

Serbia's EU membership, the corner stone of Western Balkans, into question.

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Abstract

The EU is currently embedded in a new enlargement process, this time towards the Western Balkans; a particular relevant geopolitical area for the EU. Among the Western Balkans EU membership candidates Serbia occupies a privileged position due to its territorial size, population and economic ties with the EU. Nevertheless, Serbia's relationship with the EU is complex as a result of the regional conflicts that took place during the 1990s and, currently, due to the authoritarian character that it is steadily adopting. Bearing in mind the Serbia's commitment to EU membership, our main purpose throughout this piece is to carefully look at Serbia in order to assess the options and challenges that it has to be an EU member state; particularly after the EU Commission reformed the EU Enlargement Process to be more political. Two major obstacles that Serbia faces in its accession process to the EU are highlighted: a weak democracy and the lack of rule of law. Despite the internal challenges that the EU is facing, both the European Commission and Germany, are clearly engaged with the Western Balkans enlargement process, mainly because of geopolitical reasons. Therefore, it is an opportunity that all of them, and particularly Serbia, should not miss.

Keywords: Enlargement, Western Balkans, Serbia, Kosovo, European Commission

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1. Introduction

Serbia became a sovereign country in 2006 after Montenegro got the independence (BBC News, 2018) but it had to wait until 2014 to become an EU candidate country, two years after Montenegro. Since then, Serbia and Montenegro have been considered as the frontrunners of the Western Balkans enlargement process. The February 2018 European Union (EU) strategy for the Western Balkans forecasted that they could eventually join the EU by 2025 (European Parliament (2019)). However, the Serbia's slow progress towards EU membership favoured the establishment of closer ties with Russia and China, creating some doubts about its commitment to the EU (European Parliament, 2019b). To which we must add the authoritarian character that the Serbian government is steadily adopting.

Besides, after the great enlargement of 2004-2007 the EU suffered from "enlargement fatigue", which some experts' stress it has started before the first group of Eastern candidate countries became EU member states in 2004. Such enlargement fatigue responds to a negative perception about these countries that was spread over the old member states (Dinan, 2014, p. 317). This mainly they fear that ex-soviet republics might bring destabilization inside the EU, mainly because of territorial disputes. Such feeling has been aggravated regarding Western Balkans enlargement because of several factors such as: the difficulties that the EU has experienced in dealing with the great heterogeneity that Eastern countries introduced inside the EU, impacting the decision making process, as well as the difficulties of Western Balkans countries in fulfilling the accession criteria despite the different instruments that the EU has put in place to help them advance in political and economic areas.

At the same time, the EU in 2020 is radically different from the one of the early 2000s (Bonomi, 2019, p. 10). Throughout these years the EU has suffered a severe economic crisis (2008) that led to the strengthening of the economic and monetary union through instruments such as MEDE or the European Semester; a refugee crisis (2015), as a result of which FRONTEX has been reinforced; and, currently, a pandemic crisis (2020). At the same time that the UK, one of its biggest member states, abandoned the club (2016-

2020) and a new treaty came into force in 2009, the Lisbon Treaty, broadening the power of the main supra-state institutions and opening the door for the creation of the EEAS, the diplomatic service of the EU. This great turmoil favours that some member states prefer to keep strengthening/deepening rather than enlarging the EU.

This is the particular case of France which rejected to open accession negotiations with Albania and North Macedonia in November 2019. As a consequence, last February 2020, the European Commission launched a new enlargement process methodology which was later on approved by the EU member states. Therefore, notwithstanding all the adverse circumstances, the EU is still willing to keep advancing the Western Balkans enlargement process, mainly because of the geopolitical consequences that losing these countries in the hands of China or Russia might provoke in the destabilization of the southern EU neighbourhood.

Montenegro and Serbia, the countries that were already part of the accession negotiation process agreed to follow the new procedure settled down by the European Commission (Ralev, 2020). This new process is much more political, meaning that it entails an increase in the frequency of EU summits plus much more ministerial contacts. In addition, member states are expected to closely monitoring the process which is also expected to be more dynamic by including the different chapters into six thematic clusters that will be opened as a whole: fundamentals; internal market; competitiveness and inclusive growth; green agenda and sustainable connectivity; resources, agriculture and cohesion; external relations. Finally, it is also meant to be more predictable about what the European Commission expects from the candidate countries along the different stages of the process (European Commission, 2020).

One of the first objectives of the German Council six-months rotating Presidency that started on July 1st 2020 is to boost enlargement and, in this regard, it will have to very much focus on Serbia because of the last parliamentary elections held last June 2020, which “may represent a turning point for Serbian democracy as it appears that a red line has been crossed in terms of pluralism and parliamentary representation” (Bonomi, 2019b). COVID-19 pandemic crisis might also represent a turning point in the

Western Balkans path to EU integration as they are walking the road of autocracy and turning the attention to China (Rs.n1info.com, 2020). A weak democracy together with lack of rule of law is a key challenge for the Serbia accession to the EU. To which we must add a lack of agreement with Kosovo, absolutely necessary for these two countries to be EU member states. Kosovo is a small “country” of about 2 million of inhabitants surrounded by Albania, North Macedonia, Montenegro and Serbia that was used to be an autonomous province in Serbia when it was part of the former Yugoslavia; that unilaterally declared the independence in 2008 because of ethnic human rights crimes.

The main aim of this piece is to deeply look at Serbia in order to examine the country profile as well as assessing the options and challenges that it has in order to determine how likely it is for Serbia to be an EU member state. In so doing we conclude that the two major challenges that this country is facing are: Serbia’ weak democracy and lack of rule of law on one hand and the absence of an agreement with Kosovo on the other. Finally, and linked to this last point, we briefly introduce the EU member states approach towards the Serbia accession to the EU.

2. Serbia: from Yugoslavia to the EU

Tracing the relationship between Serbia and the EU is not an easy task that involves, in the first place, the changes introduced in the political organization¹. Secondly, the delay in its accession regarding other states from Centre and Eastern Europe, even in comparison with the Balkans countries that are part of the former Yugoslavia such as Slovenia or Croatia. The Serbian formal application was not submitted until 2009. Third, the slowness in the EU responses, and even the stoppages and blockages of the process (the Netherlands blocked the implementation of the interim SAA with Serbia due to failure of fully cooperation with the ICTY). Both the war period of the 90s and the post-war period of the first decade of the 21st century have conditioned the Serbian trajectory towards the EU.

¹ Since the beginning of its relations with European Communities, Serbia (and Montenegro until 2006) has passed through four different state arrangements: Socialist Federal Republic of Yugoslavia (SFRY), Federal Republic of Yugoslavia (FRY, 2000-2003), State Union Serbia and Montenegro (2003-2006), and, lastly, independent states (2006).

When examining the historical evolution of the Serbia-EU relations, one gets the impression that there has been the squandering of significant Yugoslav political capital accumulated up to the early 1990s. To the point that some thinkers have questioned if Yugoslavia lost its chance to be part of the EU. From an historical perspective, during the Cold War period, the Socialist Federal Republic of Yugoslavia (SFRY) was the only socialist state which developed close relations with the European Economic Community (EEC). The examination of these relationships in historical perspective dates back to the late 1960s. In fact, the *cooperation between the SFRY and the EEC was established in December 1967. At this time, it was adopted the "Declaration on relations between SFRY Yugoslavia and the EEC" aimed at defining the general framework of future economic relations. After this first step, two trade agreements were signed respectively in 1970 and 1973, whereby the SFRY was granted the most-favoured nation treatment and entered into the General System of Preferences. This implied the establishment of a deep and substantial cooperation between the two parties in the fields of finance, science and technology, commerce, agriculture, industry and social areas. At the same time, the abolition of customs duties was introduced on a number of industrial products with exceptions for specific products (Dragan, 2015).*

Mutual interactions between the two sides intensified in the late 1980s and early 1990s. The Cooperation Agreement between SFR Yugoslavia and the EEC (1980) granted the former SFRY preferential status in trade with the EEC and financial assistance¹ was also envisaged through finance protocols². Both sides began negotiations on a new agreement in 1978, which was signed in April 1980 and entered into force in April 1983. This Cooperation Agreement marked a new stage in the development of relations between the Community and Yugoslavia, which have been linked by agreements since 1970 (European Commission, 1990). On the occasion of the

¹ Since 1977 the Community has granted Yugoslavia access to the resources of the European Investment Bank. As an example of financial assistance, Yugoslavia received a loan from the European Investment Bank in 1982 of approximately \$ 72 million for transportation infrastructure and the electrical system.

² The Cooperation Agreement between the European Economic Community and the Socialist Federal Republic of Yugoslavia was signed in Belgrade on April 2nd 1980. It was a so-called mixed agreement, to which the Member States were also parties alongside the European Economic Community.

accession of neighbouring Greece (1981), a significant change in mutual relations took place through the conclusion of an additional protocol to the 1980 Agreement (To give an idea of the intensity of the relationship let's stress that the EEC-Yugoslavia Cooperation Council that existed at Ministerial level met nine times between 1975 and 1990). In late 1989, Yugoslavia initiated signing of the association agreement; it must be underlined at that time close to 70% of Yugoslav foreign trade was done with the EEC countries.

After the end of the Cold War, SFRY signed the PHARE program in 1990, which included significant financial support for future transition and social and economic reforms. However, these advances and the cooperation agreements between the EEC and SFRY were cancelled in 1991 due to the armed conflict in Slovenia and later on in Croatia. As Gligorijevic stresses "on the eve of the tragic crisis in the former Yugoslavia, the SFRY entered into the Framework Agreement with the European Community, on December 17th 1990 which included Yugoslavia in the assistance program for the restructuring of Central and Eastern Europe (PHARE). It was a paramount of mutual SFRY-EEC cooperation, a historic moment for the country that seemed to be the first socialist country to obtain the status of the EEC Associated Country. Unfortunately, turn of events in the country, in 1991, dissolved all optimistic expectancies and proved the most pessimistic assessments" (Gligorijevic, 2004, p. 111).

As a result of the war scenario, the Federal Republic of Yugoslavia (Serbia and Montenegro) remained completely isolated between 1992 and 1996. Only after 2000, the need for European and Euro-Atlantic integration was considered as the main strategic option. So, when can the beginning of the Serbian journey towards accession be dated? In dealing with this specific issue, it is necessary to reflect on the date on which the first step towards EU accession is taken due to, although the Serbian journey towards the EU is part of the broader process of accession of the Western Balkans, it undoubtedly presents singularities. Copenhagen (1993), Madrid (1995), Feira (2000),

Thessaloniki (2003), Berlin (2014)¹, Sofia (2018), Zagreb (2000, 2020)² and, of course, Brussels, are some European cities that appear associated with the enlargement of the EU. But, from a political and formal point of view, this chronology is not applicable to Serbia. This is more than evident during the decade of the 90s marked by several armed conflicts. It seems more appropriate to take the year 2000 as a reference, when Slobodan Milosevic left power, replaced by Vojislav Kostunica (October 2000). This fact was interpreted as the beginning of a new stage in implementing a democratic system and a market economy in Serbia, while at the same time directing the country towards EU integration. Later, Milosevic would be arrested in Belgrade (March 31, 2001) and handed over, months later, to the International Criminal Court for the former Yugoslavia (June 28, 2001) to be tried as responsible for war crimes and genocide in the three Balkan conflicts in the 1990s: Croatia (1991-1995), Bosnia (1992-1995) and Kosovo (1998-1999)³. Serbian progress towards the EU depended on full cooperation with the above-mentioned Court. In this way, the Yugoslav State entered the path of normalization in its foreign relations and put an end to the international isolation resulting from the war period.

The first formal step in an eventual enlargement towards the Western Balkans is constituted by the Stabilization and Association Process (SAP), launched in 1999 (Cologne European Council held after the NATO military intervention in Kosovo) and reinforced during the Thessaloniki summit in 2003. This initiative included the need to strengthen relations in different areas (it set common political and economic objectives) between the states to offer support to the economic and democratic transition to the Balkan region. In other words, it sought to promote commercial relations, financial assistance, the strengthening of regional cooperation in numerous and diverse social and economic spheres, and good-neighbourly relations to increase its stability in the

¹In August 2014, the German Chancellor Angela Merkel launched the Berlin Process. It consists on a political initiative aimed at reinforcing regional cooperation in the Western Balkans as well as promoting their integration into the European Union

² The EU-Western Balkans Summit was held in Zagreb on May 6, 2020. It concluded with a joint declaration by which the EU reaffirms its unequivocal support for the European perspective of the Western Balkans. Documents can be consulted here: <https://cutt.ly/OfllIZd> (Retrieved 4-08-2020).

³ At the time, the International Donors Conference (2001) conditioned international financial aid for Serbia and Montenegro to Milosevic's the placing at the disposition of the above mentioned Court.

region (European Commission, 2016). It also explicitly included the preparation of different countries for eventual accession to the EU. The SAP took the form of so-called Stabilization and Association Agreements (SAA) (and financial assistance through Community Assistance for Reconstruction Development and Stabilization, CARDS). These agreements contained detailed political conditionality and presupposed a future adherence by the states involved.

Since the Thessaloniki summit (2003) where the Member States were in favour of the Balkan States joining the EU, only Slovenia (2004) and Croatia (2013) have succeeded to date. Montenegro (2012), Serbia (2014), North Macedonia and Albania (2020) are currently candidate states and have accession negotiations open. Meanwhile, Kosovo and Bosnia-Herzegovina remain potential candidates as they still do not meet the entry requirements. The armed conflicts, but also internal problems that afflict these Balkan states (organized crime, corruption, economic status, respect for human rights and minorities ...) have delayed this expansion; in addition to the numerous problems that the EU had to deal with.

The Serbian case presents specific notes. Serbia's process of rapprochement with the EU is highly interesting due to the dramatic and convulsive circumstances experienced in the Western Balkans during the 1990s. It is worth remembering that, in June 1999, NATO bombed Belgrade, with the backing of the EU. A decade later, in 2009, Serbia formally applied to joining the EU. Therefore, it is understandable that the recourse to European rhetoric and symbolism ("return to Europe") was painfully applicable to Serbia, even if its European character was not questioned. On the other hand, as we have indicated, the end of the Balkan wars in 1999 led to the Serbian authorities of Milosevic (2001) surrender to the International Criminal Court for the former Yugoslavia. After that, other criminals such as Radovan Karadzic (2008) or Ratko Mladic (2011) who were hiding in Serbian territory would be made available to this Court. Thus, the way was cleared for Serbia towards the EU. Notwithstanding, these conflicts carried a negative image for Serbia, linking it with operations of ethnic cleansing and the commission of war crimes. Let us specify the key dates of the relationship between Serbia and the EU. In general, the EU policy towards the Balkan states has been framed in the Stabilization and Association Process

launched at the Zagreb Summit (November 2000). On the occasion of the European Council held in Thessaloniki Serbia, along with five other states, acquired the status of potential candidates.

The negotiation of a Stabilization and Association Agreement with Serbia and Montenegro started on October 10th 2005. In May 2006, the European Commission suspended the negotiations of the Stabilization and Association Agreement with Serbia and Montenegro due to the lack of cooperation with the International Criminal Court for the former Yugoslavia (arrest and surrender of Ratko Mladic). After improving this aspect, the EU Commission agreed to resume negotiations in June 2007, which ended in September this year. On April 29th 2008, the EU-Serbia Stabilization and Association Agreement was established and entered into force until September 1st 2013 (Council and European Commission, 2013).

As the first step in the accession process, Serbia formally submitted its application to joining the EU on December 22nd 2009 (in the same month the visa requirement for Serbian citizens in the Schengen Area was eliminated), by its President Boris Tadic, thus activating the procedure provided for in article 49 of the TEU. After almost two years, on October 12th 2011 (coinciding with the capture and arrest of Ratko Mladic), the EU Commission showed its support for this request, while recommending that Serbia would be granted the status of candidate country. This decision was attributed by the European Council on March 1st 2012. Progress in the technical dialogue between Serbia and Kosovo as well as the management of border areas also weighed on this decision. Finally, the accession negotiations started in January 2014. Specifically, the First Serbia Accession Conference was held on January 21st 2014 leading to the official start of the negotiations for Serbia's accession to the EU.

3. Serbia in figures

Serbia is the biggest Western Balkan country both in territorial size and population. At the same time, it is the one that enjoys the closest relationship with the EU. The EU is the largest foreign investor in Serbia. France (710.7 million euro), the Netherlands (317.5 million), and Germany (263.7 million) were, according to the Serbian National Bank, within the five major foreign

investors in 2019 together with Hong Kong (434.5 million) and Russia (237.3 million) (Bjelotomic, 2019). The EU is also the largest donor of development assistance and its companies the biggest investors in the country. Serbia's ties are closer to the West than to the East and therefore its citizens prefer to live, work and study in the EU rather than in Russia (Majstorović, 2019). Half of Serbian citizens are in favour of joining the EU in contrast to 31% who are against. With regards to NATO, only 9% are in favour of being part of it while 72 are against (Balkaneu.com, 2020).

