable a company to meet its marketing objectives and its customers' value requirements (Cravens, 1998; Varadarajan & Clark, 1994). The marketing strategy focuses on market division and a focused product development strategy and policy strategy (Conant et al., 1990; Huber & Power, 1985; Hunt & Morgan, 1995; Kotler & Turner, 1997; McCarthy et al., 1979).
Slater & Olson (2001) Empirical marketing strategy consisted of four alternatives. The following are in this section:
- High quality, innovative and aggressive marketers, premium prices, selected distribution strategies, internal marketing force, public investment and promotional marketing functions.

- Mass marketers: provide a wide variety of products that are largely indifferent and sold at low prices in the intensive marketing system.
- Marketing minimizers: providing the lowest customer services in limited product ranges and innovative and low-price marketing.
- Selective distributors serve value marketers to offer high quality but lower innovative products prices than aggressive, domestic-sales-based markets.

Slater & Olson, (2001) combined business and marketing strategies, showed superior business results (i.e., Fit). The matches have been chosen specifically: marketing aggressors, prospectors, mass analyzers, marketers, cheap advocates, marketing minimizers and leading supporters and value marketers. Although the best combinations are found, companies with a different choice of marketing strategies (e.g., MISFIT, whose marketing strategy has been selected by the mass marketer, minimizer or value marketer) existed for each type of business strategy. They note that they have been optimized (Bund & Carroll, 1957; Conant et al., 1990; Huselid et al., 1997; Katz & Kahn, 1978; Matsuno & Mentzer, 2000; McKee et al., 1989; Olson et al., 2001; Slater & Narver, 1993; Venkatraman, 1990).

1.3. Impact of HR policies by business strategy type on the marketing function

The differences in HR compensation policy were reviewed by Balkin & Gomez-Mejia, (1990) in the format. Three alternative Corporate Strategies (one product, one dominant produced, another associated product) and (growth vs maintenance). You did important research because they were largely descriptive or were not focused on certain tasks (e.g. marketing, operations).

There are two important ways to build on your studies. We concentrate mostly exclusively on marketing. Secondly, we examine HR marketing policies simultaneously in four alternative business strategies and four alternative marketing policies.

Snell & Dean Jr, (1992) and Wright et al., (2001) noted that companies mainly invest in their employees using human resources. However, such investments are not uniform in all companies. Such companies are better

managed varies in human capital investment (Atuahene-Gima & Murray, 2004; Ballantyne, 2000). Marketing research has shown that the relative importance of marketing at least to some extent differs from that of companies with at least one business strategy base (Child, 1972; Collins & Payne, 1991; Cravens, 1998; Giannakis & Harker, 2014).

1.4. The impact of HR policies on the marketing of corporate strategy (fit versus misfit)

"Business and snow business performance is achieved through combining particular marketing strategies with the right types of miles and the proper snow," said (46). Therefore, in each HR mentioned above policies issues, we now explore the difference in the type of business strategy.

Table 1. Predicted links between the type of business strategy & the marketing HR policies

	Prospectors	Analysers	Low cost defenders	Differentiated defenders
Selection(importance)	Very high	High	Low	Very high
Training(importance)	Very high	High	Low	High
Appraisal (importance) Compensation	Very high	High	Low	High
Salaries	Very high	High	Low	Very high
Benefits	Very high	High	Low	Very high
Incentives	Very high	Very high	Low	Low
Compared to competitors	Very high	High	Low	High
Shared risk	Very high	High	Low	Moderate
Internal consistency	Low	Low	High	High
Merit Based pay	Very high	High	Low	Low
Job-based pay	Low	Low	High	High
Long-term	Very high	High	Low	Moderate

Source: Elaborated by the author

The resource theory again underlines that the key to business success is political consideration (for example, prospectors) (i.e., aggressive marketing,

Mass Marketers, Marketing Minimizers, and Value Marketers). For companies who have a key marketing role in the governing coalition, that seems logical. However, if we predict that the average policy measures for HR will be reduced, this may not apply to low-cost advocates. Raises the question of whether it would make sense for companies that follow this strategy, i.e., marketing minimizers, to assume that relatively low total scales are less than malfunctioning. The logical conclusion is that there should be absolutely zero results (e.g., the search process for new marketing hires is 0). This isn't the validity test because new marketing employees are not fully targeted(Conant et al., 1990; McKee et al., 1989; Olson et al., 2001; Slater & Narver, 1993; Venkatraman, 1990). In certain ways, new employees must be identified and recruited. Although we expect overall results to be relatively low for fit Low-Cost Defender companies, we do not see any reason to expect that the results will be lower than for fit Low-Cost Defender companies. Therefore, we expect the average value for Low-Cost Defender businesses to not be different from and misadjusted, except in the case of Job-based Pay.

1.5. Selection, training, and appraisal

Although the selection, training and evaluation activities are very different, they are highly interrelated by their sequence nature. The companies that rely on their marketing functions spend more time, effort, and money choosing new marketing entries than those that depend less on their marketing skills. These companies will also provide extra resources to train marketing personnel in new contracts of marketing. In view of its relative importance to the company's overall success, the management is also committed to evaluating the achievements of the individual marketing staff over the period.

1.6. Compensation

Each company must be reimburse with its marketing personnel. Consequently, there is little useful information on the importance of compensation. Rather, the level of implementation of different pay policies is taken into account. As discussed above, these policies are consistent with three subcategories: salary (salary, benefit, incentive), market positions (in comparison with competitors in marketing departments) and pay policies

(department of risk-sharing, marketing compensation levels), compensation m compensation (Huber & Power, 1985; Katz & Kahn, 1978; Kotler & Turner, 1997).

Table 2 includes the same HR policy as Table 1. Marketing Policies, However, we are considering these policies incorporate groups under a certain corporate strategy (e.g., Prospectors). In particular, differences in marketing strategy between firms and prospectors which are not enough to compare or apply HR policies (for example, prosecutorial, aggressive markets) are take into account (e.g., Prospectors: Mass Marketers, Marketing Minimizers, Value Marketers) (Hofstede, 1978; Hrebiniak & Joyce, 1985; Huber & Power, 1985; Ittner & Larcker, 1997; Jaworski & Kohli, 1993; Kotler & Turner, 1997). Table 2 shows 48 relationships between fit and fat companies across four kinds of business strategy (selection, training, assessment, and nine compensation policies). In selecting, training and evaluating the processes, we expect that fit firms will be more important and emphasise compensation policy in Table 2.

However, given the small value of small businesses, we do not expect a substantial difference between fitness and malfunctioning companies. There are no expectations of the above HR policies (Atuahene-Gima & Murray, 2004; Bund & Carroll, 1957).

1.7. Overall firm performance

The goals, strategy and market structure of the company should be performance. We follow other marketing strategy researchers' leadership and global performance measures (Slater et al., 2007; Slater & Olson, 2001; Venkatraman, 1990). We use complete business performance despite the nature of the contextual influences (i.e. level to which the company fulfilled expectations, exceeded major competitors and achieved high management satisfaction). The organisation's overall operations are perceived to have taken into account only the prior dimension of the organization (return on assets, sales and sales), as stated by Ittner & Larcker (1997). A strong connection between objective performance data and key informant subjective assessments was identified by Hunt & Morgan,(1995); Morgan et al., (2004);

Vorhies & Morgan, (2003) and Yarbrough et al., (2011) to support the validity of key informant data.

Table 2. Differences in the importance and application of HR marketing policies between fit and malfunctioning companies in the business strategy type are given.

	Prospectors & Aggressive Marketers	Analysers & Mass Marketers	Low-cost Defenders & Marketing Minimizers	Differentiated Defenders & Value Marketers
Selection(importance)	Higher	Higher	No difference	Higher
Training(importance)	Higher	Higher	No difference	Higher
Appraisal (importance) compensation	Higher	Higher	No difference	Higher
Salaries	Higher	Higher	No difference	Higher
Benefits	Higher	Higher	No difference	Higher
Incentives	Higher	Higher	No difference	No difference
Compared to competitors	Higher	Higher	No difference	Higher
Shared risk	Higher	Higher	No difference	No difference
Internal consistency	No difference	No difference	No difference	Higher
Merit Based pay	Higher	Higher	No difference	No difference
Job-based pay	No difference	No difference	Higher	Higher
Long-term	Higher	Higher	No difference	No difference

Source: Elaborated by the author

1.7.1. type of corporate strategy (fit versus misfit)

When the corporate strategy and marketing strategy (Fit) are adequately matches the overall performance of companies should be higher than those that do not comply with their marketing strategies (Misfit)(Yarbrough et al., 2011). Therefore, we predict the following regarding business performance overall:

- Intra-prospective marketers, aggressive markets, value markets; (Misfit).
- Mass marketers (fit) > Aggressive marketers in analyst companies: (Misfit).
- Low-cost advocates can access marketing minimizers > aggressive marketers.

- Company's defence: fit marketers > mass marketers, aggressive marketers, divided advocates (Misfit).

1.7.2. Types of corporate strategy (equanimity)

The idea is that machines provide superior performance in various strategies and that business performance does not all depend on special strategies (Ballantyne, 2000; Rafiq & Ahmed, 1993). Therefore, equipment means free choices or flexible strategies when organizational developers create high-performance organizations (Child, 1972). As a fundamental component in implementing strategy, the HR marketing policy determines superior performance by the requirements of a particular strategy. Therefore, the concept of equivalence considers that each of the above four fit companies is identical to the high overall results. We, therefore, expect to see no significant differences in overall corporate performance among fitness groups (Atuahene-Gima & Murray, 2004; Balkin & Gomez-Mejia, 1990; Bund & Carroll, 1957; McKee et al., 1989; Miles et al., 1978; Morgan et al., 2004; Olson et al., 1995, 2005; Olson & Slater, 2002; Pfeffer, 1992).

2. The study

Query was drafted to look for information on five particular business unit topics to test these proposals:
1) What is the HR marketing policy important for employee selection, training and evaluation?
2) At which level are the salary strategies: salaries, benefits, incentives, competitive compensation, risk sharing, consistent internal salaries, salaries based on performance, pay based on employment and long-term compensation?
3) What are overarching corporate strategies?
4) What has been adopted overall marketing strategy?
5) What over the past three years has the company (or business unit) achieved?

When the survey was completed, all participants were asked to consider the largest or best-known business unit. We acquired a mailing list of 1250

marketing managers with at least 500 employees in service and production companies across the country (J. Barney, 1991; James & Hatten, 1995; Schuler & MacMillan, 1984; Vorhies & Morgan, 2003; Wright et al., 2001). As key informants, we have selected senior marketers to know of the marketing personnel's HR policies. We have selected a personal letter with a brief study explanation for the list of 30 names with a survey questionnaire and an email envelope payable. We asked people to evaluate their business and financial performance in the last five years. We promised to be anonymous but received no answers(Corey, 1992; Giannakis & Harker, 2014; Gresov & Drazin, 1997).