Table 1. Serbia in perspective

Official Candidates	Territorial Extension Km ²	Population (Millions)	GDP growth 2019 (%)	GDP per capita (€)	Inflation 2019 (average %)
Serbia	88.499	7	3.3	5.430	2.0
EU (27)	4.476M	446.825	1.5	27.980	1.4
Spain	505.988	47.3	2.0	25.170	0.7
Official Candidates	Public Debt (% GDP)	Life expectancy	Youth Unemployment rate (15-24) (%)	Major Religions	
Serbia	52	72 (M)/77(F)	30	Christianity	
EU (27)	85.9	78.3(M)/83.5(F)	15	Christianity	
Spain	96.4	79 (M)/85(F)	30.51	Christianity	

Source: Elaborated by author based on Coface for trade, BBC countries profile, World Bank, UN, Spanish Ministry of Foreign Affairs, INE, EU Commission, Eurostat

Eurostat (2020) data shows that Serbia represents 40% GDP of EU average. Unemployment (22%) and the cost of living (21%) followed by corruption (10%) and poverty (4%) are the most important problems that its citizens think Serbia is facing. Serbians are particularly worried about the economy on one hand and democracy and lack of rule of law on the other. The amount of trust that they have on political parties and media is (3%) followed by courts (6%) and Parliament (8%). Prime Minister office goes up to (16%) and Presidents office (24%). With regards to their favourite foreign

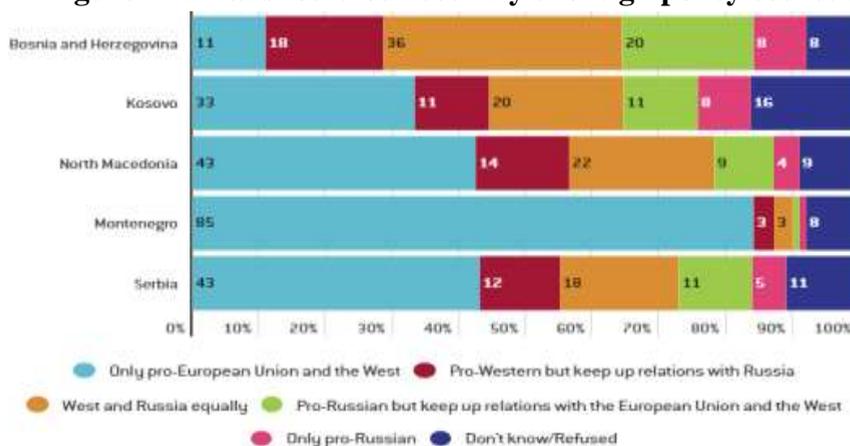
partners Serbians have shown its preference for Russia (51%) and China (39%). The next on the list is Germany, scoring (20%). The same trend comes with regards to who they feel is their most relevant economic and political partner. Serbia (33%) of its population ages between 36-55 years and (40%) more than 56 years. The proportion among urban and rural population is (59%-41%). The majority of Serbians work in the private sector (73%) and half of them (49%) have completed secondary education. Around (48%) are in economy of subsistence (International Republican Institute, 2020).

Serbia was, among the Western Balkans candidate countries to the EU, the frontrunner in terms of its democratic institutions, level of economic development and overall readiness for accession (European Parliament (2019). However, the current political situation in Serbia is on the border of authoritarianism. Aleksandar Vučić power, who remains to be its Prime Minister since 2014, has been restated last June (2020) elections when Vučić Serbian Progressive Party (SNS) got (48.2%) of the vote; while the second largest party, Socialist Party (SPS), got the (11%). At the same time that two pro-Russia nationalist parties entered the parliament together with three pro EU. Serbia Radical Party got (8%) of the votes (DW.com, 2016). The fact that Vučić controls the largest majority of Parliamentary seats might have consequences both for Serbias' democracy and its path to EU integration (Brotman, 2020). This taking into account that, as a consequence of the opposition leader Borko Stefanović was beaten in November 2018, a wave of protest was triggered around the country accusing Aleksandar Vučić and his party of authoritarianism because of its attacks on independent media, electoral fraud and corruption. These demonstrations specifically ask for media freedom and conditions that ensure free and fair elections. Taking into account this situation, the opposition intended to boycott them with the aim of putting pressure on the government at the same time that they call the attention of the international community (European Parliament, 2019).

Precisely because of the President Aleksandar Vučić's de facto accumulation of executive powers, that do not respect the role that the Serbian Constitution has attributed to it. *Freedom House* has downgraded Serbia from the category of a free country to partly free. *Freedom House* report particularly emphasizes that the ruling Serbia Progressive Party "has steadily

eroded political rights and civil liberties, putting pressure on independent media, the political opposition, and civil society organizations” (FreedomHouse.org, 2020). At the same time, the lack of progress regarding freedom of expression is highlighted as one of the major concerns for the European Commission in its 2018 report (European Commission, 2018). *World Press Freedom Index* has also downgraded Serbia classifying it 93 out of 180 countries, the lowest ranking in Western Balkans region after Montenegro, and qualifying it as worrying state (Reporters without borders, 2020). The EU Parliament has also stressed its concern about the Serbia risk of authoritarianism highlighting the already mentioned decline of media freedom, excessive concentration of power, absence of fully free and fair elections or the fact that they are not to date in judicial reforms (European Parliament, 2019).

Figure 1: What should our country's foreign policy course be?



Source: International Republican Institute's Center for Insights on Survey Research, Western Balkans Regional Poll, February 2, 2020 - March 6, 2020

Source: Cameron, A. and Leigh, M. (2020). *Has COVID-19 dented the EU's credibility in the Balkans?* Bruegel Blog, June 15th. Retrieved from: <https://cutt.ly/CffxkD4>

COVID-19 pandemic is also contributing to the acceleration of the authoritarian character of this country. Even though the EU has been the region in the world that has provided most assistance to Western Balkans because of the pandemic crisis, 3.3 billion euros (European Commission,

2020), Serbian President Aleksandar Vučić has described the European solidarity as a fairy tale, stressing that China is the only one that can help them (Hall and Hopkins, 2020). An example of this strategy pursued by President Vučić is the fact that posters of Xi Jinping and Chinese flags were displayed around Belgrade for several weeks, at the same time that Serbian television broadcasted live Prime Minister Ana Brnabić meeting the first of eleven Russian planes that landed in the country with supplies (Cameron and Leigh, 2020). Serbian government is also exacerbating Euroscepticism among its population, the highest in the entire region even before the pandemic (EuropeanWesternBalkans.com, 2020), in order to use it pragmatically to gain from the privileged geopolitical localization of Serbia which functions as a bridge between East and West, but also regarding Kosovo (Rrustemi, Wijk, Dunlop, Perovska and Palushi, 2019).

4. Serbia-EU membership' negotiations: back on track?

As we have already pointed out, the first step towards a possible Western Balkans enlargement was the SAP (European Commission, 2016b) launched in 1999 and reinforced during the Thessaloniki European Council Summit in 2003. The main purpose behind the creation of this instrument has been to provide Western Balkans countries with a realistic perspective path towards integration in order to encourage them to undertake the great number of reforms expected by the EU (Schenker, 2008). During the above-mentioned Thessaloniki European Council Serbia was, among other five Western Balkans countries, identified as potential candidate for EU membership. As we have already stressed, Serbia formally applied in 2009 and was granted candidate status after a long-contested process in 2012. On January 21st 2014 Serbia started accession negotiations (European Commission, 2020c).

In the meantime, the Republic of Serbia got the status of an associated country to the EU through the SAA, which entered into force on September 1st 2013. By signing this agreement Serbia had to agree on establishing a free trade zone and aligning its domestic legislation with the EU (Ministry of European Integration Government of the Republic of Serbia, 2019). The objectives of this SAA are: (a) to support the efforts of Serbia to strengthen

democracy and the rule of law; (b) to contribute to political, economic and institutional stability in Serbia, as well as to the stabilisation of the region; (c) to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties; (d) to support the efforts of Serbia to develop its economic and international cooperation, including through the approximation of its legislation to that of the Community; (e) to support the efforts of Serbia to complete the transition into a functioning market economy; (f) to promote harmonious economic relations and gradually develop a free trade area between the Community and Serbia; (g) to foster regional cooperation in all the fields covered by this Agreement.

With the purpose of carrying out political and economic reforms the EU supports the enlargement countries with financial and technical help through the Instrument for Pre-Accession Assistance (European Commission, 2015), whose program runs until 2020¹. Another instrument that the EU puts at the enlargement countries disposal is the Technical Assistance and Information Exchange instrument of the European Commission (TAIEX). The main purpose of this instrument is to support public administrations with regard to the approximation, application and enforcement of EU legislation as well as facilitating the sharing of EU best practices (European Commission, 2020d). At the same time, the EU has other several programmes open for Serbia participation, such as Erasmus+, Horizon 2020, COSME, Creative Europe, Customs 2020 and Fiscalis 2020, Europe for Citizens, EU Programme for Employment and Social Innovation (EaSI), Copernicus and LIFE Programmes (European Commission, 2014).

Prove of the clear commitment that the EU has with Serbia accession to the EU, and as its top donor investor, and most important, trade and economic partner; following the COVID-19 pandemic crisis, the EU will continue supporting the Serbia accession process to the EU, including the Economic and Investment Plan for the Western Balkans due in the autumn 2020 (EEAS, 2020). The EU Enlargement Commissioner Oliver Varhelyi emphasized that the EU would like to open more accession chapters while

¹ For the period 2007-2013 IPA had a budget of some € 11.5 billion; its successor, IPA II, will build on the results already achieved by dedicating € 11.7 billion for the period 2014-2020.

start closing some of them plus also advancing in the dialogue between Belgrade and Pristina (Euronews, 2020).

Even though Aleksandar Vučić has promised to conclude the EU accession negotiations as soon as possible, over the past few years there has not been significant progress in this area. Since Serbia started the accession negotiations in 2014 it has opened 18 of the 35 chapters, two of which are provisionally closed: science and research and education and culture (European Council, 2012). This slow path particularly responds to the Serbian authorities' reluctance of implementing reforms as well as the EU revision on its priority areas such as justice and rule of law. In addition to the serious problems that EU reports have remarked on democratic elections, parliamentary actions (which is totally subordinated to the executive) and media freedom (Szpala, 2020).

4.1 Two biggest obstacles: a (weak) Democracy and Kosovo agreement

As the EU Commission stresses, the greatest obstacles for the Serbia path into the EU are the weak democracy and quality of rule of law together with a competitive economy and a necessary agreement with Kosovo (Barber, 2020). In short, regarding the reforms in democracy, "there is an urgent need to create space for genuine cross-party debate and conditions for meaningful participation by the opposition in the parliament" (European Commission, 2019). The Serbia quality of democracy and rule of law is also of serious concern for the EU Parliament, particularly with regards to the Social Democrats, Greens and Liberals groups whereas the Europeans People's Party remains sympathetic (Ivković, 2020). In this regard, after the last Parliamentary Serbia elections the EU Parliament group Socialist & Democrats has asked EU member states to not open more accession chapters until democracy is restored in the country (Socialists and Democrats, 2020). Serbian's insufficient level of democracy for joining the EU is also of serious concern for the two Shadow Rapporteurs for Serbia – MEP Von Cramon for the Greens and MEP Klemen Grošelj for Renew Europe. All in all, no progress on rule of law reforms plus perpetually frozen dialogue with Pristina shows that, despite the fact that the Serbian government has been fully

committed to the EU accession process; there is not a real will of putting in action structural reforms (Dilas, Zelenović and Nikolić, 2019).

4.2 A (weak) Democracy

Since Serbia started accession negotiations more than six years ago, according to every indicator and all organisations monitoring democracy globally (Freedom House, the Bertelsmann Transformation Index, the VDem Institute, and the Economist Democracy Index) its democracy and rule of law have been backsliding (Bieber, 2020). As we have already stressed, since February 2019 *Freedom House* rates Serbia as partly free. Situation likely to be aggravated after the controversial already mentioned Parliamentary elections in June 2020 as a result of which Aleksandar Vučić controls two-thirds of the National Parliament seats (EuropeElects.eu, 2020). The Organization for Security and Co-operation in Europe (OSCE) remarks that, although during the last campaign elections fundamental freedoms were respected, the “voter choice was limited by the governing party’s overwhelming advantage and the promotion of government policies by most major media outlets” (Barigazzi and Gray, 2020).

Over the past few years, Aleksandar Vučić government has abused government authority in controlling media to avoid critical voices, at the same time that it has used government tax investigators to punish foes and government subsidies to reward allies (Doehler, 2020). The result of the last parliamentary elections in June 2020 has evidenced the authoritarian nature of the Serbian regime, seriously compromising the enlargement process. In this regard, the High Representative Josep Borrell and Neighbourhood and Enlargement Commissioner Olivér Várhelyi released a joint statement strikingly critical by underlying the limited voter choice and the media dominance of the ruling party. However, it has been stressed that the risk is that if the EU does not confront the serious threats to Serbia democracy, the opposition parties might become more Eurosceptic, as they see that their government is backed by the EU and its member states (Bieber, 2020).

After the COVID-19 pandemic crisis the internal situation in Serbia is not expected to get any better. As we have already underlined, during the peak

of the crisis President Aleksandar Vučić accused the EU of lack of solidarity with the Western Balkans at the same time that it showed admiration for China (Barber, 2020). This is part of a strategy to replace Russia for China as the Serbian biggest ally in counterpart of China international support to Serbia regarding Kosovo. China's great interest in Serbia responds to the idea that Serbia could become its door to the rest of the EU. So far, Serbia, as a candidate country, enjoys a privileged position due to it has access to the EU market while certain EU rules still do not apply to it. Therefore, it is the perfect test for China in how getting into the EU market. China is also protected by Serbian media which presents both Russia and China as its best allies, contrary to the West which is presented as the one who is taken Kosovo away and obstructing the progress of the country (Velebit, 2020). All in all, Serbian government is playing the perfect double game by benefiting from EU funds at the same time that it blames the West and comes closer to Russia and China in order to benefit from them all (Phillips, 2020).

4.3 Kosovo Agreement

Kosovo is also a high topic for the EU member states where 5 out of 27: Romania, Cyprus, Greece, Slovakia, and Spain, still do not recognize it as a sovereign country (Rferl.org, 2020). In order to overcome this situation, an agreement between Belgrade and Pristina is *condition sine qua non* for Serbia and Kosovo to join the EU (Cózar Murillo, 2020). However, whereas Kosovo aims to get full recognition of its sovereignty and Serbia is under pressure to come to an agreement in order to keep advancing in its path to EU membership (Brotman, 2020), Serbian President Aleksandar Vučić stressed last June that he is expecting some concessions in return for recognizing Kosovo and, as a consequence, allowing it to be part of international organizations such as United Nations (UN) (Euractive.com, 2020). Despite the fact that the requirement from the negotiations and Kosovo's main objective from the talks is to achieve "mutual recognition", President Aleksandar Vučić do not seems to be particularly engaged with the idea of going that far, it only stresses the necessity of accepting the reality of Kosovo

about which Belgrade lost control after the 1998-1999 war (Euractive.com, 2020b).

The mediated discussions had broken in 2018 and since then both parts have been receiving pressure from the West for rebooting the negotiations (Rferl.org, 2020); to the point that some voices stress that EU-Serbia accession negotiations should be suspended before a deal is reached. As the current Director of the Program on Peace-building and Rights at Columbia University's Institute for the Study of Human Rights, David L. Phillips, points out: "Serbia cannot have it both ways. Either it proceeds towards EU membership, which requires recognition of Kosovo, or it foregoes Euro-Atlantic integration and deepens ties with anti-democratic and anti-Western countries like Russia and China" (Phillips, 2020). The point is that the deal would necessarily ensure the territorial integrity of each state at the same time that democratic institutions are preserved. Any attempt of land swap would be risky leading to destabilization. Therefore, the EU needs to play an essential role in reaching an agreement at the same time that it closely works with the US (Cicarelli, Bergmann, and Lamond, 2020).

The new EU Commission is particularly engaged with the Western Balkans enlargement as part of its geopolitical strategy and so it is the High Representative of the EU for Foreign Affairs and Security Policy/Vice-president of the Commission, who have recently confirmed his personal commitment with its role of facilitator of an agreement, always with the support of the EU member states. Proof of this EU commitment is the fact that the Council of the EU has appointed Mr Miroslav Lajčák as EU Special Representative for the Belgrade-Pristina Dialogue and other Western Balkans regional issues, whose major task is to ease the conclusion of an agreement between the different neighbourly countries. At the same time that it works for enhancing "the EU's visibility and effectiveness through public diplomacy, and contribute to the consistency and effectiveness of EU action in the Western Balkans" (EEAS, 2020b).

A new dialogue process has been re-launched between Brussels, Serbian President Aleksandar Vučić and Kosovo Prime Minister Avdullah Hoti in July 2020. During this first meeting they have discussed about missing persons, displaced persons and economic co-operation (European Western

Balkans, 2020). The most important element is that both parties have to take into account that the agreement should include Serbia recognition of Kosovo based on a solution that can be accepted by the population of both countries, at the same time that provides them with an EU perspective (Tcherneva, 2020). Reaching an agreement would not be easy and they would have to find compromises that would be difficult to present to their citizens. Serbian President is currently in a stronger position than its Kosovar counterpart; however, whereas Kosovo enjoys unity about their independence from Serbia and EU integration, Aleksandar Vučić would have to deal with nationalisms inside its country towards Kosovo, in addition to the Russia opposition of Kosovar statehood (Assenova, 2020).

5. EU member states position on Serbia's enlargement.

After the fall of the Berlin Wall during the 1990s, enlargement was viewed positively, in particular from a geopolitical perspective. However, this enthusiasm gave way, first, to certain discouragement and apathy and, nowadays, to hesitation and even fear. Today there is the suspicion that enlargement might introduce further destabilisation inside the EU, which might explain the slowdown in the enlargement process to the Western Balkans. Even the EU seems to question the usefulness of its enlargement policy.

As we have already stressed, the accession of the Western Balkans presents inherent difficulties. On the one hand, those linked to a deficient level of development of the rule of law and democracy¹, on the other hand, other risks such as the presence of minorities and ethnic hatreds in the region that can be easily exploited (Judt, 2013, p. 79-81) or the geopolitical ones derived from the interference of powers such as China, Turkey, Iran or Russia².

¹ "Nevertheless their membership prospects seemed remote, partly because of 'enlargement fatigue' in the EU, and partly because of difficulties that were both common to the region and specific to each country, ranging from weak governance, to economic underdevelopment, to high crime and corruption." Have a look at: *The European Council in 2018. Overview of decisions and discussions*, European Parliamentary Research Service, p. 37.

² Professor Jose Palmeira points out that "All this happens in a very complex international system, where Russia resurfaces as a "continental disruptor", especially after the annexation of Crimea (2014) and the destabilization of Ukraine. On the other hand, the People's Republic of China increasingly

However, these difficulties do not hide the fact that the Western Balkans candidate states are highly dependent on trade relations with the EU and, although to a varying degree, appear to have achieved some political stability, while expressing a clear political will to join the EU. The fact that its “Europeanity” is not questioned and this fact plays in its favour, unlike, for example, the Turkish situation.

Taking this scenario into account, the Juncker Commission (2014-2019) decided that no more countries will join the EU during its mandate. However, at the end of its period as President of the Commission, he recognized the strategic importance of keeping the Western Balkans under the influence of the EU. In the first half of 2018, the Bulgarian Presidency established the future enlargement of the Western Balkans as one of the priorities. Following this logic, and as part of its strategy of a Geopolitical Commission, the current President of the EU Commission, Ursula Von der Leyen emphasized her commitment to enlargement by asking her Neighbourhood and Enlargement Commissioner, Olivér Várhelyi, to work for a credible perspective towards the Western Balkans enlargement (European Commission, 2019b). In short, this enlargement process follows a geopolitical dimension: to reinforce the stability and security of both EU member states and candidate countries.

In every single enlargement process political motivation is decisive (delays, slowdowns or even blockades are not uncommon in the negotiating process), although at first sight compliance with political and economic criteria and monitoring of the negotiating procedure conducted by the EU Commission seem central. Suffice it to say that the Member States retain veto power in relation to the entry of new members. Their negotiating capacity conditions the results based on their domestic preferences that are in direct harmony with their national interests. For this reason, the accession of new member states always generates tensions between the old member states. As a general rule, the economically more developed member states are more favourable to enlargements as opposed to those that are structurally weaker or, as in the case of France, have an important agricultural sector. Ultimately, enlargement materializes when the redistribution of the gains to be obtained

assumes itself as a global actor, benefiting, in various circumstances, from the withdrawal of the United States and even replacing it, as a defender of multilateralism”, Palmeira, (2020).

from it compensates for the relative losses (Schneider, 2007, p. 86). Consequently, it is essential to present the positions of the different member states regarding the enlargement to the Western Balkans.

Germany is the leader of the negotiating accession process, supported by countries such as Austria, Italy or Poland; while France has positioned itself against it, like Denmark and the Netherlands, mainly due to the weakness of their rule of law (Szpala & Formuszewicz, 2019). The motivations of the states of the first group are fundamentally fed by their strong ties with the region, be it due to the presence of diaspora, economic relations or geopolitical or security issues. Almost 1,5 million of German inhabitants come from the Western Balkans. Germany is also one of the EU biggest investors in the region (Ker-Lindsay *et ál*, 2017, pp. 515-516). Germany is the first trading partner in imports and exports with Serbia; first commercial partner in imports and second in exports with North Macedonia; second trading partner in imports and third in exports with Albania and second trading partner in imports with Montenegro. This makes Berlin its greatest ally within the EU (Colibasanu, 2017).

At the same time, Germany is one of the largest contributors of development aid in the region. In addition, it has participated in peacekeeping operations in its conflicts, which made it to play a more relevant political role. However, although Germany supports enlargement, based on the large number of benefits that this would bring, its maximum objective is to not undermine the EU integrity (Ker-Lindsay *et ál*, 2017, pp. 515-516).

The Western Balkans countries are located in a privileged geographical enclave and Germany is particularly interested in the EU controlling it (Von der Burchard, 2020). Evidence of Germany's great support for the Western Balkans enlargement was the holding of the Western Balkans Summit in August 2014 and the launch of the Berlin Process (Töglhofer, and Adebahr, 2017, pp. 523-539). Through the Berlin Process Germany stressed that Serbia was the most important country in the region due to its geostrategic location. Furthermore, Germany has made particular efforts to facilitate relations between Serbia and the EU, but also to facilitate dialogue between Serbia and Kosovo (Colibasanu, 2017), key for the possible accession of Serbia to the EU.

This mainly because France and Germany, the two member states that are at the driving seat of the EU integration process, have opposite views about it. Whereas Germany is one of the main benefited, France, thinking in purely domestic terms, considers it as little strategic relevance. Besides, we cannot forget that the UK, traditionally the member state that has supported EU enlargement the most, is no longer part of the club, complicating the options for the candidate countries. To this, we must add the experience derived from the 2004-2007 enlargements, which affected the individual position of some member states. Thus, for the beneficiary states of cohesion funds such as Spain or Portugal, it implied the reduction or the progressive disappearance of these resources. In the French case, this expansion gave rise to the perception of a loss of political weight¹, such as the shift of the centre of gravity towards the East in favour of Germany; it is a similar perception that can be shared by the two Iberian states, Spain and Portugal (“continentalization” of the EU²) (Dinan, 2014, p. 319).

Other states such as the members of the Visegrad Group are generally in favour of enlargement to the western Balkans. Thus, for example, it is a central objective for Hungary since it understands that enlargement to the Western Balkans guarantees security and stability in the region, improves economic cooperation and protects Hungarian minorities living in neighbouring countries (Semanić, 2016, p. 95). Poland has also a favourable position to enlargement, having its foreign policy oriented towards the preservation of the stability in the Balkan region, as its security depends on it (Szpala, 2016, pp. 113-114). Slovakia has always been an enthusiastic supporter of the EU’s enlargement policy.

As we have indicated, after the 1998-1999 war, in June 1999, Kosovo became a UN protectorate within Yugoslavia; meanwhile, NATO had to

¹Following this line of thinking, Emmanuel Macron, after vetoing the accession negotiations of Albania and North Macedonia in 2019, launched the idea of a "gradual association" which would imply a new approach to the EU accession process. It is committed to a more political, less technocratic and automated approach to this process that includes a possible reversibility and the guarantee of substantive and tangible results.

² In this sense, it is interesting the contribution made by Professor Palmeira as he tries to highlight the fear of Portuguese diplomacy that the EU, after the withdrawal of the United Kingdom, “will “continentalize” around the Franco-German axis, accentuating the periphery of the country in the European context”. Palmeira, (2020). Obviously, enlargement towards the western Balkans and, in particular, towards Serbia would also contribute to this.

guarantee peace. In February 2008, the Kosovar Parliament declared unilaterally its independence, without the backing of the United Nations and the opposition of Serbia. This declaration was immediately recognized internationally. However, as we have discussed, five EU member states (Romania, Cyprus, Greece, Slovakia and Spain) still do not recognize it as a sovereign country. Notwithstanding, the EU considers Kosovo as a potential candidate for membership and maintains a stabilization and association agreement against non-recognition by the aforementioned states.

Since four EU member states do not recognize Kosovo, this issue is one of the main obstacles that Serbia faces in reaching its accession to the EU, both due to the aforementioned demand for normalization of bilateral relations and due to the repercussions on EU member states. First, Cyprus does not recognize Kosovo because of the division on the island. Indeed, since 1974 Turkey occupied the north of the island and established the "Turkish Republic of Northern Cyprus" (only recognized by Turkey), the Government of Nicosia only controls two thirds of the territory. Thus, the eventual recognition of Kosovar independence could have serious implications for Cypriot internal politics itself. Linked to this situation is the Greek case. Greece maintains strong ties with Serbia as they are the two main Orthodox countries at the regional level. The Greek authorities refuse to recognize the independence of Kosovo due to the implications in the Turkish-Cypriot conflict. Finally, the cases of Slovakia and Romania are similar because the non-recognition of Kosovo relies on the presence of Hungarian minorities in their territories that, based on the Kosovar precedent, could formulate demands for political autonomy for the territories they inhabit.

Generally speaking, on the Spanish position regarding the EU enlargement to the Western Balkans it is possible to say that "as in previous rounds of enlargement, Spain does not lead the process of Balkan integration into the EU but looks for common positions and tries to negotiate in its own political interest. While Spanish interests are not in the Balkans, developments in the region affect Spanish domestic politics and Madrid is well aware of this" (Ferrero, 2015, p. 104). Indeed, the Spanish refusal to recognize Kosovo has its root cause in domestic politics. As a plurinational state, the Spanish Government considers Kosovo as part of Serbia, as the

recognition of a unilateral declaration of independence could set an inadmissible precedent in the Spanish context. Specifically, the non-recognition of Kosovo as an independent state is linked to the conflict between the Spanish Government and the pro-independence forces of Catalonia (who demand a referendum on eventual independence). Consistent with this approach, in May 2018, former President Mariano Rajoy did not attend the EU-Balkans Summit held in Sofia because Kosovar representatives were also taking part. The other four EU member states that do not recognize Kosovo attended the Summit.

Obviously, this does not mean that Spain opposes the enlargement to the Western Balkans or specifically to Serbia. As Ferrero points out “the Spanish position towards enlargement to the Balkans has been influenced by its historical relations with the region, as well as by domestic considerations, with political movements in Catalonia and the Basque Country [and Galicia] as first priorities on the agenda” (Ferrero, 2015, p. 87). Both the historical links and the economic and commercial relations are recent and scarce. Regarding Serbia, this same author stresses that “overall, however, the Spanish foreign policy towards the Balkans has been one of great support for Serbia as the ‘core’ of Yugoslavia [...]. This explicit support towards the former Yugoslavia and, later, towards Serbia (after Montenegro’s independence in 2005 and Kosovo’s secession in 2008), has continued over the years and has influenced the Spanish policy towards EU enlargement. This means that Spain is unlikely to accept that Serbia enters the EU after Montenegro and the former Yugoslav Republic of Macedonia”. In this sense, the Spanish Government considers Serbia the most relevant Western Balkans state prioritizing its accession to the EU, although it defends the strict application of the conditions in accordance with the regatta principle.

6. Conclusions

It could be said that the accession of the Western Balkans is a real political goldsmith work carried out by Brussels. It is not only about implementing democratic systems, rule of law or market economies, but also regional reconciliation and stabilization are pursued in a context characterized

by the existence of relatively recently open or closed conflicts. Some of which directly or indirectly affect EU member states. In addition to the normalization of relations between Serbia and Kosovo, neighbourhood relations, bilateral relations and regional cooperation also matter. In previous enlargements, these kinds of issues were not central to the enlargement agenda. But, even if it is difficult to achieve acceptance of regional cooperation by the political elites of the newly formed states in the Western Balkans, they seem to perceive the EU as the only possible geopolitical alternative, rather than as a reflection of the real interests of local elites and political societies.

This New Enlargement process is impossible to compare with previous enlargement processes such as the ones of UK, Denmark, Austria, Sweden or Finland, characterized by political stability and economic development... Although it is relatively comparable with the Mediterranean enlargement: Spain, Portugal or Greece due to their previous authoritarian regimes and low economic development. The exceptionality of the Western Balkans enlargement relies on the fact that due to besides working on the transition and consolidation of a democratic system and market economies, it requires to build a stable relationship among the new states that have recently emerged in addition to the promotion of the Western Balkans regional cooperation. This scenario greatly differs to previous experiences such as BENELUX, EFTA or the Nordic Council.

When in the 1980s, the countries of Western Europe were heading towards greater economic and political integration (Single European Act, 1985-86), the political leaders of the Yugoslav republics took the opposite path, the one of the fragmentations and territorialization on the basis of radical ethno-national demands. For this reason, today the ideas of cooperation and integration that characterize the EU context are not understood in the Western Balkans, which makes their enlargement process difficult. Added to this are the difficulties arising from the implementation of notions such as democracy, rule of law, fundamental rights, minorities protection...

Serbia not only wasted the significant Yugoslav political capital accumulated up to the early 1990s (eventually SFRY signed the PHARE program in 1990, which included significant financial support for future

transition and social and economic reforms), but also had to assume the political and reputational costs at an international level derived from war conflicts. Precisely, unlike other enlargements, in Serbia's rapprochement with the EU, European rhetoric and symbolism ("return to Europe") is not applicable, although its European nature was certainly not questioned.

Although Serbian accession to the EU suffers from a relative delay and presents certain peculiarities, it cannot be ignored that it is the most relevant nation state in the Balkan region both in territorial size and population. At the same time, it is the one that enjoys the closest relationship with the EU. This entails that the normalization of the political situation at the regional level would require Serbia to be in a position of joining the EU. Therefore, Serbia is a key actor in this ongoing enlargement process.

However, the main aim of this piece is to remark that, even though Serbia has never been that close to the EU membership, it faces great obstacles in this path such as: a weak democracy and quality of rule of law together with a competitive economy and a necessary agreement with Kosovo. To which we must add a close friendship with Russia and China, contrary to the EU interests. The authoritarian tendencies detected in Serbia, together with the experience of the 2004-2007 enlargements have provoked a reform of the EU enlargement process, from bureaucratic to more politicize, which would make the Serbia accession to the EU impossible unless its government clear commits to put in action reforms regarding the rule of law and clear advances in setting an agreement with Kosovo. Those are essential for the five EU member states that have still not recognized Kosovo, Spain included, in accepting either of them as part of the EU. Finally, even if COVID-19 is not easing such process, the EU Commission and Germany, who holds the Council rotating presidency during the second part of 2020, are committed to Western and, particularly, Serbia enlargement. Now the ball is on the other side of the net.

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The EU foreign policy-makers' forged public statements regarding the Eastern Partnership countries

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Abstract

The so called „captured states” are the countries with oligarchic control of political power. This term is used frequently to describe the Eastern Partnership countries – Georgia, Moldova and Ukraine. That inevitably puts pressure on the resilience of these three countries, in addition to Russia’s aggressive campaigns, carried out with or without the use of conventional weaponry. We underline several aspects of the „hybrid war” waged by Russia against Eastern Partnership countries, which includes instruments of pressure in bilateral trade, media and security sectors (through the refusal to pull out the Russian troops from the illegally occupied regions). This paper looks at the EU’s messages that are being forged by different actors internally and by Russian propaganda externally. It provides a range of arguments supporting the idea that the Eastern Partnership countries receive forged messages and the consequences are quite big – mainly for the European prospective of these countries.

Keywords: disinformation, propaganda, sovereignty, risks, pluralistic environment

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1. Introduction

European integration has become a hard “dilemma issue” for the majority of the Eastern Partnership (EaP) countries since the Vilnius EaP

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Summit in November 2013. Some countries had to pay a high price to protect and ensure their right to follow European integration. The continuing crisis in Ukraine means that the EU's relationship with Russia has reached a critical juncture, and that the EU and its member States need fundamentally to reassess it. Eastern Partnership countries, being at the crossroads between East and West, have always been in a very "hot" geopolitical and strategic space, where the situation of peace and war are often changing. This region is on the "fire belt" since 1989, in immediate proximity to the EU - between NATO and the Russian Federation, both of which are in constant competition for the sphere of influence in the area. A prosperous, independent and successful neighborhood for EU is an undeniable fact.

The pro-European rhetoric was strongly connected with dynamic competition between the pro-EU and pro-Russia political parties. The major political goal of the pro-European political parties was to maintain control over the decision-making process in the country, thereby reducing the chances for the pro-Russia counter-parties to trigger the abandonment of the European agenda. On the other hand, the reform agenda, stemming from the provisions of the Association Agreement, signed in June 2014, has registered low performance in key sectors: justice, good governance and fight against corruption. These issues have formed the core of substantiated criticism, formulated more often than once by the EU and other development partners.

Since late 2013, the Eastern Partnership countries (EaP countries) reached a critical juncture. On the one side, EaP– Russian Federation relations are of vital economic, energy and cultural importance for EaP countries and on the other side, the security of these countries as a whole depends upon harmonious relations between EU and Russian Federation.

Measuring the success of the Eastern Partnership, the whole EaP region can be divided in two groups of countries: the more successful countries (Georgia, Moldova and Ukraine) and the less successful ones (Belarus, Armenia and Azerbaijan). Yet the situation in this region is more fractious than at any time since the end of the Cold War. This research is focused on the successful states (particularly on Republic of Moldova).

Georgia, Moldova and Ukraine do not constitute a single geographical region, but since 2014 they have something in common - the degree of

commitments assumed by the governments of these countries. In the respective year, all three countries signed Association Agreements (AA) with the European Union (EU) that came into effect in July 2016 for Georgia and Moldova and in September 2017 for Ukraine. Reform agendas for each of the three countries have never been so packed, or closely followed by the European institutions, in particular after full enactment of the agreements and the serious and diverse political crises that could be witnessed there.

This decision proved to be more difficult than it seems and authorities of these countries had initially imagined. This choice was far more painful for Ukraine: it suffered a violent government overthrow significant loss of territory and open Russia implication in the Donbas and Donetsk region. For Moldova and Georgia, the choice for European integration path is translated in bigger problems with Russian Federation and active resistance to their Europeanization.

2. Tools and instruments used for forging the EU's messages

The paper is based on the conducted research among the main EU statements concerning the very actual issues in the Eastern Partnership countries.

A deep analysis of the nowadays media content shows that the Russian Government is employing a wide range of tools and instruments, such as think tanks and foundations (e.g. Russkiy Mir), special national authorities with international impact (Rossotrudnichestvo), multilingual TV stations (e.g. RT), pseudo news agencies and multimedia services (e.g. Sputnik), cross-border social and religious groups, as the regime wants to present itself as the only defender of traditional Christian values, social media and internet trolls to challenge democratic values, divide Europe, gather domestic support and create the perception of failed states in the EU's eastern neighborhood. (European Parliament, 2016)

Also, there are various investigations that stresses Russia's relevant financial resources spent for disinformation and propaganda instruments engaged either directly or through Kremlin-controlled companies and organizations. We also underline that, on the one hand, the Kremlin is funding

political parties and other organizations within the EU with the intent of undermining political cohesion, and that, on the other hand, Kremlin propaganda directly targets specific journalists, politicians and individuals in the EU.

The Eastern Partnership media landscape and capacity of the EU Eastern neighbours to monitor and confront propaganda is very low. The enduring monopolization of the media market by state or powerful elites has deprived the society in the EaP countries of an effective variety of sources of information. At the same time, the region is involved in the disinformation war in which the Eastern Partnership is presented as an „anti-Russian project that leads to the loss of sovereignty of the partner countries”. (Štětina, 2017)

The cornerstone of deepening the relations between EU and EaP countries “should be based on respecting core European values and democratic principles” (Maksak, 2018). In the same time, the real fight against the forged messages has to become “a short- and long-term imperative”. (Cenuşa, 2017) For this to turn into reality, it should be depoliticized and transformed into an national goal in each of the countries from the Eastern Partnership.

3. The EU foreign policy makers forged public statements

Over the past years, the EU has been caught up in its own internal struggles facing fundamental challenges to its core principles and values. Russia stands only to benefit from such internal divisions. As usual, Moscow has three main instruments to exert significant political influence in the post-Soviet space (specifically in Eastern Partnership countries that are still dependent economically from Russian market) but also to expand it in the formerly communist Central Europe and further towards the West. Its main weapons to do so are:

- military intervention and conflict fuelling in ex-USSR states;
- “hybrid war” methods such as cyber-attacks, disinformation, trolls, covert financing of extremist parties and the like; and
- its energy leverages.

All three “instruments” are very dangerous for the Eastern Partnership area, but we consider the second as the most “efficient” for Russia since the political maturity in these states is quite low.

Despite significant achievements (in some countries), the rule of law, democratic values – specifically independent press is far from being according to EU best practices. The situation in these countries is critical – with clear signs of a “captured state” and eroding rule of law. Finally, the EU general message is that more efforts must be put for building effective institutions and in the same time tackling corruption.