The questionnaire was subsequently modified. We no longer asked the company or the respondent's division to identify difficult financial details, and we asked the respondent's opinion in the last three years on three general performance questions(Ruekert & Walker Jr, 1987b; Shortell & Zajac, 1990; Slater et al., 2007; Slater & Olson, 2001; Venkatraman, 1990). We included a pre-card with the same overview of performance issues. We asked independent management to provide corporate data access or divided performance data to increase confidence in these subjective responses. For each respondent, the questionnaire and an appendix to the performance of a post-card were ordered. The remaining 1220 new replies were questions received(Gresov & Drazin, 1997). Questionnaires. The second mail was forwarded to the same addresses four weeks later. We received 256 replies from these two mailings. Sixty-six were deemed to be unusable since the performance of the post-card checks was only partially carried out and was not combined with post-card results or the general results reported in line with the results reported (e.g. $>>\pm 0\ 332$) (Piercy, 1998; Rafiq & Ahmed, 1993; Schuler & MacMillan, 1984; Slater & Narver, 1993). This led to 190 questionnaires, which represent a respectable reaction rate of 15.6 per cent. Eleven of them described their business or unit for competitive reactors as a strategy which means that they have not deliberately activated their business or unit(Atuahene-Gima & Murray, 2004; Balkin & Gomez-Mejia, 1990; Bund & Carroll, 1957; Olson et al., 1995; Pfeffer, 1992). These reduced usable responses to 179, representing a response rate of 14.7 per cent. Finally, there were reimbursed 74 non-substantial envelopes, up to 15.6 per cent, well above minimum management thresholds. Of the remaining 179 corporate-

level studies, the Vice Presidents, Directors, Chairs, CEOs or others were completed by a total of 159 (89 per cent) Secondary interviewees were 18.5 and an average of 23.3 years(Collins & Payne, 1991; Vorhies & Morgan, 2005; Wright et al., 1994; Yarbrough et al., 2011).

2.1. Description of the measures

The action was taken on selection, training and evaluation, and this process focused on the benchmarking importance of companies. Compensation measures, by contrast, were taken that took account of eight specific policy actions in three separate HR-compliance dimensions. There are different dimensions: Pay Package design that covers wages, benefits and incentives(Cravens, 1998; Varadarajan & Clark, 1994; Workman Jr et al., 1998) Positioning of the market including pay for competitors Pay policy options such as common risks, domestic pay consistency, performance pay, employment and long-term salary.

The Likert scales of five points were very unobtrusive 1= very strongly agreed on the relevant HR policies or adoption measures, and five = strongly evaluated. The results of Likert 5-point measurements were also assessed on a 1 = well below competition and 5 = well below competitive performance(Becker, 1962; Collins & Payne, 1991; Noble & Mokwa, 1999; Ruekert & Walker Jr, 1987a). While the weaknesses of perceptual actions are widely applied in management research, they are recognized (Conant et al., 1990; Huselid et al., 1997). We found that without the preliminary test answers, there was no other practical way to obtain corporate data. We are also aware that only the links between HR marketing policies and the overall performance of the enterprise are considered(Jaworski & Kohli, 1993; McDaniel & Kolari, 1987; O'sullivan & Abela, 2007; Pfeffer, 1992; Slater & Narver, 1993; Slater & Olson, 2001; Walker Jr & Ruekert, 1987).

2.2. Measurement purification

Cronbach alpha assessed the reliability of each nuclear group. There have been 0.7 ratings or higher for the 11 constructive measures. Afterwards, for rotated factor analysis, Varimax received a group response. The result was a solution with 9-factor values above 1,0, explaining 71 per cent of the

variance. The one factor is defined by the exact correlation between the two structures as the importance of selection and education. Long-term salary is Factor Two. The third factor is defined as wage and benefits, as both constructs are closely linked. The defined Factor Four is salary and market salaries(Menon et al., 1999). An assessment is a five-man factor. The risk is defined as factor six. Factor 7 shall be defined as the consistency of internal compensation. Eight factor defines the salary of employment(J. B. Barney & Wright, 1998; Deshpandé et al., 1993; Hrebiniak & Joyce, 1985; Matsuno & Mentzer, 2000).

3. Findings and conclusions
3.1. Comparison of HR marketing policies by strategy type

Table 3 shows significant differences between groups of enterprises in all 12 areas of HR policy, which comprised the four alternative business strategies (0.011 and higher). Table 3 shows, in terms of selection, training, evaluation, benefits, payments for the market, as well as long-term compensation, prospectors received the highest score, which is very similar to our forecasts. The lowest score for internal salary prospectors. The lowest margin of selection, training, estimates, salaries, benefits, market pay, risks and merits has been achieved in stark contrast, but as forecast.

For long periods, pay, and pay. Job-based pay for these companies was high as a forecast. Low-cost advocates have moderately high expectation incentives. The highest employment and internal equity levels were achieved by specific defence companies, whereas incentives were the lowest: the most incentives and the lowest employment pay. Analysts and differentiated advocates with significantly higher rates of encouragement, risk, longer-term pay and distinguished advocates with significantly higher salaries, domestic equity and pay rates usually have an intermediate gap between prospectors and defenders.

3.2. Comparison of fit v. misfit firms within business strategy types

Table 4 shows that 31 of 48 fitness groups were significantly different in direction, whereas six other groups did not show substantial directional differences as expected. Table 4 Shows (Table 2). For prospector enterprises

adopting a marketing strategy (PSS), the mean choice (0,000), training (0,000), evaluation (0,002), wages (0,001), incentive (0,000) and pay were considerably higher (0.000). (0,000). The scores in the other three types of business strategy were higher than those reported by fit companies.

Table 3. ANOVA among companies based on the business strategy adopted.

All firms except reactors		N	Mean	Std. Deviation	F	Sig.
Ave. selection	PRO	50	3.6200	0.60135		
P, DD > LCD 0.0	ANL	41	3.4799	0.49479		
A > LCD 0.05	LCD	37	3.1829	0.48115		
	DD	47	3.6069	0.50466		
	Total	175	3.4908	0.54307	3.983	0.009
Ave. training	PRO	50	3.4108	0.54598		
P, A, DD > LCD 0.0	ANL	41	3.099	0.58154		
P > A 0.05;	LCD	37	1.8847	0.41982		
P > DD.1	DD	47	3.1694	0.7111		
	Total	175	2.9489	0.77406	38.239	0
Ave. appraisal	PRO	50	3.4696	0.52245		
P, A > LCD 0.01;	ANL	41	3.3291	0.48437		
DD > LCD 0.05	LCD	37	2.9373	0.38888		
P > DD 0.05	DD	47	3.2319	0.42311		
	Total	175	3.2899	0.48617	6.212	0
Ave. salary	PRO	50	3.4827	0.51626		
P, A, DD > LCD	ANL	41	3.2775	0.52841		
0	LCD	37	2.718	0.46595		
DD > A 0.05	DD	47	3.5826	0.57076		
	Total	175	3.299	0.59437	14.498	0
Ave. benefits	PRO	50	3.4923	0.46745		
P, A, DD > LCD	ANL	41	3.2290	0.51226		
0.001	LCD	37	2.7312	0.46007		
P > A 0.10	DD	47	3.3638	0.61667		
	Total	175	3.2348	0.57211	11.03	0
Ave. incentives	PRO	50	3.3651	0.53874		
P, A > DD 0.000	ANL	41	3.3728	0.45218		
LCD > DD 0.01	LCD	37	3.2048	0.38636		
	DD	47	2.8743	0.44893		
	Total	175	3.2012	0.49558	7.373	0
	PRO	50	3.0219	0.56659		
P, DD > LCD 0.000	ANL	41	2.7299	0.27877		
A > LCD 0.1	LCD	37	2.4943	0.45091		
P > A 0.05	DD	47	2.968	0.36785		
DD > A 0.05	Total	175	2.8269	0.46398	8.001	0
Ave. risk	PRO	50	3.3781	0.51435		
P, A, DD > LCD,	ANL	41	3.2656	0.59762		
0.000 P > DD 0.000	LCD	37	2.0864	0.31015		
A > DD 0.01	DD	47	2.8777	0.3831		
	Total	175	2.9433	0.63562	40.041	0
Ave. Int. equity	PRO	50	2.7834	0.41488		
DD > P 0.01	ANL	41	3.0513	0.51922		
A > P 0.05	LCD	37	2.8759	0.51103		
DD > LCD 0.05	DD	47	3.1555	0.43669		
	Total	175	2.9657	0.48119	3.815	0.011
Ave. merit	PRO	50	3.535	0.49257		
P > LCD 0.000	ANL	41	3.3212	0.57255		
P > DD.05	LCD	37	3.0075	0.62421		
A > LCD 0.05	DD	47	3.2805	0.43669		
DD > LCD 0.05	Total	175	3.3046	0.5317	5.007	0.002
Ave. job-based	PRO	50	2.9239	0.45781		
PAY	ANL	41	2.837	0.41205		
LCD > P, A 0.01	LCD	37	3.2838	0.56261		
DD > P, A 0.000	DD	47	3.343	0.48774		
	Total	175	3.0923		7.792	0.000
Ave. long-term	PRO	50	3.4958	0.57991		
PAY	ANL	41	3.1704	0.50376		
P > A 0.01	LCD	37	2.0864	0.72198		
P > LCD, DD 0.000	DD	47	2.843	0.53979		
A > LCD 0.000	Total	175	2.9452	0.77284	44.686	0
A > DD.01		-1				
DD > LCD 0.000		-1				

Source: Elaborated by the author

The average score is either above 4.0 without market payor within an error of around 4.0. As a forecast, fit prospector companies, therefore, place great emphasis on commercialization and spend substantial funds on

marketing workers rather than on the selection, training, and assessment of misfit companies. Wages, benefits and incentives are relatively high in companies that have adopted one of the other three commercial strategies, and overall compensation is more than comparable positions.

Table 4. Tests of significant differences between fit and misfit firms within business strategy type

	Prospectors			Analysers			Low-Cost Defenders			Differentiated Defenders		
	Fit n=32	Misfit n=19	t/Sig. Dif.	Fit n=21	Misfit n=21	t/ Sig. Dif.	Fit n=22	Misfit n=16	t/Sig. Dif.	Fit n=28	Misfit n=20	t/ Sig. Dif.
Selection	4.24⁻	3.14	6.11 +	4.14	3.38	5.00 +	3.77**	3.04	4.52 +	4.23	3.42	5.63 +
(S.D.)	(0.576)	(0.598)	0.000	(0.543)	(4.38)	0.000	(0.453)	(0.543)	0.000	(0.472)	(0.517)	0.000
Training	3.98⁻	3.21	5.38 +	3.65	3.11	2.64 +	2.36⁻	1.90	2.84 +	3.83	2.92	4.49 +
(S.D.)	(0.508)	(0.650)	0.000	(0.563)	(0.748)	0.012	(0.447)	(0.567)	0.007	(0.563)	(0.878)	0.000
Appraisal	3.96'	3.40	3.21 +	3.94	3.29	4.05 +	3.24⁻	3.19	0.320	3.68	3.28	2.60 +
(S.D.)	(0.508)	(0.624)	0.002	(0.417)	(0.608)	0.000	(0.473)	(0.583)	0.751	(0.390)	(0.660)	0.012
Salary	3.98	3.40	3.51 +	3.76	3.36	2.08 +	3.07*	2.91	0.828	4.21'	3.38	5.08 +
(S.D.)	(0.589)	(0.567)	0.001	(0.515)	(0.727)	0.044	(0.583)	(0.612)	0.413	(0.499)	(0.646)	0.000
Benefits	3.95⁻	3.47	3.00 +	3.74	3.29	2.43 +	2.98⁻	3.06	−0.437	3.93	3.25	3.46 +
(S.D.)	(0.601)	(0.456)	0.004	(0.490)	(0.7.00)	0.020	(0.523)	(0.680)	0.665	(0.663)	(0.679)	0.001
Incentives	3.92	3.18	4.51 +	3.91	3.41	3.07 +	3.61	3.31	1.84 +	3.14'	3.18	0.189
(S.D.)	(0.541)	(0.606)	0.000	(0.515)	(0.539)	0.004	(0.510)	(0.479)	0.074	(0.636)	(0.494)	0.851
Mkt. Pay	3.64⁻	2.74	5.78 +	3.19	2.83	3.15 +	2.93**	2.56	2.03 +	3.41	3.03	2.86 +
(S.D.)	(0.599)	(0.421)	0.000	(0.402)	(0.329)	0.003	(0.623)	(0.443)	0.050	(0.432)	(0.499)	0.006
Risk	3.94'	3.19	4.82 +	3.92	3.18	3.86 +	2.35'	2.40	−0.326	3.20	3.10	0.682
(S.D.)	(0.532)	(0.537)	0.000	(0.393)	(0.793)	0.000	(0.333)	(0.561)	0.746	(0.5.00)	(0.531)	0.499
Int. equity	2.98**	3.21	−1.49	3.38	3.29	0.473	3.29	2.98	1.50	3.61⁻	3.20	2.62 +
(S.D.)	(0.508)	(0.580)	0.142	(0.669)	(0.635)	0.639	(0.410)	(0.537)	0.143	(0.481)	(0.596)	0.012
Merit	4.04⁻	3.44	3.78 +	3.97	3.24	3.94 +	3.64'	2.81	4.61 +	3.74	3.32	2.72 +
(S.D.)	(0.547)	(0.556)	0.000	(0.505)	(0.684)	0.000	(0.410)	(0.688)	0.000	(0.562)	(0.477)	0.009
Job-based	3.06'	3.45	2.38 −	3.24	3.00	1.451	4.00⁻	3.03	5.42 +	3.88	3.28	3.78 +
(S.D.)	(0.606)	(0.468)	0.021	(0.584)	(0.474)	0.155	(0.533)	(0.499)	0.000	(0.555)	(0.525)	0.000
Long term	4.01'	3.39	4.33 +	3.68	3.22	3.30 +	2.26⁻	2.52	−1.11	3.27	2.92	2.37 +
(S.D.)	(0.467)	(0.536)	0.000	(0.428)	(0.475)	0.002	(0.756)	(0.666)	0.273	(0.529)	(0.494)	0.022

Source: Elaborated by the author

In comparison with its fit peers for the employment-based salary action, Fit Prospector companies also reported the only significantly low score (0.021) in all strategic types. The same companies reported a consistent lower in-house compensation, although the fitness and fitness of the prospectors did not differ statistically. We are therefore of the opinion that marketing workers at these companies are fairly risky, as their value is well measured, and the

success or failure of their efforts cannot be apparent for a considerable time because of the long evolution of new international products.

Management promotes competition at home in such companies and rewards not so old people. The MAS (Fit) analyzer has shown significantly higher select rates (0.000), training (0.012), assessment (0.000), salary (0.044) and incentive rates (0.020), while the remuneration rates have been considerably higher (0.003). (0.002).

These values were considerably greater than that of the three false approaches employed by companies. Like their prospector, these companies have had a comparatively high selection, assessment, incentives, risk and benefit payments. However, they were far below fit prospectors' learning and long-term profits, whereas the internal equity compensation values were considerably higher. With seven out of twelve measures, Fit Analyzer firms were more fit for low-cost advocates, whereas Differentiated Defenders scored more than three out of twelve. We expected no significant difference in HR policies without an employment-based salary because low-cost defence companies are focussing on cost control (0.000).

In all companies following this business strategy, we have taken on the decreasing importance of marketing, as the overall importance of all but one HR marketing policy has fallen. The low costs defence firms have a high selectivity level (0,000), training (0.007), incentives (0.074), market wages (055) and a salary which is worthwhile compared with the three mistakes; (0.000). Nine out of 12 HR-fit marketing measures, however, had an average of less than 3.5, of which five were less than 3.0. We, therefore, understand that those values show that the relevance to low-cost advocates of this policy is moderate at best. The above mean score is merely to pay, incentives and salaries based on employment. These three policies for low-cost defence companies showed the highest overall wage and lowest merit ratings for all companies. This means that marketing staff in such enterprises mainly focus their attention on seniority and/or the extent to which they perform certain tasks instead of measures for financial results.

The incentives are, however, quite high, and the Commission's compensation is based on payment for the merits. These are risky companies. We note that both positions are incoherent. Differentiated defence firms that have adopted VAT marketing strategy (fitness), average choices (0.000),

training (0.000), assessment (0.0012; payroll (0.001), benefit (0.001). (0.012). (0.000). Fit Differentiated Defender companies were the most important in all pay and internal compensation groups. Defenders with low costs paid only marginally less than prospectors for selection, training and benefit did.

The lowest income level is achieved by Fit Diversified Defending Companies in sharp contrast. In terms of compensation in the long term, they are significantly below fit prospectors, analyzers and significantly above low-cost advocates. These findings further support the opinion that a distinguished Defenders company's marketing services mainly focus on delivering excellent services and/or products to its existing clients in order to develop and maintain long-term relationships. These companies, therefore, highlight rapid sales and short-term incentives. This means far more play than for low-cost defender fitting companies but less for prospectors or analyzers. Table 4 shows that there were substantial differences in direction for 31 of the 48 fitness groups, while six others did not, as expected, show significant differences. The mean choice (0,000), training (0,000), assessment (0,002)., wages (0,001) and incentives (0,000) and wages were significantly higher for the prospector firms adopting a marketing strategy (PSS) (0.000). (0,000). The values in the other two types of business strategies were higher than the values reported by fit companies.

3.3. Overall firm performance/equifinality

Table 5 shows that the overall performance of the company fit strategy (0.000) is substantially greater than the inappropriate companies, thus supporting our projections.

Figure 2. Overall firm performance scores – all firms
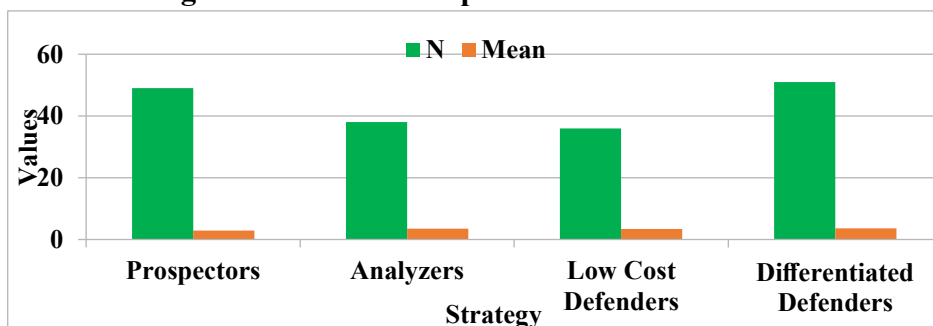
Source: Elaborated by the author

Figure 2 indicates that the overall company performance of alternative business strategy groups does not differ substantially (F = 0.881; Sig. 0.452). The overall rating for fit companies using alternative strategies (F=0.168; sig. 0.918) showed no significant difference in Figure 3. Therefore, we believe that the data set is the same.

Figure 3. Overall firm performance scores within fit firms
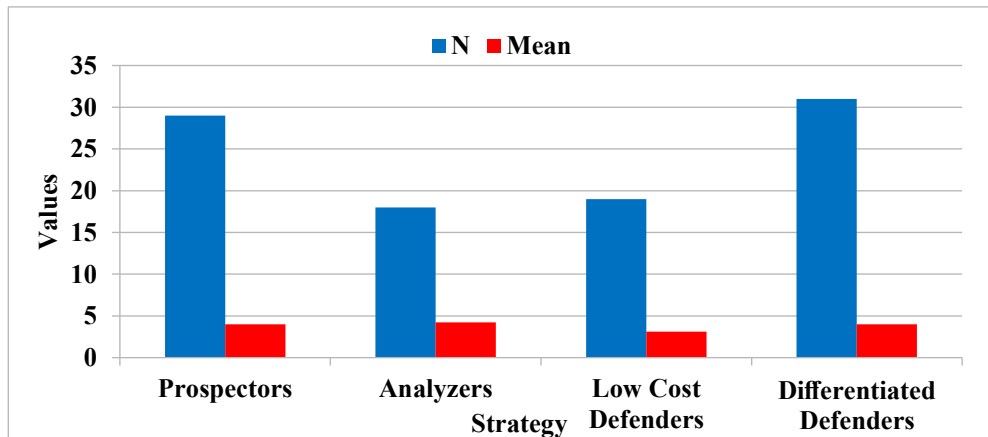
Source: Elaborated by the author

3.4. Limitations

Table 5 shows that the overall performance within the relevant companies of all four corporate strategies is substantially greater (0.000), which supports our prediction. Table 6 shows that in the total corporate performance rate (F=0.881; SIG.0.452), there are no significant differences between groups following other business strategies. Figure 3 indicates that there are no significant differences between fit companies pursuing alternative corporate strategies (F= 0.168; sig. 0.918). The collection of data is therefore equivalent to our consideration.

Table 5. Overall firm performance scores between fit and misfit firms within business strategy types.

	Prospectors			Analysers			Low-cost defenders			Differentiated defenders		
	Fit n=32	Misfit n=19	t/Sig. Dif	Fit n=21	Misfit n=21	t/Sig. Dif	Fit n=22	Misfit n=16	t/Sig. Dif	Fit n=28	Misfit N=20	t/Sig. Dif
Overall Firm Performance (S.D)	4.188 (0.604)	3.140 (0.570)	6.11 (0.000)	4.127 (0.532)	3.095 (0.693)	5.415 (0.000)	4.076 (0.482)	2.75 (0.735)	6.719 0.000	4.131 (0.673)	2.850 (0.841)	6.01 0.00

Source: Elaborated by the author

Conclusions and recommendations for future research

We note that compensation rates for merit and employment tend to not be mutually compensating. For instance, for one or another of these measures (Low-Cost Defender), high scores were found in a fit enterprise that was following a certain strategy; the other measures were expected to be below. However, this was not always the case. We are asking whether, for example, marketers can be evaluated primarily in the case of low-cost defence companies (i.e. employment), which primarily evaluate and offset salespersons (i.e., Merit-Based).