These are a few messages that EU sent to the EaP countries but frequently these messages are forged by the local media, or by some political leaders. The actuality of the topic results from the necessity to investigate the impact that the forged messages have on the transformations in the society, particularly the support of the idea for the foreign policy vector.

Georgia: The final statement and recommendations of the EU-Georgia Parliamentary Association Committee (PAC, 2018) welcomed the increased accountability and transparency of the AA implementation process, the good functioning of the visa-free travel system and the integration of Georgia's energy market with that of the EU through regulatory convergence. The PAC mentioned about the significance of continuing public administration reform and referred on emergency of the implementation of public finance management reform. Also, the PAC sent an important message to Commission to further enhance its assistance in line with the political ambitions of the EU-Georgia partnership.

In the joint declaration of the EU-Georgia Civil Society Platform (CSP, 2018) is presented the overall progress achieved in implementing the EU-Georgia Association Agenda. In the same time, it underlined the progress registered in the strengthening of democracy process and the rule of law as well as the achievements in improving the business and investment climate and the SME sector in Georgia. There are still concerns on the repeated violation of human rights and discrimination in Abkhazia and South Ossetia.

The joint press release (Association Council, 2018) of the Association Council mentions the improvement in the EU-Georgia relations and in the implementation of the AA/DCFTA. It recommended increase women's

participation in politics and to effectively implement the Istanbul Convention on preventing and combating violence against women and domestic violence, as well as the anti-discrimination law. Last but not least, it commended Georgia, to respect the fundamental freedoms during its local elections, to adopt the constitutional reform and reform the justice sector. Finally, it also welcomed the Commission's proposal of a new macro-financial assistance programme to Georgia of up to €45 million.

Ukraine: Concerning the messages sent to Ukraine by the Association Council, in the joint communiqué (Association Council, 2018) EU declared its concern over the deterioration in the security situation in eastern Ukraine and full support for Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders. The Association Council welcomed the country's progress in pursuing a comprehensive reform agenda, while also underlining the need to step up reform efforts. (Bentzen, 2017) The Association Council highlighted the importance of media freedom and a pluralistic media environment. It furthermore called for the continuation of reforms in the energy sector and welcomed the deepening of EU-Ukraine bilateral trade relations.

The final statement and recommendations of the EU-Ukraine Parliamentary Association Committee (PAC, 2019) stressed that the AA did not constitute the final goal in EU-Ukraine relations and welcomed Ukraine's European aspirations. (Bentzen, 2016) The PAC underlined the lack of progress in the implementation of the Minsk agreements in the context of tense security situation in the east of Ukraine. The main risk is that the situation is continuing to gradually deteriorate. After four years after the illegal annexation of Crimea and the city of Sevastopol by the Russian Federation, no concrete proposal for an international format of negotiations on de-occupation of the had been discussed by the international donors.

The joint declaration of the EU-Ukraine Civil Society Platform (CSP, 2017) expressed a positive position vis-a-vis the new action plan on implementing the association agreement and a full complete fulfilment of the action plan on implementing the national human rights strategy and expressed its concern about the serious ongoing violations of human rights in Crimea (particularly concerning Crimean Tatars) and occupied territories in the east

of Ukraine. It is very important to have consistent implementation of reforms and an online monitoring system of the AA.

Republic of Moldova: The joint statement of the EU-Moldova Association Council (Association Council, 2018) stated that we need to translate the adopted legislation and policies into concrete actions (particularly structural reforms for growth, job creation and poverty reduction). The Association Council stated on the strict conditionality of EU assistance, subject to the presence of 'concrete and satisfactory progress in all areas of reform, including justice and anti-corruption', and also requested Moldova to further investigate the 2014 bank fraud.

The final statement and recommendations of the EU-Moldova Parliamentary Association Committee (PAC, 2019) underlined the importance of a well-functioning and impartial judiciary and of ensuring that the upcoming parliamentary elections comply with the international best practices. The Committee referred on the increasing volume of trade as a result of the implementation of the DCFTA, commended the role played by civil society in fostering participation in the political debate, welcomed the reforms of the central public administration and called for reforms in the energy sector.

The joint declaration of the EU-Moldova Civil Society Platform (CSP, 2016) remarked the adoption of the revised EU-Moldova Association Agenda but in the same time identified a 'rather poor' implementation rate of the AA/DCFTA Action Plan and the Priority Reform Action Roadmap. The CSP called on the EU 'to continue monitoring and to impose strict conditionality on the Moldovan authorities'. The CSP also took note of the signature, in November 2017, of a Memorandum of Understanding, a Loan Facility Agreement and a Grant Agreement on micro-financial assistance worth €100 million for the 2017-2018 periods.

The case study on the forged messages will be done on Republic of Moldova. One of the main messages that have been forged is the expectation from the EU-Moldova Association Agreement on the impact of DCFTA. The message sent by EU policy-makers was: *“Starting with 1 September 2014, the customs duties to most of the Moldovan exports to the EU were cancelled, which should boost exports to the EU”*.

In the current world market conditions, based on market relations the fact that the bilateral trade with the EU did not “explode” during the first weeks after signing AA is not surprising.

Table 1: Exports to the EU countries

	September- December 2014	2015	8 months 2016	11 months 2016
Exports				
% reported to the corresponding previous period	-0.4	-2.3	-1.3	+7.2
+/- million USD	-2	-28	-11	+81

Source: Elaborated by the author based on data of the National Bureau of Statistics (NBS), 2019

Another message of the EU policy-makers was that immediately, AA will boost trade relations of the Republic of Moldova, particularly imports. In Moldova, this message was forged and it sounded that Moldova will be invaded by the products from the EU, particularly agri-food products: “*At the same time, there is a tendency of increasing imports from the European countries of a range of agri-food products - which our country is able to produce in large quantities and at high quality*”. In the same time, Moldova will become re-export platform, since Moldova has free trade agreements with CIS countries.

Concerning the positive impact of the AA over Moldova’s economy, the message of the EU policy-makers was that AA will improve the export position of Moldova on the EU markets!

Disinformation is not always about lies but rather manipulation through one-sided presentation of facts. In Moldova this message was sent and received as the EU markets opening have been accompanied by a catastrophic deterioration of the conditions of Moldovan exports to the Russian market. After Republic of Moldova signed the AA with European Union, in July 2014, the Russian Federation started to introduce restrictions on delivery of Moldovan products. Any decision on the country’s trade policy relates directly and exclusively to its economic interests. Logically, some questions

appear... Why to consult Russian Federation and why the “economic and commercial interests” of the Russian Federation should be taken into consideration?

In the last period, the topic on the change of the electoral system marked the main news. The OSCE/ODIHR and the Venice Commission expressed their opinion on electoral reform and said that it has to meet the large consensus in the society. Also, they insisted that now is not the right moment. The politicians in Moldova presented this message as follows: “in all our history, there was no broad consensus on any subject. If we seek consensus in all decisions for state development, then we should not have done anything.”

Finally, the main messages of the EU Parliament’s Resolution on Moldova:

- Expresses its deep concern at the decision to invalidate the results of the elections
- Recalls that *credible, transparent, fair and inclusive elections* are the cornerstone of any democratic system
- Demands that the Commission *suspend budgetary support and the macro-financial assistance* for Moldova
- Calls on the Moldovan authorities to address the recommendations of the *OSCE/ODIHR and the Venice Commission on electoral reform*
- Reiterates its concerns over *the concentration of economic and political power* in the hands of a narrow group of people, the deterioration of the rule of law, of democratic standards, and of respect for human rights
- Regrets the fact that following the *2014 banking fraud*, during which a total of around USD 1 billion was stolen from the Moldovan financial system, the authorities made very little progress in conducting a thorough and impartial investigation into the matter
- Calls on the Moldovan authorities *to respect international principles and best practices* and guarantee an enabling environment for civil society.

In this context, the governing coalition in Moldova mentioned that they “do not consider Moldova as a captured state! OSCE/ODIHR and the Venice Commission came with simply recommendations for the reform of the

electoral system! All the reforms *will be easier* to accomplish if we'll be closer to EU.”

4. Struggle against the forged messages

First of all, the regional and international context is favourable for an effective fight against the Russian propaganda. The European institutions and leaders, recognized in public the toxic nature of the misinformation promoted by Russia. One of the most efficient weapons to be used against the propaganda that comes from East is the limitation of the Russian media products' access. The media pluralism will significantly strengthen a pro-European profile of the country.

Beginning with 2014, the Ukrainian authorities had banned over 70 TV channels of Russia. (The Law nr. 1317 from 2015). The black mass media list applied in Ukraine includes not only feature and news programs, but also recreational or scientific ones. The source of these interdictions was and remains Russia's interference that caused the disintegration (separatism in Donbas region) and even the occupation of Ukrainian territories (annexation of Crimea). The European officials have always underlined, the importance of taking proportional measures to ensure national security, taking into account the freedom of the media and media pluralism. (EU-Ukraine Association Council (2017))

The EU's attitude to the attempts to place particular impediments in the path of Russian media outlets was as visible in the case of Moldova. Among the series of recent measures that apply to Russia is the rapid amendment of the Broadcasting Code (Amendments to the Audio-visual Code, 2017), apparently based on the necessity of protecting the Moldovan information space from foreign propaganda. The new provisions do not refer directly to the Russian media and are aimed at media content (news, military, political, feature programs) produced in countries that didn't ratify the European Convention on Transfrontier Television. This group of countries includes Russia and other CIS states (four countries) and even EU countries (seven), as well as Georgia.

The amendment of the legislation on the mass media is a powerful blow for the pro-Russian forces that practically free, through Russian media coverage, formed the necessary opinions among the pro-Russian electorate.

This does not yet mean that the misinformation propagated by Russia will not enter the public sphere of these countries at all. This circulates efficiently through other sources than the traditional ones, namely through social networking sites where it can be detected and counteracted with difficulty. But it is essential for the EU to continue to actively promote through its external actions respect for fundamental rights and freedoms. Through supporting freedom of expression, freedom of assembly, the right to access information and the independence of the media in the neighbouring countries EU institutions are counteracting the propaganda, strengthen media plurality and the objectivity, impartiality and independence of the media.

For having a sustainable result, it is important to continue the with the development of capacity-building programmes for media actors, fostering information-exchange partnerships and networks, such as content-sharing platforms, media-related research, mobility and training opportunities for journalists and placements with EU-based media to facilitate exchanges of best practices.

5. Conclusion

Four years after the signing of the Association Agreement, in the wake of growing disinformation against EU values in recent years, the EU has worked to put in place a stronger and more strategic approach to communication. It has strengthened the EU's communication in partner countries through clear, tailor-made messaging and raising awareness of the positive impact of EU policies and actions to people across the region. We consider that under the new Eastern Partnership framework, there has to be a renewed focus on outreach to youth. Strategic communication is crucial for building resilience and is a core duty for policy-makers at the service of citizens. There is also needed to be taken into consideration providing training opportunities and capacity building to the partner countries, including on countering hybrid threats, where appropriate.

It is important to underline the role of empowering citizens to critically analyse media content in order to identify propaganda. In this sense, we consider that EU should pay more attention the importance of strengthening knowledge on all levels of the educational system in order to encourage people to active citizenship and for developing their awareness as media consumers;

Therefore, it is clear that the EU, as a whole, and the Member States, individually, can only fight propaganda by third parties by rebutting disinformation campaigns and making use of positive messaging and information and should develop a truly effective strategy which would be differentiated and adapted to the nature of the actors disseminating propaganda.

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The Theory of Consent Vices in Terms of the Rules of Consumer Law through European Legislation

Olesea PLOTNIC¹

Abstract

The balance of the consumer contract concerns more the notion of cause of the obligation, since the contractual balance supposes an analysis of the counterparties. Jurisprudence and doctrine have sometimes used this concept to remedy imbalances, in particular by carrying out a more global analysis of the content of the contract. Common law has its own rules for rebalancing the contract, and in particular the theory of vices of consent. The interest of this article is to show if the rules of common law can be used to balance the consumer contract and to what extent they are to fight against contractual unfair terms in consumer contracts.

Key-words: consumer, consent vices, rules, balance, contract, unfair terms

JEL Code: P 37(P 48), L 84

1. Introduction

The provisions of the Civil Code are intended to restore, where appropriate, the contractual balance of the value of benefits and the avoidance of manifestly excessive abuses. The consumer contract is a specific contract, the contractual balance being regulated by Law no.105 of 13.03.2003 on consumer protection, Law no.284-XV on electronic commerce, Law no.183 of 11.07.2012 on competition, Law no.202 of 12.07.2013 on credit contracts

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for consumers, Law no. 157 of 18.07.2014 on the conclusion and execution of distance contracts on consumer financial services. The contract, from the formation, represents an exchange of consent of the parties, according to the principles of freedom of negotiation and autonomy of will. However, even if it is difficult to conceive, the contractual imbalance exists *in concreto*, mainly because by its content the contract is binding, which can lead to situations in which one contracting party is obliged to excessive commitments to the other.

The contractual imbalance is on the border of law and fact. If the imbalance can be established *ex officio*, then situations may arise in the execution phase of the contract caused by factors dependent on or independent of human will.

The law uses various ways to define the contractual imbalance. In fact, the contractual imbalance allows to define other legal notions, such as injury or abusive clause. Moreover, the contractual imbalance delimits the scope of application of certain rules of law or certain clauses, specifying precisely in which cases the judge may intervene on the basis of the contract. (Giaume, 1989, p.78)

2. The notion and nature of the significant imbalance between the rights and obligations of the parties.

Contractual imbalance is defined by the opposition of the notion of equilibrium: it represents a lack of equilibrium. Finally, it is the same reality that appears behind the use of these two terms: in one case there is a contractual balance, in the other, there is not.

According to the doctrinal opinion (Terré, Simler, Lequette, 1996 p.261 and Popa, 2004, p.208) a significant imbalance is, in fact, the absence of equivalent benefits, as a result of the execution of the contractual obligations by the parties, regardless of whether this imbalance actually occurs or exists only virtually. As for the nature of the consumer contract imbalance, this is twofold. Even if the legal provisions stipulate an imbalance between the "rights and obligations of the parties", which will result in the qualification of this criterion as a legal one, the purpose of the abusive clauses to affect the

economic interests of the consumer must be taken into account and widen the sphere of imbalance, including economic character. (Terré et al 1996)

The concept of significant imbalance finds its origin in the European Directive on abusive clauses of April 5, 1993, exposed in the legislation of the Republic of Moldova through the content of art. 4 of Law no. 105-XV of 13.03.2003. Indeed, it has been decided at Community level that any clause which has not been individually negotiated and which, contrary to the requirement of good faith, causes a significant imbalance between the rights and obligations of the parties under the contract, to the detriment of good faith, must be classified as abusive. Article 4 of the Directive stating that “the unfairness of a contractual term shall be assessed in the light of the nature of the goods or services for which the contract was concluded and the terms of the contract or of another contract on which it depends”.

As the contractual balance is ensured by the manifestation of consent, the French doctrinaires, E. Gounot and J. Carbonnier, state with certainty that "le Code civil place le consentement au cœur même de la théorie du contrat¹". (Gounot, 1912,p.132 and Carbonnier, 1992, p.295) Defined as an manifestation, externalized, of the person's will to conclude a contract, the consent ensures the balance of the contract. When the consent is vitiated, the contract is not valid. In order for the consumer to give his informed consent, it is necessary for the consumer to be duly informed of the contract he intends to sign. In the contract concluded by negotiation, the classical analysis distinguishes the problems of the existence of consent from those of integrity. This distinction is particularly weak in accession contracts.

While in the contract concluded by negotiation, the analysis of consent generally affects the contract in a global way, in the case of the accession contract, as a source of abusive clauses, the analysis of the quality of accession would often be seen as a particular clause. This quality can be questioned for two reasons: either the accession was obtained through fraud or it was forced. (Berlioz,1973, p.99)

While in the contract concluded by negotiation, the analysis of consent, generally affects the contract in a global way, in the case of the accession

¹ The civil code places consent right at the heart of contract theory." The translation variant belongs to us.

contract, as a source of abusive, the decision to conclude a contract is preceded by an intellectual operation, during which the author of the act represents its economic and legal consequences, appreciates the advantages and disadvantages and only then makes the decision. It is certain that if the premises from which this intellectual operation starts are false - the result of an error, or if the decision is taken as a result of a constraint, the consent cannot be considered conscious or free and therefore must not be leads to legal effects. However, not any alteration of the psychological process of consent formation leads to the annulment of the respective act, but only such an alteration that presents a certain gravity and only in the cases and under the conditions provided by law.

3. Protection of defects of consent provided by common law

The theory of consent defects is the traditional way of protecting contractors offered by the Civil Code, whose uncertain efficiency has given rise to new forms of defense of contractors, especially consumers. Thus, the question arises as to the extent to which the theory of consent defects can serve to remedy contractual imbalances, considering that the sanction will always be the nullity of the contract, which may not always be the best solution for the victim of a contractual imbalance.

Consent must not be tainted. For the valid formation of any contract, the consent must be free and informed. These conditions are not met when consent is altered by vices such as: error, malice, violence or injury. The error is the false representation of reality at the conclusion of a civil contract. The error can be factual or legal. The factual error is the misrepresentation of a factual situation at the conclusion of the contract (regarding the object of the act, its qualities, the person of the co-contractor, etc.). The legal literature has expressed the view that the error of fact, in principle, does not constitute a defect in consent in international commercial contracts, being incompatible with the professionalism of the trader. (Constin and Deleanu, 1995, p.29-30)

We do not agree with this view, on the grounds that the increasing diversity and complexity of international trade operations leaves room for

error even on the part of professional traders, justifying the treatment of factual error as a defect in consent.

The error of law is a misrepresentation of the existence or content of legal norms (except for imperative norms or those concerning public order). The doctrine specified that, if in national civil law the error of law does not affect the validity of the consent, operating the presumption that everyone knows the law, the situation is different in international trade relations. Here it is admitted that the presumption of knowledge of the law does not operate with respect to the norms of law of a foreign state; for the trader in one country the regulations applicable in another country may not be as familiar as his national regulations.

In order for the error to constitute grounds for annulment of the contract, it must be considerable, in the sense that the element on which the representation is false is decisive for the conclusion of the act, so that, if the reality were known, the contract would not have been concluded.