Despite these constraints, we believe that other researchers are concerned with the results, who studied how staff policies, business strategies and the role of marketing in carrying out corporate strategies. Therefore, by adding our findings to the marketing management and HR Managers, we can commend their processes of selecting, forming, and evaluating and compensating marketing's personnel.

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Democracy, Governance and Economy: How EaP States Have Evolved in the Last Decade?

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Abstract

In the last decade, several transformations have occurred at the level of governance systems within the six states included in the Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine), in order to respond to multiple challenges, either endogenous, or exogenous. Against this background, the question that arises is whether this reconfiguration of the systems meant positive effects or, on the contrary, on certain directions, an involution can be highlighted. Thus, our methodological approach takes into account a multidimensional perspective related to democracy, governance and socio-economic aspects, which emphasize whether progress has been made in 2020, compared to 2010, in terms of the mentioned components. The research results underline if the measures implemented by these countries were in accordance with the pro-market and pro-democracy principles, based on good governance. In addition, the identification of some vulnerabilities might allow the outlining of policy recommendations, for an increased adaptability of these economies to future crises.

Keywords: democracy, governance, economy, Eastern Partnership countries, dynamics

JEL codes: E02, O20, O47

1.   The Eastern Partnership initiative: background, developments and challenges

The European Union (EU) launched the European Neighbourhood Policy (ENP) as an innovative tool to build political and economic ties with

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the new neighbours gained in the aftermath of the enlargement wave in 2004. The EU was seeking to promote its rules and norms among its neighbours in order to foster stability and prosperity, as well as to share the benefits of the enlargement, better described as "sharing everything with the Union but institutions" (European Commission, 2002, p.5). However, due to a mixed response received from the ENP countries and the subsequent worrisome security trends triggered by the Russian-Georgian war in August 2008, the EU concerns towards its eastern neighbourhood translated in a need to boost its presence in this area. Against this background, the EU established the Eastern Partnership (EaP), designed as the eastern dimension of its ENP.

The EaP is a joint initiative aiming at building closer cooperation between the EU and its six neighbours – Ukraine, Moldova, Belarus, Georgia, Armenia and Azerbaijan. Launched at the Prague Summit in 2009, the EaP initiative has been the outcome of the EU acknowledging the need to adapt to a new emerging reality in the eastern neighbourhood (Korosteleva, 2011). In light of this new reality, the EaP has been defined as a strategic partnership based on common values, mutual interests and shared responsibility as key elements embedded within the EU approach towards its partners, as clearly stipulated within the Declaration from Prague officially establishing the EaP (Council of the European Union, 2009). In the same year, the EaP Civil Society Forum was founded, in order to consolidate the multilateral framework, particularly as a platform to promote people-to-people contact and to enhance the dialogue between civil society and public authorities, but also to make citizens' voice heard at international level.

An important milestone of the EU-EaP cooperation was reached in 2014, when the EU concluded the Association Agreements and Deep and Comprehensive Free Trade Areas (AA/DCFTAs) with Georgia, Ukraine and the Republic of Moldova, with the purpose of further fostering economic integration and political association (ENP review, 2015). The agreements aim at enhancing convergence between EU and EaP states, by aligning the standards and legislation of the latest to the EU. A tangible contribution of the agreements has been the implementation of the Visa liberalisation, that entered into force for Moldova in 2014, while for Ukraine and Georgia, in 2017.

Despite broadening the EU outlook towards cooperation with the EaP countries, a series of external shocks, particularly the Ukrainian crisis from

2014, coupled with internal fragilities, pushed the EU to rethink its role in the eastern neighbourhood. Thus, the EU performed a review of the ENP in 2015, followed shortly by the publication of the European Union Global Strategy (EUGS) in 2016. The EU provided a new impetus to its external presence, by designing strategies, policy initiatives and foreign instruments through the lens of building resilience, as a novel policy objective to approach the growing instability in the eastern neighbourhood. The ENP review from 2015 emphasized particularly the need for greater ownership and differentiation in the EU's approach towards its eastern neighbours. In practice, this new approach translated in more tailored policies towards cooperation with Armenia, Azerbaijan and Belarus.

A new milestone for the EU-EaP has been reached in November 2017 at the EaP Summit with the adoption of the "20 deliverables for 2020", aiming at further enhancing convergence and building resilience based on a comprehensive agenda covering the areas of economy, governance, connectivity and society. The EU and Azerbaijan initiated negotiations on a new framework agreement. In the same year, EU and Armenia signed the Comprehensive and Enhanced Partnership Agreement (CEPA), which entered into force on 1 March 2021 (EU Neighbours East, 2021). The EU relations with Belarus include technical dialogue on specific issues, agreements on visa facilitation, which have been applied since on 1 July 2020, and enhanced cooperation towards promoting reforms (European Council, 2021). The next section aims to further explore the key components within EU policy, precisely those related to governance, security/democracy and macroeconomic development, highlighting on the one hand, the achievements and measures implemented, while, on the other hand, the main challenges currently facing EaP states. Then, in the following sections it will be emphasized, by reference to the specialized literature, if the economic convergence can be a sign of resilience in the eastern neighborhood and if the six countries that are the subject of our analysis have known progress on democracy, governance, and economy, in 2020 compared to 2010. The last section of the paper is dedicated to the final remarks, which outline some policy recommendations for strengthening the capacity of EaP states to cope better with future stressors.

2. Building stability in the EaP region through good governance, rule of law and security

Particularly since the ENP review in 2015, the EU interests in terms of enhancing regional stability and security in the eastern neighbourhood were outlined in a more concrete and explicit fashion. In this regard, the EU has expressed its commitment to "promote democratic, accountable and good governance, as well justice reform, rule of law and fundamental rights" (ENP review, 2015, p.3). Furthermore, the security dimension gained more prominence, as it has been framed as a key driver for EaP countries' resilience and linked with the objective of boosting institutional resilience (European Commission, 2017). Both, the EaP countries and EU member states, particularly because of the Ukrainian crisis and the ensuing impact on regional stability, stressed the need for a stronger focus on security. In order to fulfil the objectives on security matters, the EU has established country tailored missions aiming at enhancing the rule of law and promoting cross border cooperation, especially through the EU Monitoring Mission in Georgia (EUMM), the EU Advisory Mission in Ukraine (EUAM) and the EU Border Assistance Mission in Moldova and Ukraine (EUBAM) (European Commission, 2017). The EU missions can be seen as practical expression of building resilience, mainly as preventive measures towards potential crisis. However, resilience was contextualised as a means towards achieving security and stability, but not as goal *per se* (Petrova and Delcour, 2020). The EU was aiming at scaling up its efforts towards boosting security through a more adaptive approach, which reflects, *inter alia*, the application of differentiation principle in the EU's policies. Another innovation brought by the ENP review and further advanced by the EUGS was the objective of building societal resilience, as a means for ensuring political and social integration, encouraging and facilitating political participation, which in turn would generate the stability of democratic institutions. As such, the EUGS emphasized the importance of "people-to-people contacts" and boosting the dialogue with various actors and "human rights defenders" (EUGS, 2016, p.25). Thus, enhancing the societal dimension appears clearly as a step forward in comparison with the ENP review from 2011 (Petrova and Delcour, 2020).

Strengthening governance within the EaP countries with specific focus on rule of law and promoting key reforms in justice represents a condition towards regional stability (EUGS, 2016; European Commission, 2020a). The Association Agreements (AAs) signed in 2014 with Ukraine, Moldova and Georgia are the main bilateral instruments to sustain reforms and to facilitate legal approximation to the Union's acquis, particularly based on a comprehensive package, encompassing rule of law, justice and enhancing public administration. In light of the EaP 10 anniversary in 2019, the European Economic and Social Committee (EESC) concluded that implementing the AA/DCFTA was challenging throughout the decade especially regarding the rule of law and implementation of judicial reforms (EESC, 2019). Furthermore, the EESC emphasized the need to "scale up efforts to strengthen institutions and good governance", which were framed as "preconditions for ensuring long-term stability and an investment-safe climate" (EESC, 2019, p.5).

Referring to the effectively implementing reforms in the fields of justice and rule of law in the EaP countries, mainly in Ukraine, Moldova and Georgia, the progress is characterized by rather an intermittent evolution. Ukraine has experienced some important political development in the mentioned areas, particularly throughout 2018-2019, by enhancing cooperation between the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialised Anti-Corruption Prosecutor's Office (SAPO) (European Commission, 2020b). According to the AA Implementation Report from 2019, public administration reforms continued in Moldova, with specific focus on reorganisation of subordinated institutions (European Commission, 2019, p. 4). However, the picture looked rather grey in the field of human rights protection and enhancing public administration, with delays in implementing the necessary legislation. This is confirmed by various ranking among countries. According to the Global Competitiveness Report 2018, Moldova was ranked 132th out of 140 countries, while the 2019 Rule of Law Index of the World Justice Project, ranked Moldova on the 97th position (out of 126) on criminal justice and on the 87th on civil justice (European Commission, 2019, p.7). Towards the end of first EaP decade, for Georgia the overall context seemed more optimistic, as it has committed to further continue the implementation of the EU acquis. However, challenges

remain in the areas of electoral reform and reconfiguration of the judiciary (European Commission, 2020c).

3. Economic convergence in the eastern neighbourhood as a sign of resilience?

Economic and social development are key policy objectives aiming at bringing stability in the eastern neighbourhood. In this regard, particularly after the ENP review, the EU has put strong emphasis on boosting macroeconomics stability, promoting structural reforms, mainly in the area of economic governance, based on close coordination with international financial institutions (IFIs) (European Commission, 2017). Furthermore, designing sound economic policies coupled with creating a level playing-field for investments and business have been framed as keys towards boosting economic development and generating jobs. According to the World Bank Doing Business Reports, throughout the period of 2014-2020, all EaP countries have implemented concrete measures in order to make starting a business easier by removing some legislative burdens, advanced towards resolving insolvency, enforced contracts, made the payment of taxes easier, as well as effectively strengthen minority investors (The World Bank, 2020). Implementing effective measures within the regulatory environment has been linked with improving the investments and business climate. Furthermore, the EU has set out as a priority to steer the alignment of policies regarding improving the business climate with the 10 principles of the Small Business Act (SBA), which includes, *inter alia*, boosting the quality of public and private dialogue, increasing the access to services and facilitating access to finance for small companies (European Commission, 2017).