The error which is attributable to the one whose consent is vitiated cannot serve as a basis for the cancellation of the contract. The error is attributable to him if he showed negligence, did not take the basic precautions, did not fulfill his obligation to inform himself. The proof of error is always incumbent on the one who invokes this vice of consent. Being a legal fact, the error can be proved by any means of proof.

Deceit consists in misleading a person by malicious or cunning means to cause him to enter into a contract. Deceit has two constituent elements:

- *the subjective element*, which consists in the intention to mislead a person in order to determine him to conclude a contract (if the misleading was caused unintentionally, there is no malice);

- *the objective element*, which consists in the use of various cunning means to achieve the intention to mislead: cunning maneuvers, lies, etc.

In order for the deceit to be the ground for the annulment of a contract, it is necessary for the error to be decisive in order to be realized, to be added while stretching a part of the parts that is so natural, to be obvious, without being able to be put into practice while the contract is being concluded. Several others can be used. For example, it is fraudulent to mislead the buyer

into creating small quantities that may have a false certificate of origin, which will take care to establish it in front of the sale-purchase contract.

It is necessary for the malicious means to be of a certain gravity in order to be able to produce the effects of a consent defect. Thus, the seller's exaggeration of the qualities of his goods usually does not constitute fraud.

In most cases, malicious means are expressed by positive facts. However, there are cases when the deceit is realized by abstaining from actions, omissions (deceit through reluctance). It is deceit through reluctance when one of the parties intentionally silences certain circumstances that are of essential interest, decisive for the other party and that the perpetrator, if he was loyal and in good faith, had to communicate. In principle, the fraud comes from the other side of the contract. However, malice committed by a third party can also serve as a ground for annulment of the contract if the other party knew or should have known about the third party's malicious maneuvers and did not warn the co-contractor or even instigate or complicit in the third party. As in the case of error, the burden of proof lies with the one who invokes it. Being a legal fact, the malice can be proved by any means of proof.

Violence is the coercion or threat of a person with an unjust evil that produces a fear that causes him to conclude a contract, which otherwise he would not have concluded. Violence - vice of consent involves two constitutive elements:

- *the objective element*, which consists in the threat of an evil;
- *the subjective element*, which consists in the fear, as a consequence of the threat, which affects the consent.

In order for the violence to serve as a basis for the cancellation of the contract, the following conditions must be met: the violence must be decisive for the conclusion of the contract; the danger to which the victim or her property is subject must be imminent.

Violence - a vice of consent is when the threat of evil is unjust, illegitimate. It is not violence to threaten the use of a legitimate means or the exercise of a right. For example, the creditor threatens to sue the debtor if he does not fulfill his contractual obligations. The proof of violence lies with the one who invokes this vice of consent. Being a legal fact, violence can be proven by any means of proof.

The injury is the material damage suffered by one of the parties to the contract due to the obvious disproportion of value existing at the time of concluding the act between the benefit to which he was obliged and the benefit he would receive in its place. The injury as a ground for annulment of the contract involves two constituent elements:

- *the objective element*, which consists in the obvious disproportion of value between the consideration, which makes the contract extremely unfavorable for one of the parties;
- *the subjective element*, which consists in taking advantage of the state of need created by a contest of difficult circumstances in which the other party is.

In order for the injury to serve as a basis for the cancellation of the contract, the following conditions must be met:

- the state of necessity in which the party invoking the nullity finds himself to be decisive for the conclusion of the contract, so that, if he were not in such circumstances, the given party would not have concluded this contract or would not have concluded it in such conditions;
- the contract to be concluded in conditions is not simply unfavorable, but extremely unfavorable for one of the parties;
- the disproportion between the consideration to exist at the time of concluding the contract and not at a later time; otherwise there would be the situation of unforeseen, but not of injury;
- to prove that the other party took advantage of the state of necessity in which the party invoking the injury was.

The proof of the injury belongs to the one who invokes it. Being a legal fact, the injury can be proved by any means of proof.

Therefore, a contract is void when one of the contractors has not expressed his will or given a flawed consent. This principle is sometimes applied in the case of contracts involving general conditions, namely accession contracts.

Consent is completely lacking when the conditions are so obscure or so complex that consumers have not understood the nature of the contract. For example: a short-term credit agreement was canceled because the signatory confused the contract with a long-term loan. The consumer's agreement may

also be affected by the defects of consent, but in judicial practice it has been established that the given mechanism for the protection of contractors, for a start, is rarely applied. Thus, the special rules on home sales do not prohibit the invocation of the defect of consent. (Versailles, 1994, p.97, and Versailles,1995, p.147)

4. Partial effectiveness of consent defects for the protection of consumers' economic interests

Although the error is a cause for invalidity if it relates to a substantial quality of work, it may happen that the error relating to the substantial quality is simply caused by an unclear or ambiguous wording of the contractual terms and conditions and both contractors not to want a total cancellation of the contract.

Deceit allows the contract to be canceled since the actions used by one of the parties have determined the consent of the other. Deceit allows the cancellation of the contract not only if one contractor has deceived the other regarding the qualities of the good, but also regarding the balance of services, regarding the reasons for contracting or other determining elements. For this reason, it is possible that the fraud resulted from the incorrect wording of the general conditions or the fact that they were not communicated to the consumer.

Violence exercised by one party to coerce the other party into a contractual commitment is also a cause for the nullity of the contract. Violence presupposes, according to the Civil Code, that the contract was concluded under the threat of considerable and present harm. In the case of consumer contracts, violence does not have to be always physical or brutal towards consumers. Consumers may be the victims of more subtle violence: an abuse of economic power, which manifests itself in the unbalanced wording of the general conditions.

Thus, according to judicial practice, there are rare cases when contractors invoke injury, error, malice or violence for an imbalance in the case of consumer contracts. In this context, we argue that the theory of

consensual defects in consumer law is not a remedy adapted to contractual imbalances, and this being motivated by several reasons:

1. the first obstacle is the difficulties of proof to be brought by the party invoking a vice. Both malice and error are difficult for the consumer to plead against the professional, especially if the latter were allowed to prove that he mentioned the total cost of the service in any other documents (which may not have been read by the debtor), other than the contract document or that this information was provided to the consumer during pre-contractual discussions with him;

2. the second obstacle is the need to sue: the cost and procrastination of the process are, in the case of current consumer disputes, disproportionate to the consumer's interest in gambling;

3. the third obstacle, the non-adaptation of sanctions to the needs of consumers, namely the nullity of the contract is not in the direct interest of the consumer, because what he wants first, is to get a product or benefit from a service that meets his expectations and needs. (Ghestin, 1993). It should be noted that, in the end, the consumer generally wants the cancellation of the abusive clause or clauses, but in no case the cancellation of the contract as a whole.

The relative nullity of the contract, which could be invoked by the victim of economic violence, would have the consequence of putting the parties back in the previous situation, which in the case of trade relations is very difficult to achieve in fact. Therefore, even the parties would prefer an action for damages, not one in the cancellation of the contract. (Nourissat,2000, p.369)

In reality, however, in most situations, what most affects the contractual balance is one or more clauses that are not essential, and without which the contract can be performed. The victim of economic violence may thus request the partial annulment of the convention, with the effect of removing the indisputable clauses. Therefore, we appreciate that partial nullity can be a useful tool, with effects similar to those provided by consumer protection legislation.

French doctrine discusses the possibility of removing contractual imbalances resulting from economic constraints through other legal

mechanisms. In a note (Chazal,2000, p .879-882) on a decision of the French Court of Cassation, which states " *la contrainte économique se rattache à la violence et non à la lésion* ", the author proposes a new meaning of the notion of injury.

Unlike the classic form, in which the contractual imbalance is sanctioned due the fact that one of the parties is a vulnerable person (minor), in the new form, called qualified injury, the imbalance is sanctioned due to the exploitation by one of the parties of the weakness economic benefits of the partner. For the disproportion to be unfair, the dominant party must abuse its economic power.

The best solution proposed, in our opinion, to remove contractual imbalances in commercial matters, is to allow the court to intervene in contracts and to sanction the abusive exercise of contractual rights. Whenever a party exercises a right conferred by contract beyond reasonable limits, the judge may intervene. The solution is preferred by opponents of the notion of economic violence, who consider that good contractual faith and contractual loyalty are the appropriate and sufficient tools to sanction the imbalances resulting from the state of economic domination. (Montels, 2002, p.421)

The failure, at least in part, of previous theories demonstrates that classical civil law prefers the security of contractual balance transactions. No person would try to contract if the contract could be permanently jeopardized by one of the parties. This idea is not wrong, but it risks, if further promoted, placing the weakest contractors (les plus "faibles") at a disadvantage vis-à-vis the "strongest" (les plus "puissants"). (Calais-Auloy and Temple,2010, p.145)

That is why, despite the general principle, which is too dangerous due to its imprecision, positive law has recently accumulated particular rules in the field of consumer protection, in order to effectively combat contractual imbalance.

In the law of the Republic of Moldova, as well as in the French one, there is no general principle that would directly ensure the contractual balance. Since the contract results from the manifestation of the wills of both parties, it arranges the law of the parties, respectively certain advantages or disadvantages that may result from the convention. Everyone must strive to be the best judge of their interests, hence the axiom "Qui dit contractuel, dit

juste." The concept of the Civil Code, perfectly adapted to the situations in which the contractors are of equal economic power, entails a significant injustice when a contractor is in a position of force. As the common law refers to the defects of consent only after the formation of the contract, the consumer right aims to prevent the defects, offering the consumer, due to the techniques of public order protection, ways to inform and reflect before or at the end of the contract. (Terre, Simpler and Lequette, 1991)

Therefore, the French legislature, compared to the Moldovan one, which only provides for the obligation to inform, has created specific measures to protect consent, such as the deadline for reflection and the right to change one's mind or mandatory information in contracts which, Overall, it should ensure and guarantee the integrity of consent. (Terre, Simpler and Lequette, 1991)

Moreover, the case-law admits that this public order for the protection of consumer consent (Ghestin,1980,p.661-662) does not preclude the principle of proving the defect of consent and a request for annulment of the contract on the ground that the common law is intended to apply as long as the nullity of the contract is not incompatible with the specific provisions of consumer legislation.

In fact, the concept of "informational formalism" of contractual provisions - as a combination of a substantive rule with a formal rule - was created precisely to avoid the shortcomings of the actions in classic annulment for breaches of contract consent.

On the other hand, the nullity of the contract due to the defect of consent seems much more difficult to reconcile with the rules imposed on the protection formality, being expressed by the requirement of the written (Malaurie et all 1997) form or the obligatory informative mentions of the contract. In case of non-compliance with this informative formalism, (Terre et all,1991) the Contravention Code, through the Law on Consumer Protection, provides this time for particular sanctions. Thus, in the matter of consumer credit and real estate credit, the absence of obligatory informative mentions in the credit contract exposes the creditor to the forfeiture of rights to interest interests.

Summarizing the norms of consumption, we conclude that these are exceptional norms compared to the norms of civil law, which offer a guaranteed economic protection to consumers, as a weak part of the contract. Compared to private law, the consumer law has the specificity to regulate not so much social relations, but legal relations established contractually between the parties, because it applies to concrete contracts, through which the fact of consumption is achieved. We remind you that, in total, the concepts of consumer law are detached from classical civil law, become autonomous (precisely because the traditional notions have proved insufficient and limited) and receive a *sui generis* legal regime, innovative and innovative. (Vasilescu,2006,97)

In the traditional view, error, injury, deceit, and violence must be proven. In the space of the consumer right, they are presumed, whenever the written form completed with the obligatory mentions was not respected. If we admitted the opposite - if we asked the consumer to prove the error or malice of which he fell victim, by omitting by the professional the rules of Law no. 105 of 13.03.2003 on consumer protection - we would be in the same space of classical civil law, and consumer laws would be unnecessary, because if the action for annulment were allowed only after the consumer had proved the error, injury, malice or violence, the more favorable provisions of consumer law would be limited to the detriment of the economic interests of The "profane", the consumer.

5. Conclusion

Indeed, according to the Civil Code, the defects of consent ensure in a certain way the contractual balance through the prism of the common law. However, in the case of consumer contracts, we argue that, in order to ensure contractual balance, error, malice, violence and injury have a limited scope.

Thus, it is found that, through the terror of consent defects, the Civil Code does not care about the consumer, as a "weak" contracting party of the contractual relationship. Since the contractors have given their consent, they are employed, regardless of the imbalance caused by the contract.

A minimum of logical reasoning requires us to admit that, if the legislator intervened with special rules for consumer protection, it did so not to overlap with the provisions already in the Civil Code, but to provide the consumer with easier means of action used. The consumer remains free and this time to take advantage of the classic action for annulment based on error, malice, injury or violence, as they were regulated in the Civil Code and detailed by doctrine. But, if he chooses to place the action on the ground of Law no. 105 of 13.03.2003 on consumer protection and other consumer rules that regulate in particular a contract, he will benefit from the facilitated regime of legal action of the professional, made available to the consumer.

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The sustainable development of Youth Entrepreneurship in the R. of Moldova, Ukraine and Latvia

Rafael CILOCI¹

Abstract

The Entrepreneurship is a determining factor for sustainable development for every national economy and Youth Entrepreneurship is especially important being most creative, risk taking and innovative. Youth, because of different education and specific features, are less conformist and more critical thinking oriented. They provide new ideas and solutions on the market, perspectives for better adjustment to challenges and opportunities. Purpose of research is to examine the perception of youth about what prevent starting a business in the R. of Moldova, Ukraine and Latvia, to provide comparative analysis and to define some solutions for sustainable development of entrepreneurship. A youth survey on perception of business environment in different countries was applied. The main findings of research were determined that the most important impediment for all examined countries are financial resources also was confirmed that in the case of youth from the Republic of Moldova and Ukraine the institutional-legislative, entrepreneurial and educational support factors are more important compared to young people in Latvia, and in Latvia personal factors are at least as important as institutional ones. The defined solutions in this paper can be used for sustainable development of Youth Entrepreneurship by governmental institutions, educational institutions, other pro-business NGO in different countries.

Keywords: Entrepreneurship, Youth Entrepreneurship, comparative analyzes, sustainable development

JEL code: L26, L53, O10, O19

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1. Introduction

The entrepreneurship is a determining factor for the sustainable economic development of any country. This is the active element, generator of new ideas and values. The entrepreneurship key competence refers to an individual ability to turn ideas into action. It includes creativity, innovation and risk taking, the ability to plan and manage projects in order to achieve objectives (European Commission/ EACEA/Eurydice, 2016).

Under the conditions of Industry 4.0 development, when the technological changes are of an unprecedented intensity, only by strengthening the entrepreneurial spirit it is possible to capitalize on the opportunities that arise.

So, entrepreneurship is not only related to economic activities and business creation, but more widely to all areas of life and society (Sufian M., Karim A., 2016). This is especially important for former communist countries that have historically been influenced by an educational system that has undermined entrepreneurship, critical thinking and non-conformism. Such changes are particularly complex because they require mutations of mind set, perceptions and approaches.

In this regard, it is interesting to examine the opportunities for the development of youth entrepreneurship. Young people, although they have less knowledge and experience, more easily accept new opportunities, assimilate new technologies and, if ensuring more favorable conditions, would contribute considerably to the development of the economy and determine sustainable perspectives.

Although the economies of countries such as Moldova, Ukraine and Latvia have a common past, the level of development approximately the same at the initial period of transition, yet the trajectories of socio-political development were different. Latvia became a member of NATO and the EU in 2004, Moldova and Ukraine joined the CIS in 1993 and association agreements were concluded with the EU in 2014. Latvia have had a widespread domestic support for Western integration, a national political consensus, but in the case of the Republic of Moldova and Ukraine there was

a continuous hesitation between East and West, a deep social and political division.

In this paper we aim to examine youth entrepreneurship and to identify the perception of main issues about youth entrepreneurship from their point of view, performing comparative analysis and some recommendation for sustainable development to be proposed.

The development of entrepreneurship will be examined through the prism of the comparative analysis, taking into account the different trajectory of development in order to observe the existing differences, but also the similarities.

2. Theoretical Background

Entrepreneurship is a fundamental, active element necessary for the development of the sustainable economy. This ensures the efficient and creative capitalization of resources. However, the notion of entrepreneurship has a multitude of definitions that include different approaches. In this sense, it is necessary to highlight the contribution of Schumpeter that makes the connection between entrepreneurship and innovation, unlike previous visions in which the entrepreneur is examined as a manager with clearly defined attributions and activities. So, for entrepreneur his characteristic task-theoretically as well as historically, consist exactly in breaking up old, and creating new tradition (Sledzik, 2013). This approach of "creative destruction" is very topical in the context of technological changes of the future, such as digitalization.

At present, entrepreneurship is examined through several dimensions. Thus, Shepherd et al systematized the impact factors on entrepreneurship in four categories: a) initiation, b) engagement, c) performance, of entrepreneurial endeavor embedded in d) environmental conditions, in which an entrepreneurial endeavor is the investment of resources into the pursuit of a potential opportunity (Shepherd D.A., Wennberg K., Suddaby R., Wiklund J., 2018). Thus entrepreneurship is a specific behavior characterized by search for economic opportunities (Хайек, Ф.,1989), capitalize on an opportunity, to make rapid changes, to adopt multilateral decisions, to use the capacities of others to direct human relations and to stimulate people to create new

values (Stevenson, H., Gumpert D.,1985) and entrepreneurial talent is a great skill, characterized by initiative, courage and the ability to make decisions, innovations and the desire to develop new products, use new technologies and new forms and methods or organizations and management and the ability to risk with caution (Макконелл, К., Брю, С. 1992).

Youth Entrepreneurship has some specific aspects determined by the more modest capacities of young people regarding accessing financial resources, modest experience, but demonstrates greater enthusiasm and the ability to quickly assimilate new technologies. Youth Entrepreneurship has been examined by scholars such as Williamson, Macdonald and Coffied (1987) with a substantial contribution to the research topic. It is characterized by their specific features like non conformism and critical thinking and, in this way, more oriented to creativity, risk taking and innovation. Current trends in the innovative knowledge economy and the new creative class of young entrepreneurs, as a development platform in global dimensions, update the importance of young entrepreneurial activity. (Гросул В., Дядюк М., Зубков С., 2018) Its development is determined by proper motivation, so entrepreneurial intention which is about consciously waiting to start a business would be a prerequisite for graduates to become an entrepreneur and start their own enterprise and business (Pihkala T., Vesalainen J., Viitala R., 2013). But not just motivation, also knowledge and skills are generally important for the development of entrepreneurship (Mulder M., 2007). We also note the need to include awareness of ethical values and promote good governance. (European Commission/ EACEA/Eurydice, 2016). Further it is proposed to examine challenges and opportunities for Youth Entrepreneurship in the R. of Moldova, Ukraine and Latvia.

3. Methodology

The research was conducted by examining the literature in the field of entrepreneurship and especially the entrepreneurship of youth. The analysis of the factors that have an impact on entrepreneurship was examined, as well as, in particular, the comparative analysis of these factors for some countries if considerable differences are attested.

The method of deduction was used from the general concepts of entrepreneurship to the specific ones that would characterize Youth Entrepreneurship, its specificity for different countries and how to ensure sustainable development.

An anonymous electronic survey was conducted in R. of Moldova, Ukraine and Latvia on the Web Ropol platform in the period from 04/19/2018 to 06/15/2018 financed by EU Commission according to HEIFYE Erasmus + project, and data processing was produced by SPSS.

The survey was completed to characterize the state of youth entrepreneurship in partner countries from the point of the view of the youth itself, to identify the main issues and develop recommendations for their sustainable development.

The questionnaire include introduction that explore- country of origin, gender, level of education, residence, occupation and interest in becoming an entrepreneur. This is followed by factors, which must be evaluated by the respondents on a scale from 1 to 4 (where 1 is „not significant factor and 4 is a „very significant factor”, also 0 cannot be evaluated, there is not information). First block of statements is „Motivation, Awareness”, second is „Knowledge, Education”, „third is „Finance”, fourth is „Support” and fifth „Factors that prevents Starting a Business” and finally „what are your recommendations for improving youth entrepreneurship in your country?” It was ensured 95 % confidence level and a confidence interval of 5, according to Sample Size Calculator (<https://www.surveysystem.com/sscalc.htm#one>). In this order were examined 391 surveys in the case of R. of Moldova, 1845 surveys in the case of Ukraine and 564 surveys for Latvia.

The profile of the respondents in the R. of Moldova: Women -32 % and men - 68 %, youth with general education- 6 %, with complete secondary education -18 % and with higher education 76 %. At the same time 62 % interviewed are living in big cities, in towns -17 % and only 21 % in rural areas. Regarding about their occupation the majority of respondents 82 % are students, of which 31 % are employees and 3,5 % are engaged in entrepreneurial activities.

The profile of the respondents in Ukraine: Women -56 % and men - 44 %, youth with general education are 41%, with complete secondary education

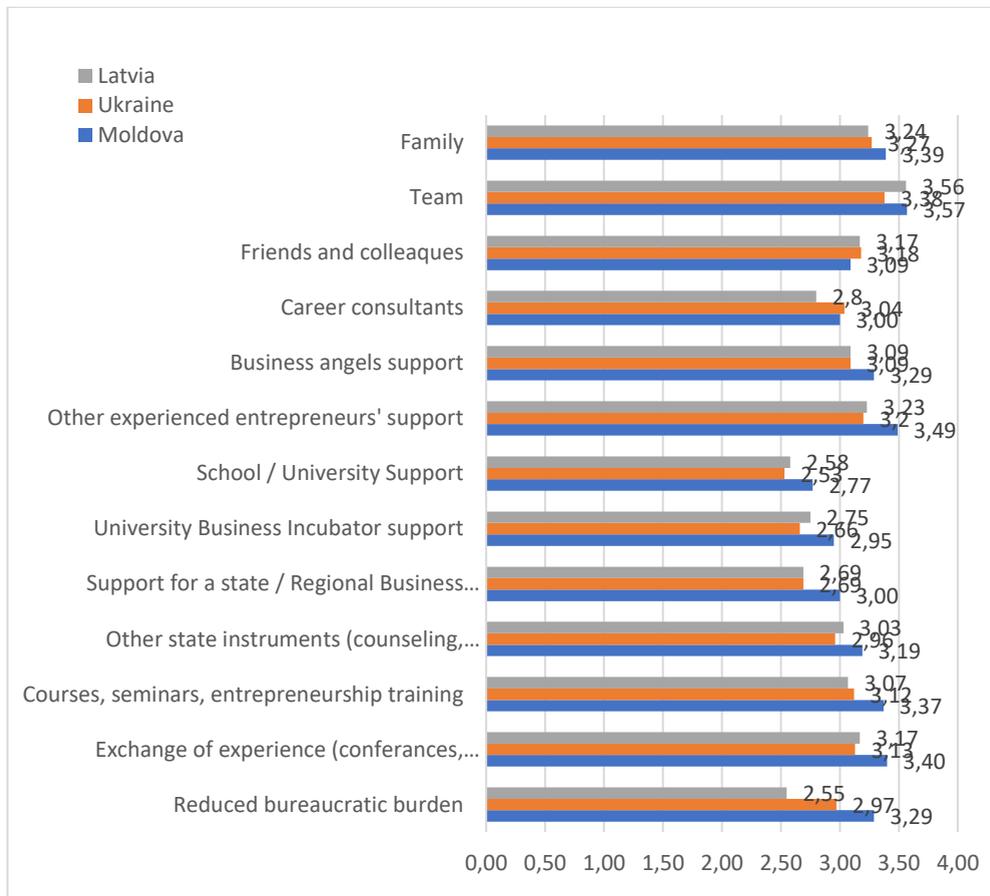
-30 % and with higher education 29 %. At the same time - 27 % of interviewed are living in big cities, in towns – 46 % and 27 % in rural areas. Regarding about their occupation the majority of respondents 43 % are school students, 38 % are students, among them 4 % are engaged in entrepreneurial activities.

The profile of the respondents in Latvia: Women -56 % and men - 44 %, youth with general education are 48%, with complete secondary education 36 % and with higher education 16 %. Also, interviewed live in big cities – 66 %, in towns –26 % and only 18 % in rural areas. Regarding about their occupation the majority of respondents 61 % are school students, 34 % students, among them 4 % are engaged in entrepreneurial activities.

4. Comparative analysis of Development Youth Entrepreneurship in the Republic of Moldova, Ukraine and Latvia

These countries have Common-Soviet past, which printed certain specific economic and cultural aspects. However, with the achievement of independence, their development paths had different directions - Moldova and Ukraine an evasive policy, without a clear strategic orientation to the east or west, and Latvia demonstrated a determined orientation to EU integration and NATO membership. Certainly not to be overlooked are some specific national cultural differences of these nations.

For a sustainable economic development, it is necessary to attract young people in the entrepreneurial activity, which would determine the more efficient use of innovations and the decrease of unemployment among them. Unfortunately, it should be noted that the share of youth for these nations (ages 15-35) is modest and for the Republic of Moldova is 27.7% (18), for Ukraine 25.6% and for Latvia only 23.3%, being determined on the one hand by the phenomenon of population aging and mass emigration on the other hand. Unfortunately, this demographic trend is characterized for the future, including the long term. Therefore, it is even more necessary to pay more attention to youth in order to stimulate their entrepreneurial activity. In this regard, a questionnaire was conducted to examine young people's perception of entrepreneurship development, including by examining the support and to prevent start-up entrepreneurship factors.

Figure 1. Support scale for development of Youth Entrepreneurship

Source: developed according the survey

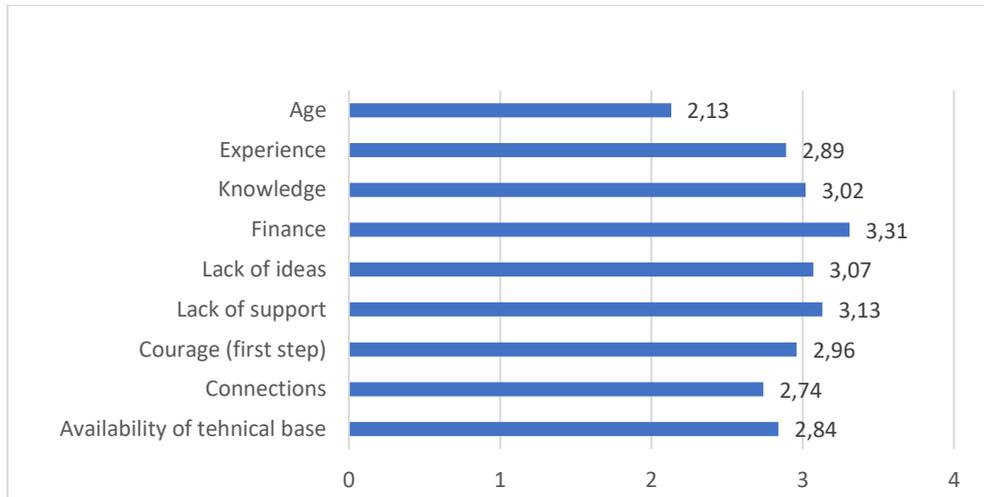
The supporting factors are those that contribute to the development of entrepreneurship from the point of view of youth and refer to the "inner circle" such as family, team, etc. or "external circle" - institutions, environment (reduced bureaucratic burden) etc.

If we refer to the Republic of Moldova, we can see that inner factors (team - 3,57 and family 3,39) are appreciated at the highest level. Regarding Ukraine, we find the appreciation for team-3.38, and family -3.27 are appreciated as well at the highest level, but in absolute values lower than in the case of R. of Moldova. In the case of Latvia, the appreciation is

respectively 3.56 for team and family 3.24. We find, therefore, that the young people from these examined countries appreciate these support factors at the highest level, and in the case of the respondents from the Republic of Moldova the family factor is relatively the most important in relation to other countries. Regarding friends and colleagues, it is attested for R Moldova 3.09, Ukraine 3.18 and Latvia 3.17, a relatively high level of importance for all countries. At the same time, the support and experience of other experienced entrepreneurs is at a very high level for Moldova 3.49, Ukraine 3.2, and Latvia 3.23.

A similar situation is attested regarding other factors that develop practical skills, thus for the Republic of Moldova there are 3.40 for exchange of experience (conference, forums etc.) and 3.37 courses, seminars, entrepreneurship training, respectively for Ukraine 3, 13 and 3.12, for Latvia 3.17 and 3.07. Thus, we notice that for the youth from the Republic of Moldova, for the practical experience, a lot of attention is paid. At the same time, a relatively lower appreciation is attested for school university support 2.77, university business Incubator 2.95, and Regional Business Incubator 3.00 for the Republic of Moldova, for Ukraine respectively 2.53, 2.66 and 2.69. In the case of Latvia school university support 2.58, university business Incubator 2.75, and Regional Business Incubator 2.69. A relatively modest level of university support is determined by the fact that university courses are probably more theoretical than practical, and incubators do not have sufficient spread and impact especially in regions.

If we refer to the reduced bureaucratic burden then the highest level is attested in the R. of Moldova 3.29, followed by Ukraine with 2.97 and Latvia with 2.55. From what is reported, we notice that the bureaucracy bothers the young people from the Republic of Moldova the most, relatively a lot in Ukraine and considerably less in Latvia. Thus, we note that Latvian institutions are business proactive in perception of youth compared to other countries examined.

Figure 2. What does prevent to start entrepreneurship in R. of Moldova?

Source: *developed according the survey*

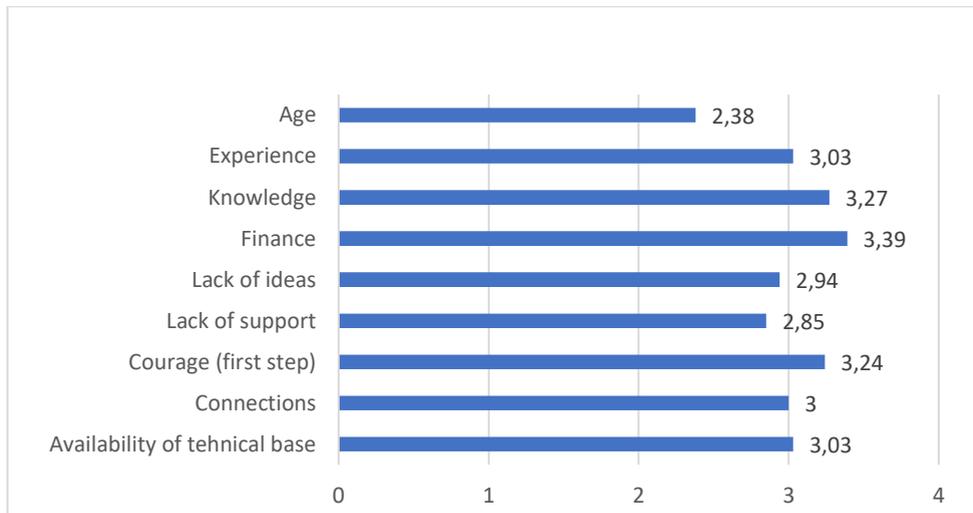
Regarding "what prevents from starting a business" for R. of Moldova these factors are estimated at 2.89 which indicates the average level of importance. The Moldavian Youth consider that main impediment is lack of funding – 3,31 and lack of support – 3,13, lack of idea 3,07 and knowledge is also a significant factor -3,02. At the average level is appreciated courage 2,96, experience 2,89, availability of technical base 2,84 and at the low level is age factor - only 2,13. Therefore, we find that external factors such as financial and support resources, including institutional, are considered an important impediment in the development of Youth Entrepreneurship.

In the case of Ukraine in the top impediments is the lack of finance 3.39, also at a very high level is appreciated the lack of knowledge 3.27 and courage 3.24. At a high level is appreciated the lack of experience and availability of technical base 3.03, luck of ideas 2.94, and connections 3.00, at a modest level is appreciated the importance of age 2.38.

Therefore, we note that access to financial resources is the most important impediment, even relatively higher than in the case of youth entrepreneurs in R. of Moldova, as well as individual factors such as lack of knowledge and courage (an explanation would be that the share of young

respondents in Moldova with higher education is much higher 76% compared to 29% in Ukraine) The age factor does not constitute an impediment for development of a business.

Figure 3. What does prevent to start entrepreneurship in Ukraine?



Source: developed according the survey

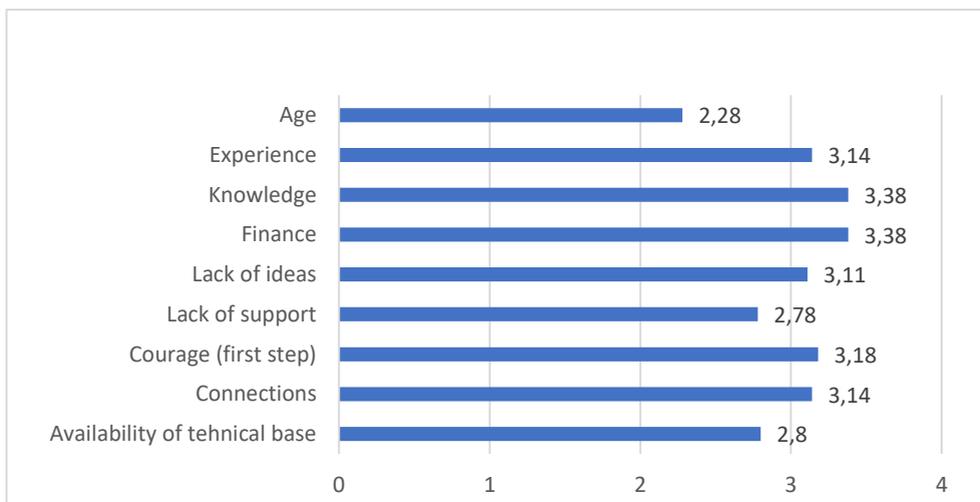
If we examine the factors "what prevents from starting a business", in the case of youth in Latvia at a very high level are knowledge and finances 3.38 and other factors are appreciated so: courage 3.18, experience and contacts, networks 3.14 and luck of ideas 3.11. Therefore, external factors (access to finance) and personal knowledge are equally important. Moreover, such factors as - courage, contacts, experience or luck of ideas are considered more important than the institutional, like luck of support 2.78. The age factor is irrelevantly by importance as in the case of other states examined.

From the above we can conclude that at least the individual factors are as important as the institutional ones, so the entrepreneurial environment is quite developed in the perception of youth in Latvia.

Regarding the question „Your recommendations for improving youth entrepreneurship”, Moldavian youth point out the need to develop special program for improving knowledge necessary for entrepreneurship, and the

need to change the content of education by developing practical abilities. It is underlined the importance of state support and the need to develop special programs (Governmental, educational institutions, NGO etc.) to stimulate entrepreneurial activity and access to financial resources for business development. Other personal factors, like: self-confidence, mentality, responsibility for decisions was less mentioned.

Figure 4. What does prevent to start entrepreneurship in Latvia?



Source: developed according the survey

The youth in Ukraine often attest lack of finance, lack of education and lack of experience as major problems that do not allow the development of entrepreneurship. So, it is recommended (20 % of respondents) the need to provide and strengthen the state support, that include: legal framework, legislative protection of young entrepreneurs, stable economy etc. A significant part of suggestions relates to reducing the tax and bureaucratic burden. Proposals of youth Ukrainians also are as follows: improving quality and creativity of educational programs, development of business education at all levels, using efficient practical methods like: seminars, consultations, trainings, practical business cases. Also was established necessity of on-line courses, in order to have better distribution of knowledge and expertise. It

was proposed to share experience by creation of network, public meetings with successful entrepreneurs.

For young people in Latvia, the most recommended factors for business development are the motivational factors - faith in their strength, ability to take the risk and take the first step. Another factor of major importance is knowledge and education, so it is considered necessary that entrepreneurship education to be conducted at schools. Considerably less often it is called exchange of experience, the desire to learn from good example, to adopt best practices. Aspects regarding EU support information and financing are announced even less.

5. Conclusions and Recommendations

From what is reported, we notice that in all the examined countries, the access to financial resources is one of the most important impediments for the development of Youth Entrepreneurship. This can be explained by the fact that financial institutions are more skeptical in granting loans to young people due to lack of experience and insufficient pledge. It is confirmed that in the case of youth from the Republic of Moldova and Ukraine the institutional-legislative, entrepreneurial and educational support factors are more important compared to young people in Latvia, and in Latvia personal factors are at least as important as institutional ones. This shows that in Latvia entrepreneurship is better promoted at the state and institutional level, compared to other states examined, better conditions are created for the development of entrepreneurship. At the same time, in the Republic of Moldova and Ukraine the institutions do not create sufficiently favorable conditions for the development of entrepreneurship and the educational system is not well adjusted to the actual requirements. The bureaucracy is an impediment that inhibits the entrepreneurial spirit.