In terms of financial cooperation, the European Neighbourhood Instrument (ENI) was the main financial instrument during 2014-2020 period. Since 2009, "over 125,000 SMEs benefited from direct support from the EU in the EaP countries, which created and sustained 250,000 jobs", a target reached particularly due to improving financial instruments (European Commission, 2020a, p.6). Since 2014, Ukraine has been the main EU beneficiary within the framework of ENI, receiving €1,365 particularly towards promoting reforms and boosting governance capacity (EEAS, 2020).

Moreover, Ukraine received €3.8 billion to develop its economic sector, through Macro-Financial Assistance, being the largest amount directed to any external partner (EEAS, 2020; Chaban and Elgström, 2021, p.145). However, overall since 2014, the EU, together with European financial institutions, have provided with over €16.5 billion to support reforms in Ukraine. These financial resources have essentially helped to reduce intra- and inter-regional development gaps. Although there is a heterogeneity in terms of growth rates of territories in EaP countries, the ultimate goal of reforms is to ensure a certain degree of convergence in all dimensions of an economy (institutional, democratic, economic, etc.). Starting from these aspects, it is interesting to see if in the case of EaP states there was a convergence at the level of the mentioned components, especially after 2010, when the EU support instruments were expanded. A potential convergence might show to what extent the EU's objectives have been translated in concrete change in EaP countries' economies, which in turn would signal enhanced regional stability as well.

Whether economic performance of the EaP countries was positively influenced by the EU actions has been in the attention of many scholars. Looking in retrospect, after the fall of the Soviet Union, the EaP countries experienced a quick recovery, an evolution more obvious during 2000s, which has been the outcome of effective implementation of structural reforms (Iradian, 2007). Throughout 1991-2006, the EaP countries have shown a convergence, particularly because of internal market-oriented reforms and external favourable evolutions (Incaltarau et al., 2021). Based on an analysis applied on 1989-2007 period, Gerry et al. (2010) have shown that institutions and good governance particularly influenced macroeconomic stability generating economic growth, which has manifested in regional convergence. A similar conclusion was reached also by Hakimov (2010). The importance of institutions for economic growth, particulalry for economies in transition is recognised in the literature, as a driver of macroeconomic stability and for generating reforms (Acemoglu and Robinson, 2012; Acemoglu et al., 2004). Furthermore, based on an empirical analysis, Coll (2013) performed a classification of the EU member states and the ENP countries – by displaying the GDP per capita from a dynamic point view – covering the period of 1995-2009. Coll's findings show a rather optimistic outlook towards the similarities

between the EU bloc and the ENP states based on the macroeconomic evolution, emphasizing a convergence within the EaP group as well. Kharlamova (2015) reached a different conclusion, highlighting that the economic growth of the ENP countries followed divergent paths, based on an empirical analysis covering the period of 2000-2014 particularly looking at the provision of the EU funds through thematic programmes. Other authors (Socoliuc and Maha, 2019) showed the same divergent evolution of the EaP countries in terms of social, economic and political transformation and its implications for economic resilience. Bergman and Varga (2018) indicated a dual-track approach towards explaining the EU influence on EaP economic development, indicating that incentives to develop trade, as well as applying EU norms. López-Tamayo et al. (2018) linked the implications of developing bilateral dialogue between EU and EaP countries respectively, which has generated divergence within the region, mainly because of implementing a differentiated approach. In addition, Pintilescu and Viorica (2019) found that macroeconomic stability had a clear impact on economic resilience, particularly because of unemployment and inflation, while Gylfason et al. (2015) found that institutions and good governance contributed towards stimulating trade between EaP and EU.

Overall, although there are divided opinions in the literature on the resilience capacity of EaP states, it would be relevant to see in which of the components (democracy, governance, economy) there was a convergence that would create the premises for sustainable development. For this reason, in the next section we resorted to such an analysis.

4. Methodology and data

The starting point in our methodological approach was to respond to some challenges encountered in EaP countries, from a multidimensional perspective, more precisely to find explanations for the variations in values on different components, although these states have a relatively common past related to political regimes and history. Thus, we constituted three dimensions of research (democratic, governance and socio-economic), each composed of several variables: the first of 7, the second of 5, and the third of 7. The analysis was done in dynamics (2010 versus 2020), to better capture the progress made by EaP states in terms of the three components. In essence, through this

research we intend to cover as many aspects as possible that can contribute to the modeling of development trajectories, to identify vulnerabilities and to propose some recovery measures in the medium and long term.

The purpose of our paper is not necessarily to highlight whether the countries that have concluded association agreements with the EU (Georgia, Moldova, Ukraine) have experienced positive oscillations in terms of democracy, governance or socio-economic issues, compared to those more under the influence of Russia, but rather to see which of these dimensions need more support from decision-makers so that the road to stability and prosperity to be a favorable one.

When it comes to EaP countries, an important limitation of the research is that related to the availability of data. Although there are some official statistics that provide the situation in this area, they are fragmented, not covering a wide range of variables, many values being reported after 2015, but not including all EaP states (e.g., the Index of Public Integrity developed by European Research Centre for Anti-Corruption and State-Building in Berlin, where lacks Armenia and Belarus), which makes it difficult to have an integrative approach. The collection of data was done from various sources, such as: Eurostat statistics, The Fund for Peace, The Bertelsmann Stiftung's Transformation Index, etc. The data extracted from the mentioned sources combine qualitative expert survey, opinion polls, with content analysis and qualitative input, the latter being imputed, not infrequently, a certain degree of subjectivity. Thus, in the component associated with democracy we have included indicators that refer to political participation, stability of democratic institutions, political and social integration, security apparatus, state legitimacy, fundamental human rights and their protection, the influence and impact of external intervention in the functioning of a state. In the governance chapter were included the rule of law, steering capability (prioritization, implementation, policy learning), resource efficiency (efficient use of assets, policy coordination, anti-corruption policy), consensus-building (consensus on goals, conflict management, civil society participation, reconciliation), international cooperation (effective use of support, credibility, regional cooperation). Regarding the socio-economic dimension, this incorporates variables that take into account: income inequalities, education expenditures, the brain drain phenomenon, youth

unemployment rate, labor productivity, quality of public services, GDP. Most of the variables were measured on a scale of 0-10, the tendency to register higher values meaning a certain progress (exceptions to this scale include some socio-economic indicators such as GDP, unemployment rate, labour productivity, etc.). All the indicators used in analysis are found in *Annex 1*, in which the correlation coefficients between them are exposed.

5.   Results and discussion

Looking at the dynamics, although some progress has been made towards the elements included in our analysis, the fragility of the EaP states from an economic, social, institutional or democratic point of view is still noticeable, this being even more obvious after the appearance of some crises. Large-scale implications were felt through the installation of exogenous shocks, and a severe destabilization of the systems was registered at the time of the Ukrainian Revolution, in 2014. With all the tensions in the area, as a whole, in recent years, EaP countries it is, on average, on an ascending slope in terms of gap recovery, although it should be mentioned that this transformation trend is quite modest, as the descriptive statistics in *Table 1* suggest. Thus, it is found that in 2020 there was a slight decrease of discrepancies in line with governance dimension, compared to 2010 ($Mean_{2010} = 4.991$ and $Mean_{2020} = 5.404$), the minimum value in 2010 being 3.600, and in 2020, 4.190. At the same time, the maximum value registered a modest increase (from 6.090 in 2010 to 6.530 in 2020). This component of governance seems to be in close connection with the impact of the Eastern Partnership, in terms of expanding EaP cooperation with the EU, aligning with some European standards, using EU funds, enforcing the rule of law and building a general consensus on solving internal problems. The leap, although not a significant one, denotes an involvement of decision makers in finding solutions to the domestic challenges, so that governance is based on dialogue, collaboration between all actors for rational use of resources, according to societal needs. Without a change of register regarding governance, it is not possible to move forward either from an economic or democratic point of view and EaP countries have become aware of this in recent years.

Table 1. Descriptive statistics

	2010				2020			
	Min.	Max.	Mean	Std. deviation	Min.	Max.	Mean	Std. deviation
Political participation	2.750	7.750	5.250	2.174	2.250	8.250	5.875	2.659
Stability of democratic institutions	2.000	7.000	4.333	2.563	2.000	7.500	5.250	2.382
Political and social integration	3.330	6.000	4.806	1.101	2.670	6.000	4.722	1.295
Security apparatus	3.800	8.000	6.367	1.662	5.200	6.980	5.807	0.645
State legitimacy	6.600	9.000	7.900	0.899	6.000	9.100	7.633	1.239
Human rights	5.300	7.900	6.817	0.898	4.800	8.000	6.317	1.248
External intervention	5.800	8.700	7.133	0.971	5.900	8.100	6.683	0.796
DEMOCRATIC DIMENSION	**5.030**	**7.360**	**6.087**	**0.941**	**5.120**	**7.030**	**6.041**	**0.773**
Rule of law	3.000	6.250	4.833	1.221	3.000	6.250	5.000	1.369
Steering capability	3.330	6.000	4.667	1.011	4.000	6.330	5.444	0.861
Resource efficiency	4.000	6.670	4.667	1.033	3.670	6.670	5.111	1.089
Consensus-building	3.000	6.400	4.733	1.231	3.600	6.800	5.300	1.384
International cooperation	4.000	6.670	6.056	1.042	5.000	7.330	6.167	0.863
GOVERNANCE DIMENSION	**3.600**	**6.090**	**4.991**	**0.907**	**4.190**	**6.530**	**5.404**	**1.031**
Economic inequality	6.200	7.300	6.783	0.417	3.300	5.200	4.100	0.693
Brain drain phenomenon	4.800	7.800	6.283	1.067	3.700	7.000	5.366	1.260
Public services	4.000	6.700	5.683	0.983	3.300	4.710	3.872	0.631
Public expenditure on education (%GDP)	2.800	7.700	4.633	2.171	2.000	5.500	4.017	1.427

GDP	50.200	108.400	84.383	20.822	67.500	98.600	85.033	13.574
Unemployment rate_15 to 24 years	14.900	38.900	25.150	10.697	10.400	32.600	18.783	10.014
Labour productivity in GDP (constant prices) per person employed	-0.600	7.200	3.917	2.572	0.600	5.400	1.950	1.747
SOCIO-ECONOMIC DIMENSION	**12.860**	**23.100**	**19.548**	**3.965**	**13.940**	**20.770**	**17.589**	**2.814**

Source: authors' estimates

Regarding the democratic dimension, it can be easily observed that in ten years there have been no changes in the sense of improving security, aspects of legitimacy, institutional stability, defense of fundamental rights and the correct conduct of elections (Mean$_{2010}$ = 6.087 and Mean$_{2020}$ = 6.041), all these being eroded by a series of destabilizing events, which deepened the population's dissatisfaction even more. In socio-economic terms, the case of Ukraine is highlighted in the context of the 2014 event, when post-shock growth rates are clearly influenced in the sense of making the macroeconomic climate more vulnerable. Overall, most EaP countries have experienced the effects of the Ukrainian conflict, and their GDP has been affected and in our analysis the values of socio-economic dimension strengthen this statement (Mean$_{2010}$ = 19.548 and Mean$_{2020}$ = 17.589). However, situations where states with high migration flow have seen slight increases in income due to remittances should not be overlooked (for example, the Russian labor market has provided 11.4% of GDP for Ukrainian workers in 2020, according to BTI data). Against the background of Russia's internal structural problems, regulations related to immigrants have tightened, which will lead to an alteration of these remittances in the future. Within each dimension, among the lowest values in 2010 are found: stability of democratic institutions (2.000) for democratic dimension; rule of law and consensus-building, both with 3.000, for governance dimension; the quality of public services (4.000) for socio-economic dimension. These scores remain relatively constant over

time, with slight variations in 2020, in the indicators relating to consensus-building (3.600) and quality of public services (3.300).