However, a set of measures can be highlighted that can be equally useful for all countries, namely regarding the financial aspect, so we propose low-interest loans to youth, financial assistance, expansion of the specific investment instruments, that is even more important under conditions of pandemic COVID 19. Concerning the Republic of Moldova and Ukraine it is recommended to align to European standards which contribute to institutional

strengthening and, as a result of creating a favorable environment, promote a sustainable development of entrepreneurship and especially for youth.

Recommendations for further research. The survey has its own limits, thus respondents from examined countries have substantially different background and it could be different perception even within each country, especially according their education or where they are living. At the same time, it is not examined youth who works abroad, that more probably have an initial capital and it would be needed to determine their impediments to opening a business. Another limitation of the research is the relatively low number of the interviewees who run their own business, so it is difficult to appreciate what problems are characteristic for them and it would be recommended for future research. It will be interesting to examine dynamics of this indicators during the time and how them was influenced by different factors.

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The evolution of the entrepreneurial ecosystem in the context of the entrepreneurship support infrastructure in Belarus

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Abstract

The article examines the evolution of the development of the entrepreneurial ecosystem of the Republic of Belarus in the context of the entrepreneurship support infrastructure. The article provides a literary review of the definition of «entrepreneurship support infrastructure» and determines the relationship with the development of the entrepreneurial ecosystem. The author's definition of «entrepreneurship support infrastructure» is proposed. The evolution of development of entrepreneurship support centers and business incubators in Belarus is analyzed, various legislative acts of the Government of the Republic of Belarus and the President of the Republic of Belarus in this area are considered. The presented study of the Republic of Belarus is based on author's long-term analysis of the entrepreneurship support infrastructure in the country, as well as the experience of assessing the effectiveness of individual organizations. It is noted that the entrepreneurship support infrastructure has several stages of development, which reflect global trends in its development.

Keywords: Entrepreneurial ecosystem, small and medium entrepreneurship, entrepreneurship support infrastructure

JEL Code: 010, 038

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1. Introduction

Small and medium entrepreneurship (SME) play a significant role in the economic development of Belarus. According to the National Statistical Committee of the Republic of Belarus, SMEs today have a significant share in the country's macro indicators. Thus, SMEs account for 30% of gross value added, 47.8% of exports, and 39% of investment in fixed assets. In the context of institutional transformations, the development of entrepreneurial ecosystems (EEs) is one of the most important areas for improving efficiency and enhancing entrepreneurship. Some of the main elements of the entrepreneurial ecosystem are SME support organizations - business incubators (BI), entrepreneurship support centers (ESC), etc.

Despite a number of positive results achieved in this area in Belarus, the problem of structural discrepancy between the demand for the services of the main organizations of the specified infrastructure and the supply, as well as issues related to the formation and functioning of these organizations themselves, remains relevant. The centralized policy of the state regarding their creation, based on a standard package of measures, has exhausted itself. Its improvement requires revision, selection and adjustment of currently implemented measures based on a comprehensive analysis of the domestic entrepreneurship support infrastructure (ESI). This will improve the development and targeting of public policy measures in the field of SME development, and enhance their impact on the ESI.

In this regard, the most urgent is the need for research and a deeper study of new approaches to the process of developing the ESI at the macro level in the context of the formation of the EEs in Belarus, capable of linking theoretical knowledge with the practical experience of main subjects. Effective and efficient government policy is impossible without understanding the evolution of ESI development.

The aim of the work is to reveal the evolutionary processes of the EE in Belarus in the context of the ESI. The author's hypothesis is that the ESI is an important part of many domains of the EE.

The structure of the article is as follows: first, an introduction to the topic under discussion with an overview of the relevance of the study is represented. The second part contains links to recent literature on the

development of EEs and ESI. The third part analyzes the development of the ESI in a historical retrospective in Belarus. In conclusion, results are drawn and new directions for research into the development of business incubators and entrepreneurship support centers are proposed.

2. Literature review

One of the important directions of SME development is the formation and development of EEs. The founder of the theory of business ecosystems is D. Moore, who suggested that there are parallels with business and natural ecosystems, since they are partly deliberately formed and partly the result of accidental occurrence (Moore, 1993). Subsequently, at the present stage, the use of phrases such as «entrepreneurial ecosystem» or «ecosystem of entrepreneurship» is becoming more common in public policy in the field of SMEs and the business community. Our research is based on D. Isenberg's theory of EEs, and also the roles of SME support organizations in EEs. Typically, several domains of the EEs are distinguished, including such an element as organizations supporting entrepreneurship (Isenberg, 2010).

BI and ESC play a special role. When considering the elements of the EEs, several domains can be distinguished in which the development of high-quality and efficient BI and ESC is important. Among the six distinct areas of the ecosystem identified by D. Isenberg: politics, finance, culture, support, human capital, and markets (Isenberg, 2010). Undoubtedly, BI and ESC belong to the area of support. At the same time, the following pillars of the EEs are also distinguished: human capital, finance and services; the participants involved (talents, investors, mentors/advisors, fellow entrepreneurs); formal («government and regulatory framework») and informal institutions («cultural support») that foster entrepreneurship; access to customers in the domestic and foreign markets (World Economic Forum, 2013). The role of the ESI in the formation of an entrepreneurial culture cannot be ignored. Based on this, the ESI can be related to both formal institutions and indirectly related to informal institutions.

Certain definitions of the infrastructure for supporting entrepreneurship show general ideas about this direction of SME development. The term

«business support infrastructure» includes a network of institutions and organizations providing services to potential entrepreneurs, entrepreneurs or small- and medium-sized enterprises for the development of their business capacity (human, organizational, marketing, etc.) or providing physical facilities for business operations (D. Mijačić, 2011). In accordance with the Federal Law of the Russian Federation dated July 24, 2007 No. 209-FZ «On the Development of Small and medium entrepreneurship», the Small and Medium Entrepreneurship Infrastructure is a system of commercial and non-commercial organizations that are created and carry out their activities to ensure the implementation of state programs that ensure conditions for the creation of small and medium entrepreneurship, and for providing them with support.

The ESI is the totality of state, non-state, public, educational, commercial organizations, directly providing normal living conditions for small and medium-sized businesses as a whole (Kuznetsova, 2007). The ESI is a combination of state, private and public institutions (organizations, institutions and associations) that serve the interests of SMEs and ensure their economic activities and contribute to their efficiency (Plotnikova, 2011).

In our opinion, the ESI is a combination of state, public and private organizations that stimulate the formation and functioning of SME. However, in this article we will follow the legislation of the Republic of Belarus in this area. The author's vision is more general in nature and reflects all the elements of the ESI and their role in the development of SMEs at various stages of its development. However, in this article, the author will follow the legislation of the Republic of Belarus in this area, since the author considers the evolution of the development of the EE in the context of the ESI in accordance with the legislative acts of the Republic of Belarus, which regulate the activities of all elements of the ESE, which, according to the legislation, only Support Centers Entrepreneurship, Business Incubators, Science and Technology Parks and Technology Transfer Centers.

BI can be considered as part of the ESI. It is worth noting that scientists have not yet come to a unified definition of the ideal typical incubator (Albort-Morant and Ribeiro-Soriano, 2016), which undoubtedly makes it difficult to identify the role of BI in the entrepreneurial ecosystem.

Khalil and Olafsen (2010) defined BI as the «process aimed at supporting the development and scaling of growth-oriented, early-staged enterprises». The Association of British Business Incubators defined incubation as «a unique and flexible combination of business development, infrastructure and people, designed to start and grow new and small businesses by supporting them in the early stages of development and change» (UKBI, 2013). BI are usually physical spaces that are available on a relatively flexible basis and provide additional incubation services (Aerts K., Matthyssens, P., & Vandenbempt, K. 2007).

Shouvik Sanyal (2018) points to the role of BI in the EE, as many small businesses fail in the early stages as owners cannot negotiate and find solutions to these varied problems. In this context, BIs are a very necessary solution to enable SMEs to sustain and grow in the long term. The role of BIs in the entrepreneurial process is quite large (L. Peters, 2004), and thus it can be concluded that BI play a significant role not only in the EE, but also in the business ecosystem of the company.

At the same time, some researchers are of the opinion that the support received by entrepreneurs from incubators is not essential for young firms (Pena, 2004). In this article, we can find the opinion that the organizations and institutions of today's EEs (Spigel, 2015) are very heterogeneous. In this regard, the development of BI and ESC in historical retrospect will help to understand the path of development of the EE in Belarus.

3. Data and Methodology

This study uses both qualitative and quantitative research methods to improve readers' understanding of issues related to the development of BIs and ESCs in historical perspective. In particular, it analyzes legislative acts in the field of ESI, and the study is based on personal experience in assessing the development of these organizations.

Qualitative analysis is used to identify and assess the impact of the ESI on the development of the EE and SMEs in Belarus. Accordingly, this is the theoretical basis on which further research is built. The analysis of the ESI development is based on statistics from the Department of Entrepreneurship of the Ministry of Economy of the Republic of Belarus. The Department of

Entrepreneurship has its own methodology for assessing the activities of ESI, since it is the Department that assigns the status «Small Business Incubator» and «Business Support Center» to various companies. This status allows receiving government support for companies. The internet portal of the Ministry of Economy of the Republic of Belarus served the informational resource for the study.

4. Results

One of the main directions of state programs to support SMEs in the Republic of Belarus is the formation of an ESI. The study of the processes of origin, formation and subsequent development of the domestic ESI on the example of its individual subjects allows us to single out a number of stages, as well as the characteristic features of each of them. Since the criteria for referring to small and medium entrepreneurship were determined only in 2010, until that time, only small entrepreneurship (SE) was mentioned in the article.

The first stage (1992-1995) is characterized by the emergence of ESI elements. In 1992 the Resolution of the Council of Ministers of the Republic of Belarus on the establishment of the Belarusian Fund for Financial Support to Entrepreneurs (BFFSE) was adopted (Resolution of the Council of Ministers of the Republic of Belarus, 1992), and the Resolution of the Council of Ministers of 1993 regulated the creation and operation of ESCs in the country (Resolution of the Council of Ministers Republic of Belarus, 1993). Table 1 shows the characteristics of these ESI elements.

Second stage (1996-2000). To develop a state strategy and tactics in the field of supporting entrepreneurship, developing investment activities in the non-state sector of the economy and implementing competition policy, the Ministry of Entrepreneurship and Investment of the Republic of Belarus (MEI) was created in 1996. One of the main directions of state support for small entrepreneurship, according to the Decree of the President of the Republic of Belarus «On State Support of Small Entrepreneurship» (Decree of the President of the Republic of Belarus, 1996) is the formation of the ESI.

Table 1. Entrepreneurship Support Infrastructure elements in the Republic of Belarus in the period 1992-1995

Name	Description
Fund for financial support of entrepreneurs	a legal entity that owns separate property on the basis of operational management rights, has an independent balance sheet, settlement, currency and other bank accounts, a seal depicting the state emblem of the Republic of Belarus and with its name, emblem, trademark and other details
Entrepreneurship Support Center	a legal entity, a business entity providing, on a contractual basis, economic and organizational support to small businesses

Source: elaborated by the author mostly on the base of legislative acts of the Republic of Belarus and other sources referred to in the text.

The Law «On State Support of Small entrepreneurship in the Republic of Belarus» (Law of the Republic of Belarus, 1996) defines the main instruments for pursuing a policy of state support for small entrepreneurship, which, in particular, are: the Belarusian Fund for Financial Support to Entrepreneurs (BFFSE), Entrepreneurship Support Centers (ESC), Incubators of Small Entrepreneurship, mutual credit societies (MCS) (table 2).

For the development of the ESI, the following resolutions of the Council of Ministers of the Republic of Belarus were adopted: «On business support centers in the Republic of Belarus» (Resolutions of the Council of Ministers of the Republic of Belarus, August 25, 1997), «On incubators of small businesses in the Republic of Belarus» (Resolution of the Council of Ministers of the Republic of Belarus, 4 June 1997), «On Approval of the Regulation on the Science and Technology Park» (Resolutions of the Council of Ministers of the Republic of Belarus, July 31, 1997), «On the Council for the Development of Entrepreneurship under the Ministry of Entrepreneurship and Investments of the Republic of Belarus». In 1997, the State Committee for Science and Technology of the Republic of Belarus (SCST) and the MEI approved The Procedure for classifying legal entities as BI, The Procedure for acquiring the status of a ESC by legal entities, and The Procedure for classifying business entities as science and technology parks.

Table 2. Entrepreneurship Support Infrastructure elements in the Republic of Belarus in the period 1996 – 2009

Name	Description
Fund for financial support of entrepreneurs	a non-profit organization created to finance programs, projects and activities aimed at supporting and developing small entrepreneurship by using funds in the form of budget allocations, credit resources, voluntary contributions and donations from legal entities and individuals, income from the issue and placement of securities
Entrepreneurship Support Center	an organization created on the basis of any form of ownership in order to provide economic and organizational support for small entrepreneurship
Incubator of Small Entrepreneurship	an organization that is created on the basis of any form of ownership and provides, on certain conditions and for a certain time, premises specially equipped for offices and production for small businesses starting their activities, in order to assist them in the gradual establishment and development of their business and their acquisition of financial independence
Mutual Lending Societies	These companies are legal entities and they are created to accumulate temporarily free funds of participants in order to provide them with temporary financial assistance.

Source: elaborated by the author mostly on the base of legislative acts of the Republic of Belarus and other sources referred to in the text.

At the second stage MEI took an active part in the implementation of the joint project of UNDP and the Government of the Republic of Belarus «Formation of Infrastructure for Support and Development of Small Entrepreneurship in the Republic of Belarus», part of which was the project «Assistance to the Creation of the Institute of Credit Unions in the Republic of Belarus». In June 2000, the Belarusian Union of Business Incubators, Entrepreneurship Support Centers, Innovation Centers and Techno parks (BSBI) was established, whose mission was to promote the creation and development of ESI entities (including combining the efforts of national and international organizations) in Belarus. Unfortunately, the activity of this Union did not receive its development and was completed in a few years.

The second stage is characterized by the streamlining and development of the process of forming a network of central heating centers and the beginning of the formation of a network of ESC, BI, tech parks.

Third stage (2001-2009). In November 2001, the MEI was liquidated and the Department for Entrepreneurship was organized within the structure of the Ministry of Economy of the Republic of Belarus. At this stage, a set of measures to stimulate the development of entrepreneurship and the additional creation of infrastructure facilities for supporting and developing small entrepreneurship has been adopted, approved by the Resolution of the Council of Ministers of the Republic of Belarus No. 1685 of December 24, 2003 «On measures to stimulate the development of entrepreneurship».

Also, the procedure for providing financial assistance to the ESC and BI at the expense of the republican budget, the procedure for the creation and operation of guarantee funds on the territory of the republic through the formation of non-profit organizations for the development and support of SEs has been legislatively formalized.

It should be noted that at this stage, the innovative infrastructure of entrepreneurship support received a new impetus for development, which was facilitated by the adoption of the Decree of the President of the Republic of Belarus «On the approval of the Regulation on the procedure for creating elements of innovation infrastructure» (Decree of the President of the Republic of Belarus, 2007). This Decree established the attribution of organizations to the elements of innovation infrastructure and the main areas of their activities (Table 3).

This stage is characterized by the beginning of the formation of a network of institutions for financial support of entrepreneurship, a rather ramified network of ESC, BI, TTC, tech-parks. The main characteristic feature of the third stage, in our opinion, are: imperfect legislative base, which determines the functioning of the ESC, the BI and tech-parks; the absence of a legislative framework regulating the functioning of the TTC, a targeted State Program for the Formation and Development of ESI elements, as well as the Program of State Support for Small Entrepreneurship in the Republic of Belarus for 2003.

Table 3. Elements of the innovation infrastructure of the Republic of Belarus

Name	Description
Science and Technology Park	an organization with an average number of employees of up to 100 people, the purpose of which is to promote the development of entrepreneurship in the scientific, scientific and technical, innovative fields and create conditions for legal entities and individual entrepreneurs who are residents of the tech-park to carry out innovative activities from the search (development) of an innovation to its implementation
Technology Transfer Center (TTC)	an organization with an average headcount of up to 100 people, the purpose of which is to ensure the transfer of innovations from the sphere of their development to the sphere of practical use. A technology transfer center can also be a scientific organization that has a separate subdivision with at least 7 employees, the purpose of which is to ensure the transfer of innovations from the sphere of their development to the sphere of practical use. In this case, a scientific organization that has acquired the status of a technology transfer center enjoys the privileges and advantages provided to it in terms of the activities of the corresponding separate subdivision
Venture Organization	a commercial organization created to carry out investment activities in the field of creating and implementing innovations, as well as financing venture projects

Source: elaborated by the author mostly on the base of legislative acts of the Republic of Belarus and other sources referred to in the text.

In addition, it becomes quite obvious that the role of the state in regulating the activities of individual ESI elements is increasing, which is expressed in the cumbersomeness and frequency of reporting by the ESC and BI to the Ministry of Economy of the Republic of Belarus, which will (and led) to the outflow of business entities from among them.

The fourth stage (2010 - present time). The Law «On Support of Small and Medium Entrepreneurship» was adopted, which defines the elements of the ESI and other organizations that support SME (Law of the Republic of Belarus, 2010). The Law stipulates that the elements of the ESI are ESC and BI. Other organizations providing support to SMEs, in accordance with this

Law and other acts of legislation, include the BFFSE, institutions for financial support of entrepreneurs (Table 4). Thus, it can be stated that there have been no changes in the composition of the infrastructure for supporting small and medium-sized businesses in comparison with the 1996 Law.