In order to better capture the differences between the EaP states in terms of the dimensions included in the research, we resorted to the nearest neighbor analysis, through which the distances from the best placed country are observed (*Table 2*).

Table 2. Nearest neighbor analysis (proximity matrix - Euclidean distance)

Democratic dimension

| | 2010 | | | | | | | 2020 | | | | |
	ARM	AZE	BLR	GEO	MDA	UKR		ARM	AZE	BLR	GEO	MDA	UKR
ARM	0.000	0.464	0.412	2.324	2.024	1.095	ARM	0.000	1.285	1.090	0.257	0.704	0.625
AZE	0.464	0.000	0.052	1.860	1.560	0.631	AZE	1.285	0.000	0.195	1.542	0.581	1.910
BLR	0.412	0.052	0.000	1.912	1.612	0.683	BLR	1.090	0.195	0.000	1.347	0.386	1.716
GEO	2.324	1.860	1.912	0.000	0.300	1.229	GEO	0.257	1.542	1.347	0.000	0.961	0.368
MDA	2.024	1.560	1.612	0.300	0.000	0.929	MDA	0.704	0.581	0.386	0.961	0.000	1.329
UKR	1.095	0.631	0.683	1.229	0.929	0.000	UKR	0.625	1.910	1.716	0.368	1.329	0.000

Governance dimension

	ARM	AZE	BLR	GEO	MDA	UKR		ARM	AZE	BLR	GEO	MDA	UKR
ARM	0.000	0.460	1.300	1.187	0.223	0.897	ARM	0.000	1.907	1.907	0.437	0.833	0.077
AZE	0.460	0.000	0.840	1.647	0.683	1.357	AZE	1.907	0.000	0.000	2.343	1.073	1.983
BLR	1.300	0.840	0.000	2.487	1.523	2.197	BLR	1.907	0.000	0.000	2.343	1.073	1.983
GEO	1.187	1.647	2.487	0.000	0.963	0.290	GEO	0.437	2.343	2.343	0.000	1.270	0.360
MDA	0.223	0.683	1.523	0.963	0.000	0.673	MDA	0.833	1.073	1.073	1.270	0.000	0.910
UKR	0.897	1.357	2.197	0.290	0.673	0.000	UKR	0.077	1.983	1.983	0.360	0.910	0.000

Socio-economic dimension

	ARM	AZE	BLR	GEO	MDA	UKR		ARM	AZE	BLR	GEO	MDA	UKR
ARM	0.000	9.286	4.186	0.957	0.671	3.729	ARM	0.000	6.830	6.514	1.500	2.099	2.153
AZE	9.286	0.000	5.100	10.243	9.957	5.557	AZE	6.830	0.000	0.316	5.330	4.731	4.677
BLR	4.186	5.100	0.000	5.143	4.857	0.457	BLR	6.514	0.316	0.000	5.014	4.415	4.361
GEO	0.957	10.243	5.143	0.000	0.286	4.686	GEO	1.500	5.330	5.014	0.000	0.599	0.653
MDA	0.671	9.957	4.857	0.286	0.000	4.400	MDA	2.099	4.731	4.415	0.599	0.000	0.054
UKR	3.729	5.557	0.457	4.686	4.400	0.000	UKR	2.153	4.677	4.361	0.653	0.054	0.000

Source: authors' estimates

In 2010, at the dimension related to democracy, the extreme disparity is established between Georgia and Armenia (2.324), and in 2020, between Azerbaijan and Ukraine (1.910). The governance dimension highlights that the biggest differences are, in 2010, on the one hand, between Belarus and Georgia (2.487) and Ukraine and Belarus (2.197), on the other hand; in 2020, the distances between countries decrease slightly, surprising a relative convergence, so that between Georgia, Azerbaijan and Belarus is the highest distance (2.343), followed by that between Ukraine, Azerbaijan and Belarus (1.983). In the socio-economic direction, in 2010 there are the largest gaps between Georgia and Azerbaijan (10.243) and between Azerbaijan and Moldova (9.957), and in 2020 between Armenia and Azerbaijan (6.830) and between Belarus and Armenia (6.514). The dynamics of economic transformation are not limited to concluding associations or free trade agreements with EU, but rather it is related to internal stability, the existence of a favorable framework for social inclusion, the identification of weaknesses and the rethinking of development strategies in line with the territorial characteristics. Therefore, a multitude of factors can shape the evolution paths of a country, not being relevant only a particular component (for example, if we were to refer to Azerbaijan, that exports gas and oil, it has not taken important steps towards growth, despite the significant increase in crude oil prices).

If the socio-economic dimension can experience faster variations depending on the degree of adaptability of systems to the ever-changing contexts and development strategies put into practice, in terms of governance, there is a growing influence of past models, history, institutional configurations, social dynamics, political visions, aspects related to the cultural imprint, which prove to be more difficult to change. Some values or attitudes change easily when there is interest to do so, while others do not evolve and they are simply unchangeable. In neo-institutionalism approaches, the starting point consists in the individual's perception of a value and the attitude on a problem which are likely to change through the mechanism of imitation (Mantzavinos, 2006); people will imitate a specific behaviour and will find proper tools to achieve it if this supposes a better life satisfaction. In this way, the collective unconscious determines a new approach to solve an existential issue that will lie at the basis of institutional innovation. However, in order to reach institutional innovation, an incompatibility between new formal institutions

(regulations, laws, contracts), which will be adopted, and the old informal ones, inherited from the past, should not be so obvious to hinder the absorption of shocks. In countries where mentality change has occurred, new regulations can be easily embraced. If, on the contrary, the diffuse support of informal institutions or value systems does not exist, then the new institutions are seen as not having great relevance for development, their integration in the social practice being more difficult (Sedlacek and Gaube, 2010). In essence, territories that share similar value systems also have a mutual trust, and the level of cooperation is high. In the case of EaP states, the path dependency process should be noted, the initial conditions, which may cause informal institutions to prove to be an obstacle towards competitiveness, if they are not effectively combined with the formal ones, drawn in the spirit of democracy, good governance and economic progress. However, the efforts made in the direction of ensuring a certain convergence should not be omitted, a fact that is captured in the plots in *Figure 1*.

If in 2010 a distance of countries is observed in terms of the analyzed dimensions, in 2020 they come closer together, forming a relatively homogeneous cluster, the differences diminishing to some extent. Looking at the components of each dimension, there is a regrouping of them, in particular the governance knowing positive variations. For a clearer highlighting of the interconditionalities between the variables subject to our analysis, we set out in *Annex 1a* and *Annex 1b*, the correlation coefficients, according to which we find that, in 2010, the strongest links are established between the democratic dimension and that of governance (0.672), followed by the relationship between democracy and socio-economic dimension (0.529), respectively between governance dimension and socio-economic one (0.505).

If we refer to the strongest influences that the constituent elements have on the three dimensions, it is emphasized that the greatest determinism on the democratic dimension has the indicator *stability of democratic institutions* (0.893), on the governance dimension has *steering capability* (0.969), and *GDP* has on socio-economic dimension (0.965). Instead, in 2020, the dashboard is as follows: between democratic dimension and governance one is established a very close connection (0.944), between democratic dimension and socio-economic one, the conditionality is 79.4% (0.794), and between governance dimension and socio-economic one, the influence is also very

high (0.911). Looking inside the democratic dimension, it is observed that the greatest determinism has the stability of democratic institutions (0.923), on the one related to governance it has rule of law (0.960), and on the socio-economic one it has GDP (0.868).

Figure 1. The dynamics of EaP countries in terms of democratic, governance and socio-economic dimensions (2010 versus 2020)
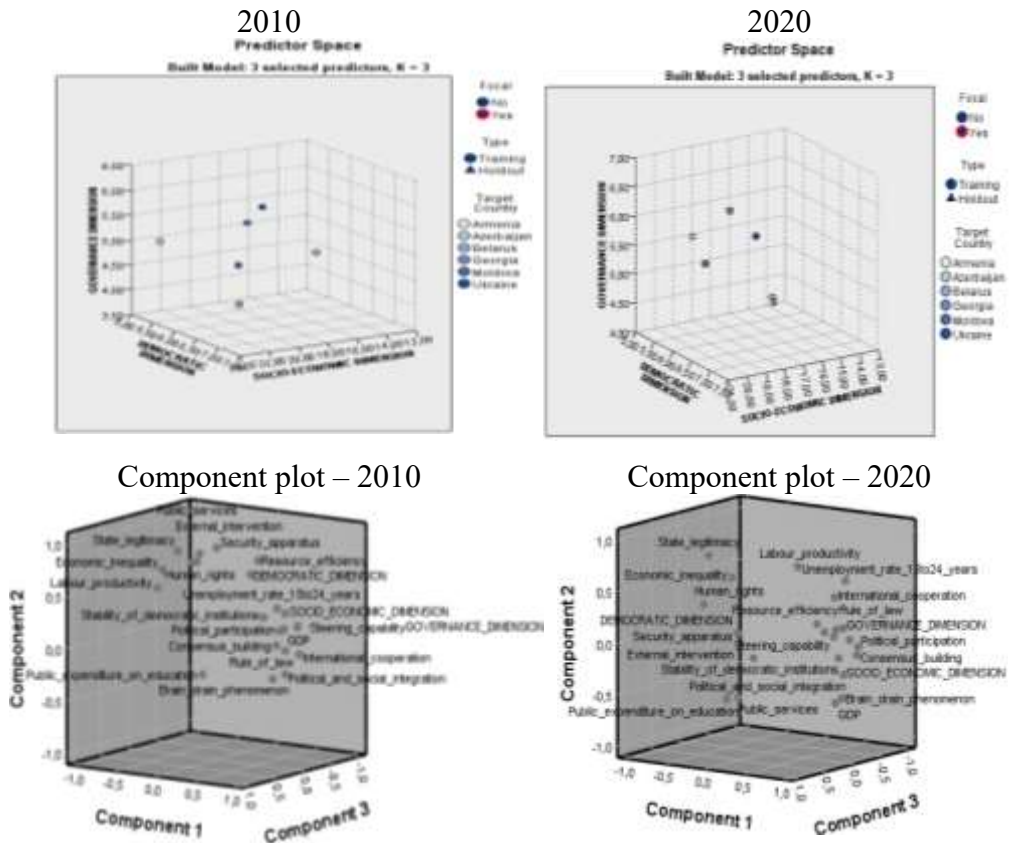
Source: authors' representation

Thus, on the whole, if actions are taken in a country in order to create institutional stability, ensure and respect the rule of law, adapt measures to needs and implement policies based on lessons learned from the past, the context of economic development can be generated. Broadly speaking, it is found that the three dimensions are interconnected, a weakness of one causing

negative effects on the others. Through the cluster analysis, in *Figure 2* it can be seen how the EaP states are grouped according to the dimensions of the research (2010 compared to 2020).

Figure 2. Cluster analysis - grouping EaP countries according to the dimensions considered in the analysis
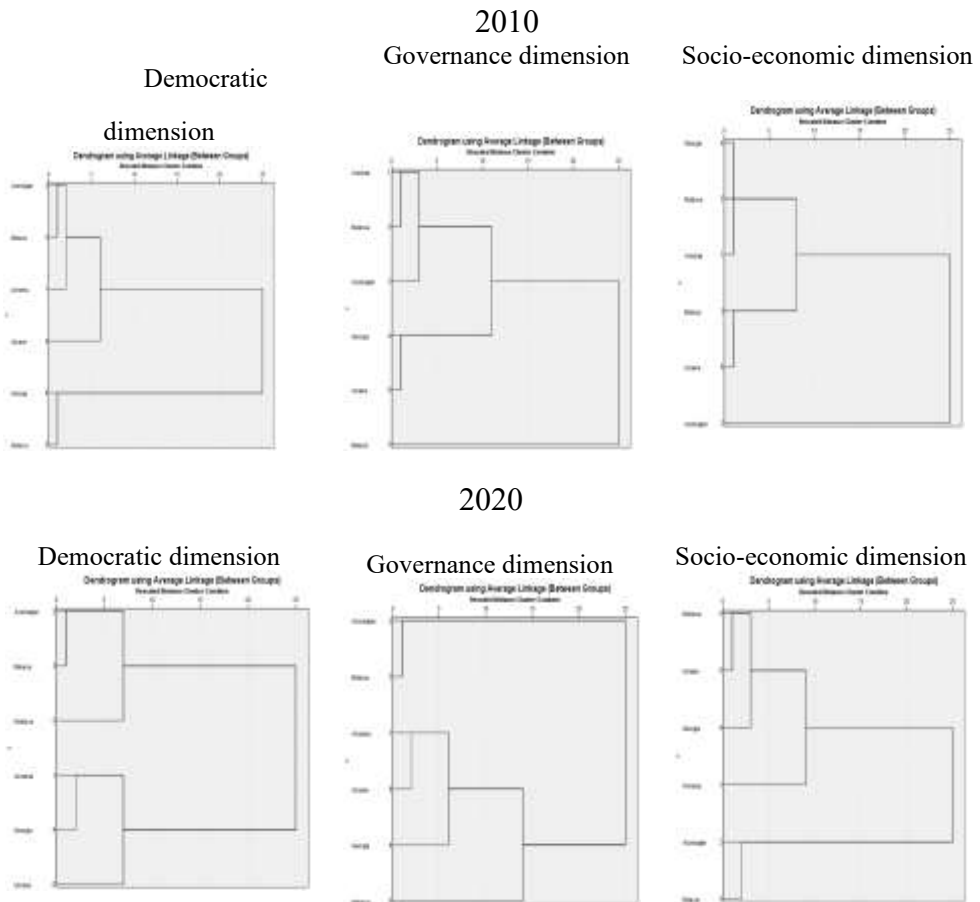
Source: authors' representation

In terms of democratic dimension, it is emphasized that both in 2010 and 2020, Azerbaijan and Belarus obtained relatively equal scores, being included in the same cluster.   Referring to Armenia, this has faced systemic vulnerabilities over time, deepened by excessive control of the oligarchic powers over the economic environment and the media, but with the December 2018 parliamentary elections and the formation of the new government in

January 2019, it seems to have tried a change of register, by supporting the pro-market and pro-democracy ideas, their promoters being generally young people. It remains to be seen whether this new paradigm will reposition Armenia in the direction of ensuring decision-making transparency, reducing bureaucracy and increasing the quality of life. The mass protests usually start against the background of shortcomings felt by the majority of the population, which indicates that in the case of Armenia, the Velvet Revolution of 2018 meant exactly the point of saturation generated by instability (Terzyan, 2019). Regardless of the geopolitical orientation, the closeness to Brussels or Moscow, in some of the EaP states (Moldova, Ukraine) there have been actions aimed at fraudulent elections, which emphasizes the particular interests of groups that put personal advantages above the welfare of the nation.

To make the system shock-resistant it is necessary to reorganize, to provide elastic structures on all levels, focus on country-specific priorities, monitor and coordinate macroeconomic policies, strengthen the rule of law, absorb good practices, in other words, an integrated approach could facilitate the move towards competitiveness and towards finding a new identity (Drăgan, 2015). The instruments through which these aspects can be achieved refer, on the one hand, to domestic financial support and, on the other hand, to the support of international bodies. In this context, we recall the case of the EU, which, through ENP, has addressed, in recent years, joint operational programs (JOP) aimed at supporting cross-border cooperation and development of border regions (i.e., European Neighborhood Policy Instrument). Even if previous programming periods have highlighted the fact that these funds are not sufficient to reduce economic peripherality or to solve the internal problems, they are still an important step in the field of cross-border cooperation.

6. Conclusions

The research results show that although there are disparities between the six EaP states in terms of the three dimensions (democratic, governance, socio-economic), they can be reduced if coherent measures are implemented, aimed at promoting democratic values, supporting good governance and encouraging the economy by investing in education, in order to reduce brain drain phenomenon, unemployment and social inequality. Although the

discrepancies did not decrease significantly in 2020, compared to 2010, there are, however, on average, positive dynamics, with a certain convergence, given especially by the awareness of alignment to norms and rules in the service of justice, rule of law, judicial independence, essential criteria in the context of the Europeanization process. The quality of institutions, corruption control, participatory management, accountability, reactivity, transparency are the elements often cited when measuring good governance. Therefore, the fight against corruption is required to be a first measure to recover the economies of these countries, along with ensuring the diversification of economic activities and institutional adaptability. At the same time, the endowment with production factors and resources has a special relevance in the growth process. Moreover, it should be emphasized that the development paths of the six states under analysis are strongly shaped by the expression "history matters", and getting rid of the Soviet Union's influence is still a great challenge. The existence of clear directions of action, in accordance with the principles of democracy, without capturing the State by a part of the population, without the impregnation of oligarchic power structures on almost all levels, and strengthening cooperation between actors, would ensure the premises for an increased resistance to shocks, including for the peripheral territories of EaP countries. A balanced and inclusive growth envisages a multidimensional approach, not a fragmented one. Fragility in a certain sector can cause oscillations, most likely in a negative sense, in other sectors.

From a policy-making outlook, our research indicates that in order to support progress within the EaP framework, addressing topics related to the democratic, governance and socio-economic dimensions might be considered of great importance, particularly in countries facing systemic vulnerabilities. In this context, enhancing the multilateral track of the EaP could enable a more accentuated cooperation between the EaP members, an area where the EaP Civil Society Forum could play a stronger role, by providing a platform for dialogue on thematic issues, by better connecting local and international actors. Addressing aspects related to political participation, stability of democratic institutions, as well as boosting social integration could facilitate convergence, as they are displayed as drivers of socio-economic development. In addition, strengthen the governance dimension should gain a major significance within the overall policy framework, as it is a key

element of macroeconomic climate, as shown by our analysis. As such, stronger application of the EU acquis is needed in the field of governance, as previous research also indicated (Wolczuk et al., 2017). In this regard, empowering citizens, by ensuring effective institutional provisions, as a way to boost political participation, could mean a tool for promoting reforms implementation. This idea was reiterated by Korosteleva, highlighting the relevance of human rights, political participation and fostering development, as a transformational approach to resilience (Korosteleva, 2020). Following this reasoning, the EU support to Ukraine after the Ukrainian crisis can be seen as a notable example.

Our research brings under the spotlight the importance of tailoring policies according to the countries' profiles. In this regard, the introduction of the "differentiation" principle within the ENP review in 2015 contributed towards facilitating the process of tailoring policies and emphasizing a stronger responsability, however, some divergence across the full policy spectrum can be still seen. As such, boosting bilateral dialogue, with stronger focus on states' expectations and needs should be a top priority, in order to bounce back the divergence trends in some countries (e.g., democracy in Ukraine, governance in Armenia or Azerbaijan, especially against the background of the 2020 Nagorno-Karabakh war). This is further underlined by the relevance of international cooperation as a driver of convergence, thus should be taken into consideration within the overall policy-making process as a long-term priority. Revitalizing ownership across the full policy spectrum could be, thus, a solid element for the perspective to look at, considering its limited embeddedness in practice, an issue noticed in the literature as well (Blockmans, 2017; van Gils, 2017).

In a future study we aim to highlight the effects that the Covid-19 pandemic has had on EaP countries, to see if this shock has affected the economic, institutional or democratic level more strongly, compared to other previous shocks, and to underline if these states have the necessary resources to put in place the most appropriate measures so that the speed of recovery to be as high as possible.

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Annex 1a. Correlation matrix – 2010

VARIABLES	Political participation	Stability of democratic institutions	Political and social integration	Security apparatus	State legitimacy	Human rights	External intervention	DEMOCRATIC DIMENSION	Rule of law	Steering capability	Resource efficiency	Consensus-building	International cooperation	GOVERNANCE DIMENSION	Economic inequality	Brain drain phenomenon	Public services	Public expenditure on education (%GDP)	GDP	Unemployment rate_15 to 24 years	Labour productivity in GDP	SOCIO-ECONOMIC DIMENSION
Political participation	1.000	0.951	0.741	-0.068	-0.013	-0.595	0.365	0.778	0.956	0.857	0.252	0.957	0.670	0.919	-0.237	0.492	-0.183	0.418	0.623	0.027	0.022	0.521
Stability of democratic institutions	0.951	1.000	0.707	0.139	0.156	-0.412	0.481	0.893	0.892	0.682	0.202	0.871	0.516	0.793	-0.125	0.500	0.058	0.573	0.655	-0.104	0.221	0.536
Political and social integration	0.741	0.707	1.000	-0.290	-0.498	-0.708	-0.206	0.419	0.823	0.534	-0.098	0.657	0.631	0.642	-0.597	0.862	-0.173	0.571	0.859	0.116	-0.369	0.717
Security apparatus	-0.068	0.139	-0.290	1.000	0.696	0.719	0.779	0.544	-0.126	-0.151	0.396	-0.144	-0.076	-0.034	0.883	-0.071	0.879	-0.173	0.062	0.038	0.384	0.125
State legitimacy	-0.013	0.156	-0.498	0.696	1.000	0.754	0.841	0.512	-0.250	-0.081	0.560	-0.127	-0.470	-0.100	0.651	-0.611	0.648	-0.084	-0.152	-0.008	0.858	-0.034
Human rights	-0.595	-0.412	-0.708	0.719	0.754	1.000	0.451	0.012	-0.731	-0.566	0.374	-0.705	-0.671	-0.583	0.701	-0.599	0.801	-0.344	-0.277	0.149	0.538	-0.112
External intervention	0.365	0.481	-0.206	0.779	0.841	0.451	1.000	0.793	0.200	0.326	0.625	0.307	0.070	0.368	0.743	-0.248	0.552	-0.119	0.049	0.026	0.584	0.113
DEMOCRATIC DIMENSION	0.778	0.893	0.419	0.544	0.512	0.012	0.793	1.000	0.664	0.559	0.465	0.660	0.363	0.672	0.290	0.281	0.434	0.337	0.569	0.021	0.405	0.529
Rule of law	0.956	0.892	0.823	-0.126	-0.250	-0.731	0.200	0.664	1.000	0.810	0.053	0.962	0.808	0.909	-0.282	0.688	-0.274	0.427	0.616	-0.048	-0.206	0.470
Steering capability	0.857	0.682	0.534	-0.151	-0.081	-0.566	0.326	0.559	0.810	1.000	0.511	0.857	0.781	0.969	-0.127	0.284	-0.329	-0.082	0.455	0.371	-0.231	0.454
Resource efficiency	0.252	0.202	-0.098	0.396	0.560	0.374	0.625	0.465	0.053	0.511	1.000	0.105	0.124	0.413	0.403	-0.327	0.394	-0.517	0.288	0.768	0.176	0.495
Consensus-building	0.957	0.871	0.657	-0.144	-0.127	-0.705	0.307	0.660	0.962	0.857	0.105	1.000	0.752	0.918	-0.205	0.483	-0.368	0.347	0.422	-0.120	-0.080	0.292
International cooperation	0.670	0.516	0.631	-0.076	-0.470	-0.671	0.070	0.363	0.808	0.781	0.124	0.752	1.000	0.854	-0.059	0.691	-0.312	-0.092	0.448	0.222	-0.652	0.369
GOVERNANCE DIMENSION	0.919	0.793	0.642	-0.034	-0.100	-0.583	0.368	0.672	0.909	0.969	0.413	0.918	0.854	1.000	-0.082	0.464	-0.229	0.052	0.550	0.263	-0.239	0.505
Economic inequality	-0.237	-0.125	-0.597	0.883	0.651	0.701	0.743	0.290	-0.282	-0.127	0.403	-0.205	-0.059	-0.082	1.000	-0.334	0.619	-0.514	-0.327	0.028	0.275	-0.226
Brain drain phenomenon	0.492	0.500	0.862	-0.071	-0.611	-0.599	-0.248	0.281	0.688	0.284	-0.327	0.483	0.691	0.464	-0.334	1.000	-0.052	0.451	0.693	-0.039	-0.560	0.520
Public services	-0.183	0.058	-0.173	0.879	0.648	0.801	0.552	0.434	-0.274	-0.329	0.394	-0.368	-0.312	-0.229	0.619	-0.052	1.000	-0.021	0.280	0.204	0.419	0.369
Public expenditure on education (%GDP)	0.418	0.573	0.571	-0.173	-0.084	-0.344	-0.119	0.337	0.427	-0.082	-0.517	0.347	-0.092	0.052	-0.514	0.451	-0.021	1.000	0.392	-0.586	0.343	0.187
GDP	0.623	0.655	0.859	0.062	-0.152	-0.277	0.049	0.569	0.616	0.455	0.288	0.422	0.448	0.550	-0.327	0.693	0.280	0.392	1.000	0.440	-0.190	0.965
Unemployment rate_15 to 24 years	0.027	-0.104	0.116	0.038	-0.008	0.149	0.026	0.021	-0.048	0.371	0.768	-0.120	0.222	0.263	0.028	-0.039	0.204	-0.586	0.440	1.000	-0.365	0.642
Labour productivity in GDP	0.022	0.221	-0.369	0.384	0.858	0.538	0.584	0.405	-0.206	-0.231	0.176	-0.080	-0.652	-0.239	0.275	-0.560	0.419	0.343	-0.190	-0.365	1.000	-0.166
SOCIO-ECONOMIC DIMENSION	0.521	0.536	0.717	0.125	-0.034	-0.112	0.113	0.529	0.470	0.454	0.495	0.292	0.369	0.505	-0.226	0.520	0.369	0.187	0.965	0.642	-0.166	1.000

Source: authors' estimates

Annex 1b. Correlation matrix – 2020

VARIABLES	Political participation	Stability of democratic institutions	Political and social integration	Security apparatus	State legitimacy	Human rights	External intervention	DEMOCRATIC DIMENSION	Rule of law	Steering capability	Resource efficiency	Consensus-building	International cooperation	GOVERNANCE DIMENSION	Economic inequality	Brain drain phenomenon	Public services	Public expenditure on education (%GDP)	GDP	Unemployment rate_15 to 24 years	Labour productivity in GDP	SOCIO-ECONOMIC DIMENSION
Political participation	1.000	0.965	0.925	0.137	-0.563	-0.745	0.374	0.908	0.958	0.859	0.852	0.966	0.861	0.981	-0.546	0.682	-0.329	-0.098	0.783	0.736	0.525	0.967
Stability of democratic institutions	0.965	1.000	0.932	0.295	-0.634	-0.792	0.535	0.923	0.927	0.878	0.874	0.913	0.803	0.957	-0.606	0.716	-0.138	0.101	0.850	0.541	0.443	0.927
Political and social integration	0.925	0.932	1.000	0.079	-0.800	-0.715	0.415	0.826	0.881	0.746	0.700	0.902	0.622	0.853	-0.799	0.782	-0.233	0.078	0.929	0.521	0.200	0.943
Security apparatus	0.137	0.295	0.079	1.000	0.169	0.092	0.804	0.513	0.290	0.453	0.395	-0.066	0.344	0.276	-0.143	-0.197	0.201	0.251	0.043	-0.182	0.218	-0.037
State legitimacy	-0.563	-0.634	-0.800	0.169	1.000	0.628	-0.141	-0.374	-0.424	-0.429	-0.241	-0.646	-0.131	-0.431	0.753	-0.907	-0.214	-0.231	-0.943	-0.071	0.345	-0.711
Human rights	-0.745	-0.792	-0.715	0.092	0.628	1.000	-0.261	-0.539	-0.614	-0.530	-0.738	-0.791	-0.517	-0.706	0.338	-0.752	-0.063	-0.338	-0.734	-0.324	-0.408	-0.769
External intervention	0.374	0.535	0.415	0.804	-0.141	-0.261	1.000	0.669	0.550	0.392	0.649	0.154	0.315	0.443	-0.548	-0.020	-0.059	0.616	0.321	-0.133	0.283	0.201
DEMOCRATIC DIMENSION	0.908	0.923	0.826	0.513	-0.374	-0.539	0.669	1.000	0.966	0.879	0.888	0.777	0.863	0.944	-0.573	0.429	-0.326	0.005	0.648	0.592	0.553	0.794
Rule of law	0.958	0.927	0.881	0.290	-0.424	-0.614	0.550	0.966	1.000	0.806	0.894	0.855	0.846	0.960	-0.606	0.475	-0.479	-0.026	0.671	0.705	0.587	0.865
Steering capability	0.859	0.878	0.746	0.453	-0.429	-0.530	0.392	0.879	0.806	1.000	0.719	0.817	0.898	0.903	-0.347	0.620	0.004	-0.246	0.687	0.590	0.417	0.820
Resource efficiency	0.852	0.874	0.700	0.395	-0.241	-0.738	0.649	0.888	0.894	0.719	1.000	0.734	0.828	0.905	-0.362	0.351	-0.317	0.213	0.515	0.538	0.778	0.713
Consensus-building	0.966	0.913	0.902	-0.066	-0.646	-0.791	0.154	0.777	0.855	0.817	0.734	1.000	0.798	0.921	-0.467	0.807	-0.231	-0.185	0.817	0.744	0.426	0.993
International cooperation	0.861	0.803	0.622	0.344	-0.131	-0.517	0.315	0.863	0.846	0.898	0.828	0.798	1.000	0.931	-0.134	0.388	-0.302	-0.344	0.437	0.802	0.754	0.761
GOVERNANCE DIMENSION	0.981	0.957	0.853	0.276	-0.431	-0.706	0.443	0.944	0.960	0.903	0.905	0.921	0.931	1.000	-0.443	0.585	-0.306	-0.110	0.694	0.733	0.631	0.911
Economic inequality	-0.546	-0.606	-0.799	-0.143	0.753	0.338	-0.548	-0.573	-0.606	-0.347	-0.362	-0.467	-0.134	-0.443	1.000	-0.482	0.232	-0.352	-0.758	-0.087	0.212	-0.561
Brain drain phenomenon	0.682	0.716	0.782	-0.197	-0.907	-0.752	-0.020	0.429	0.475	0.620	0.351	0.807	0.388	0.585	-0.482	1.000	0.275	-0.009	0.921	0.294	-0.108	0.830
Public services	-0.329	-0.138	-0.233	0.201	-0.214	-0.063	-0.059	-0.326	-0.479	0.004	-0.317	-0.231	-0.302	-0.306	0.232	0.275	1.000	0.266	0.120	-0.657	-0.495	-0.218
Public expenditure on education (%GDP)	-0.098	0.101	0.078	0.251	-0.231	-0.338	0.616	0.005	-0.026	-0.246	0.213	-0.185	-0.344	-0.110	-0.352	-0.009	0.266	1.000	0.172	-0.638	-0.108	-0.148
GDP	0.783	0.850	0.929	0.043	-0.943	-0.734	0.321	0.648	0.671	0.687	0.515	0.817	0.437	0.694	-0.758	0.921	0.120	0.172	1.000	0.269	-0.067	0.868
Unemployment rate_15 to 24 years	0.736	0.541	0.521	-0.182	-0.071	-0.324	-0.133	0.592	0.705	0.590	0.538	0.744	0.802	0.733	-0.087	0.294	-0.657	-0.638	0.269	1.000	0.642	0.699
Labour productivity in GDP	0.525	0.443	0.200	0.218	0.345	-0.408	0.283	0.553	0.587	0.417	0.778	0.426	0.754	0.631	0.212	-0.108	-0.495	-0.108	-0.067	0.642	1.000	0.345
SOCIO-ECONOMIC DIMENSION	0.967	0.927	0.943	-0.037	-0.711	-0.769	0.201	0.794	0.865	0.820	0.713	0.993	0.761	0.911	-0.561	0.830	-0.218	-0.148	0.868	0.699	0.345	1.000

Source: authors' estimates