Table 4. Entrepreneurship Support Infrastructure elements in the Republic of Belarus in the period (2010 r. – present time)

Name	Description
Fund for financial support of entrepreneurs	is a legal entity, owns separate property on the basis of operational management rights, has an independent balance sheet, settlement, currency and other bank accounts, a seal depicting the State Emblem of the Republic of Belarus and with its name, an emblem, a trademark and other details
Entrepreneurship Support Center	a legal entity carrying out activities to provide economic and organizational support for small and medium-sized businesses
Incubator of Small Entrepreneurship	a legal entity that has, on the right of ownership, economic management, operational management or on another legal basis specially equipped for offices and production of goods (performance of work, provision of services) premises and the property located in them and provides them in accordance with the legislation for use by those who are starting their activities small business entities in order to help them develop and acquire financial independence.
Financial support institution for entrepreneurs	a non-profit organization created by the decision of the regional (Minsk city) executive committee or other legal entity in order to facilitate the implementation of state policy in the field of supporting small businesses by attracting and effectively using financial resources for the implementation of relevant target programs, projects and activities.
Mutual Lending Societies	a non-profit organization created by SMEs in the form of a consumer cooperative to accumulate temporarily free funds of members of this society in order to provide them with temporary financial assistance.

Source: elaborated by the author mostly on the base of legislative acts of the Republic of Belarus and other sources referred to in the text.

As of January 1, 2020, according to the Ministry of Economy of the Republic of Belarus, 109 ESC operated in the republic and 26 BI (in the Brest region - 13 ESC, 3 BI; Vitebsk - 8 ESC, 2 BI; Gomel - 11 ESC, 2 BI; Grodno - 22 ESC, 2 BI; Minsk region- 17 ESC, 7 BI; Mogilev - 13 ESC, 5 BI; city Minsk - 26 ESC, 5 BI). In general, in the republic 60 elements of the ESI (47 ESC and 13 BI) or about 44.5% of the total number of elements of the ESI are concentrated in cities of regional significance; 44 elements of the ESI (38 ESC and 6 BI), or 32.6% of the total, operate in small and medium-sized urban settlements and rural areas. Of the elements of the ESI operating in the republic, 79.3% of their total number are private organizations, 20.7% - state (16.3% - communal, 4.4% - republican). 32 organizations (or 23.7% of the total number of elements of the ESI) have been operating as ESC or BI for over 10 years, 38 organizations (28.1%) from 5 to 10 years, 15 organizations from 3 to 5 years (11.1%), from 1 to 3 years - 33 organizations (24.4%), less than 1 year - 17 organizations (12.6%).

Elements of the ESI arose either spontaneously (at the initiative of organizers or groups of entrepreneurs), or in accordance with international programs. At the same time, the real needs of regional entrepreneurs were not taken into account, which is confirmed by the correlation analysis of the relationship between the number of small and medium-sized enterprises in the regions and the rating of the region by the level of development of the ESI, carried out using the system (criteria) assessment of the ESI. The resulting Spearman correlation coefficient is 0.4, which indicates a low relationship. This correlation analysis is an independent research of the author for several decades to observe the relationship between the number of SMEs in the regions and the regional ranking by the level of development of the ESI based on a survey of leaders and specialists of district executive committees.

The average scores of the quality of development of the ESI in the regions of Belarus used in calculating the Spearman coefficient were determined on the basis of expert interviews of leading specialists in the Republic of Belarus in the area under consideration, among which: heads of ESI subjects - 35.8%; government representatives - 21.4; employees of scientific organizations - 7.1; members of unions of entrepreneurs - 28.6; employees of the Council for the Development of Entrepreneurship under the

President of the Republic of Belarus - 7.1%. The qualitative approach to the assessment of the ESI is interesting in that the subjects of the ESI are considered as organizations whose activities are characterized by the following specific features: assistance to the development of SMEs at the initial stage; the need to provide preferential and free services, constant adaptability to changes, etc.

5. Conclusions

As can be seen from the analysis of the historical development of the ESI, it is developing at a fairly rapid pace. Today, one of the main tasks of the state is to contribute to the effective development of ESI. For this, it is necessary to develop a Special ESI development Program, taking into account new trends in it. Thus, accelerators, co working spaces and other new elements of ESI are expected to be actively introduced in Belarus. The government is developing a Concept for Improving the System of State Support for Small and Medium Entrepreneurship, which provides for the improvement of non-financial support measures based on the modernization of the support infrastructure. Voluntary certification is assumed for the provision of services by infrastructure entities at a cost below market value or free of charge. The following types of services are distinguished - information, consulting, educational, organizational, rental services. Certain requirements will be set for obtaining certificates. In the presence of valid certificates, the ESI element will receive a special status, examples of which are the status of an incubator, accelerator, startup hub, organizer of a cluster project. It seems that all the planned changes will help to intensify the development of the ESI at the present stage. The ways of further research can be directed to the analysis of new organizations supporting SMEs, as well as identifying new relationships between the development of SMEs and the activities of these organizations.

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Streamlining Management in the Agri-Food Sector through Blockchain Technology

Nelli AMARFII-RAILEAN*

Abstract

Industry 4.0, innovations and digital technologies in agricultural development are considered the main criteria meant to increase the efficiency of production activity in this branch and to propel economic development to a higher level. The researches in the area of Agriculture 4.0 alongside Industry 4.0 increasingly address digital technologies such as cloud, platform, robotics, artificial intelligence, Internet of things and blockchain to the sustainable development strategies and growth policies of many countries around the world. Sustainable development in agriculture through digitization involves the development of new management models based on information technologies to improve efficiency on farms, soil conservation and biodiversity by minimizing the negative impact on the environment, ensuring a stable level of production and profit. The present research aims to investigate the notion of blockchain technology and capitalize on this technology to streamline the management in the agricultural sector. The paper is a study of international experience and good practices of digital technologies tenders in the agri-food sector.

Keywords: Industry 4.0, blockchain technology, digital agriculture, agri-food sector, management efficiency.

JEL Code: O13

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1. Introduction

In recent decades, humanity has witnessed unprecedented growth and development. According to international forecasts, the world's population will reach 9.2 billion by 2050. Food and Agriculture Organization of the United Nations (FAO) states that farmers need to produce 70% more to meet the growing demand for agricultural products of the population. However, progress in the world economy causes environmental pollution and the depletion of natural resources. The current pattern of growth and mismanagement of natural assets could ultimately undermine human development.

Current working conditions, global crises and pandemics are forcing producers to use new agricultural models instead of traditional ones to maintain sustainability in agriculture. Globalization, which affects including the agricultural sector, imposes a new strategic vision on the digitalization of agriculture.

The agricultural sector has been following technological developments and has benefited from these advances for many years. Developments in satellite, GPS (Global Positioning System), GIS (Geographic Information System) and other mobile communication technologies have led to the emergence of precision agriculture. Especially in recent years, the development of information and communication technologies such as cloud computing, Internet of things, artificial intelligence, robotics and big data analysis allows the launch of the fourth industrial revolution in agriculture.

Digital technologies are the future of the agri-food industry, and attempts to ignore them are hampering the agriculture development.

The Internet of Things, robotics, artificial intelligence and large volumes of data are applied by farmers around the world and contribute significantly to streamlining production processes.

Technological innovation in agriculture is an essential part of the solution. Agricultural technologies, in particular, have the potential to increase the productivity and sustainability of agriculture. Research in the field considers digital technology - the only realistic way to meet current challenges.

Sustainable development of the agricultural sector is identified as one of the primary strategic development priorities of the Republic of Moldova and is crucial for ensuring economic growth. The agricultural sector, as a share of gross domestic product, ranks second after the services sector and ranks first in terms of contributing to economic growth. However, the productivity of the sector remains at a deficient level is determined by the lack of available investments and loans, the application of low-yield technologies.

For a long time, the agricultural sector was not of interest to the “new generation” of farmers and investors. Climate risks characterized the agriculture, lack of automation and innovation, and the implementation of information technologies in agriculture was limited to using computers to manage finances and monitor business transactions. Today, modern technologies have evolved and are intensely introduced into the practice of the agricultural sector, offering high-performance and efficient solutions. Historically, the economy has climbed several stages of development, and today it reaches the fourth stage, which we can call digital, for the simple reason that it operates with information processing and technologies. Namely, IT technologies become usable in the traditional spheres, which, as a result, acquire new qualities and advantages.

The development of internet technologies, communication channels and digital platforms has forced the emergence of public information systems and global industrial networks beyond the particular boundaries of enterprises. By interacting, these systems and networks have a transformational impact on all areas of the contemporary economy, leading to a new era of industrial automation, the fourth industrial revolution.

Being a political, economic and social provocation for the whole world, Industry 4.0 absorbs digital innovations in products, processes and business models. Many developed countries in Europe, America and Asia have included the concept of Industry 4.0 in their strategic growth programs for the coming decades, seeing the digital economy as the basis for future prosperity.

Business leaders and global manufacturers accept digital challenges and opportunities as a conceptual leapfrog of new realities generated by technical and scientific progress.

At the same time, the criteria for evaluating the performance of transformations in Industry 4.0 are still little studied, and the structured and systemic implementation of these technologies in national economies for many countries is not fully finalized.

Cloud computing, automatic results control, work agreement optimization will generate; consequently, the management efficiency growth in all the activity areas. The concept of digital agriculture now means water-saving agriculture, smart agriculture, high-quality, and high-efficiency and non-polluting agriculture. In the view of many authors, digital agriculture is the most effective and necessary approach to achieve all these transformations by using computing and communication technologies to increase profitability and sustainability in agriculture.

The digitalization of agriculture is a new direction to increase the efficiency of the agri-food sector and sustainable development of the entire economy.

2. Literature review

Contemporary researchers highlight several directions for implementing modern technologies and approaches in agriculture.

Investigated theme in the present paper was addressed in policies and strategies for sustainable development and implementation of digital technologies in the economy and society of European and international bodies. There are visions on Industry 4.0 and Agriculture 4.0 in the works of internationally renowned economists (Shwab, 2016; Christiansen, Yüksel, 2017; Deichmann, Goyal, Mishra, 2016).

Several authors (O'Grady, O'Hare, 2017; Adnan, Nordin, 2018; Young, 2018; Trendov, Varas and Zeng, 2019) studied the digitalization of agriculture as a necessary condition for the economic growth and population welfare in developing countries.

The proposed solutions for streamlining management in digital agriculture belong to the application of blockchain technology in Agri-Food supply chain management by Caro, Ali, Vecchio and Giaffreda (2018). Tian (2017) recommends using blockchain to ensure food safety in the supply

chain traceability system. Boehm, Kim and Hong (2017) studied IT security applications and products traceability in the agri-food sector.

Other research refers to the benefit created by blockchain technology in the production of particular crops: wheat (Lucena, Binotto, Momo, and Kim, 2018), soybeans (Hoffman and Munsterman, 2018), sugar cane (Chavez-Dreyfuss, 2018) and table grapes (Ge, Brewster, Spek, and Smeenk, 2017).

Good practices in blockchain technology experiences in agri-food sector examined in research can serve as a valuable example for these practices implementation on a large scale, to ensure the competitiveness of domestic agricultural products.

3. Data and methodology

To support scientifically the presented ideas and recommendations, the author made a literature review of the publications on the issues of innovation and quality improvement of the agri-food sector in the digital era. The modern concepts of Industry 4.0, digital agriculture, blockchain technology were used to argue the value of IT technologies in agriculture sustainable development. The research examines the World Bank, and United Nations Food and Agriculture reports on agriculture development, and the pilot projects and reports on blockchain implementation in agri-food supply chains management.

The author uses monographic methods, comparative and systemic analysis, case study, as well as a logical approach to the trends of world economies in the light of the development prospective of the Republic Moldova economy.

The authors analyze the path of agri-food chain to consent the blockchain technologies to increase the management efficiency. The dynamics of agricultural sector development are addressed as an integral part of the country's economy. According to factors that have a situational impact in the current period of activity: trends in agricultural management development, introduction of innovations that positively affect socio-economic indicators development and the environment, increasing

employment and income, financing mechanisms for the agricultural sector and the financial results obtained.

4. Blockchain technology concept

Nowadays, internet communication is a necessity and, although this development has opened up new opportunities, the problem of trust between people has become considerably more pronounced, which has now reached its critical level in business. The underlying currency of trade is trust in the business partner, and each transaction includes the availability of data that characterizes the partner from a legal and financial point of view.

Thus, to be able to trust the business partner, we must check the history of the transactions made by him or the existing financial data about him.

In response to the problem of mistrust, in 1991 Stuart Haber and W. Scott Stornetta developed the concept of the cryptographically secure blockchain, known today as Blockchain Technology (Beyer, 2018). Following the financial crisis of 2008, this concept was developed as a solution for securing financial transactions made through various institutions, organizations and economic entities.

Blockchain technology is a database that maintains a dynamic list of records. This algorithm allows encryption of transactions with public keys, accessing them with private keys and general distribution of the entire resulting log. A decentralized journal, which cannot be altered and which does not depend on a central entity.

In the financial field, blockchain technology works as a universal accounting system, which can increase the efficiency of the accounting process of economic transactions and operations. System ensures confidence in the provenance, certainty, and fullness of the rights and obligations of the parties to the sales.

Blockchain is a fundamental change in the way financial records are created, maintained and updated. With a single owner, blockchain records can be assigned to all users. Moreover, the value of this system is to spread unique data about transactions made to all interested users, regardless of their origin.

Blockchain technology is a back-office solution for transporting possession of materials and recording data online - in other words.

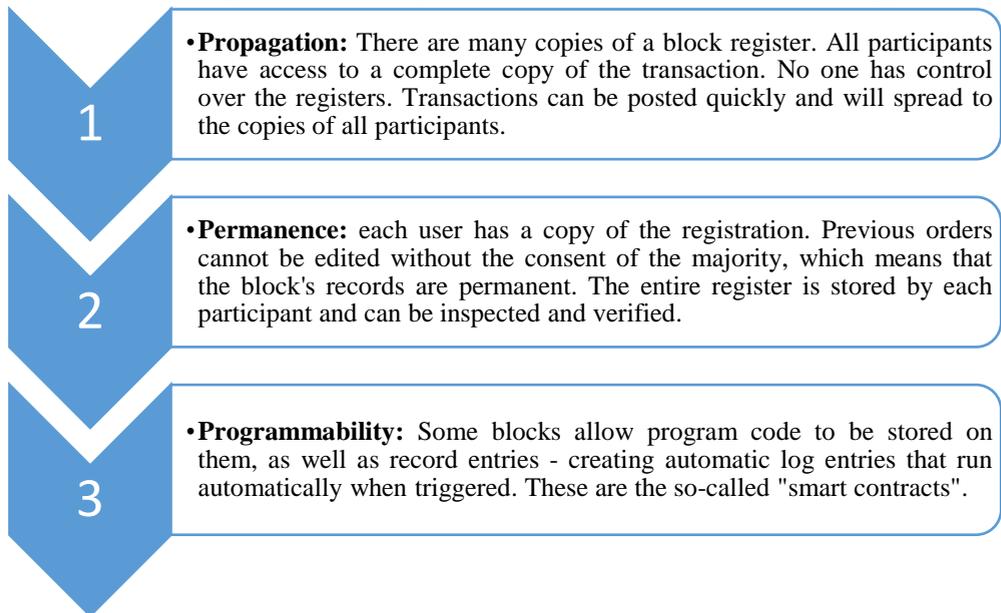
Over the last three years, blockchain technology has seen an explosion of interest in potential applications in the financial, industrial and social sectors from businesses and research institutions. This technology is still in an early stage of development, with considerable potential for all areas of activity.

In the Netherlands, industrial interest in blockchain technology was first documented in late 2014. Several Dutch banks began their first modest experiments with bitcoin payments. As this technology has progressed beyond bitcoin, it has become clear that blockchain can be applied not only in financial transactions, but also to secure many other types of information transactions. Subsequently, blockchain technology was tested for a broader range of Dutch financial services (insurance, pensions), logistics, energy, healthcare, telecommunications, industrial manufacturing and more (Ge et al, 2017).

The significant aspects of blockchain technology are summarized in “three Ps” - three key terms that explain how the blockchain operates and what makes it different from existing software. The key features of blockchain technology are presented in Figure 1.

Blockchain is not a single technology, but rather a protocol - a way of thinking, perceiving and conducting business - for recording transactions, based on an advantageous cost, synchronization, security and the certainty of having a consensus with business partners. Unlike the Internet, where data is shared, ownership of the data can be transferred from one side to the other without the possibility of modifying previously recorded data. For example, in a multi-traded market, any participant in the register can track previous transactions, achieving increased transparency and permanent control of registered operations.

Conceptually, blockchain is a move from the trust in financial documents certified by the auditor, to the situation in which the faith derives from the system that performs the registration. Smart contracts allow for a programmable registry that could fundamentally change the way all agreements work.

Figure 1. The key features of blockchain technology

Source: Adopted by author after ICAEW, 2018

The blockchain as a control technology has a vast potential. Private blocs between groups that often trade with each other could replace central authorities, such as banks, supervisory bodies and experts. Eliminating uncertainty benefits the economy by streamlining it, facilitating greater confidence in decisions.

Besides, where appropriate, a tax authority, a regulatory authority or a similar supervisory body may be granted exclusive access to access such a block and may observe and monitor transactions in real-time. This type of agreement could lead to a reduction in costs and an increase in the efficiency of regulatory and compliance activities. The blockchain reduces the chances of financial crime, making recordings more reliable.

The five main benefits that blockchain technology offers are:

1. Protection of rights
2. Creating a distributed economy
3. Elimination of taxes
4. Data protection and control
5. Compensation for producers

The outcomes of implementing blockchain technology in management will determine the automation of regular functions, significantly reduce internal and external fraud and strengthen the reliability and usefulness of financial information. Effects on decision-makers also include automating and improving the security of transactions.

6. Blockchain technology experience in Agri-food sector

The latest research and projects applied in the field of Industry 4.0 show that agriculture is a thriving area for blockchain. In the Netherlands, farmers and agri-food suppliers use this technology to find a solution for many management problems what characterize agriculture transactions. The Italian scandal over fake “organic cereals” in 2011, the “horsemeat burgers” crisis have undermined consumer confidence across the European Union and highlighted the failure of EU member states to regulate subjects related to proper food chain checks. Moreover, the ongoing problem of food certification authenticity are some relevant examples. Blockchain technology facilitates data exchange and reduces opportunities for fraud or adultery. In the UK, the social enterprise *Provenance* became a leader for certification of agricultural products through the blockchain application. Other areas for blockchain are tracking, improving trust in data sharing and securing. In this way, the management of the agri-food chains is more transparent and efficient.

Another good practice is “*Blockchain for Agrifood*” project launched in South Africa (Lan, Brewster, Spek, Smeenk, Top, 2017, p.112). The table grape safe consumption in South Africa was suitable for the project, as it involves information issues addressed by the blockchain. The table grapes travel long from a vineyard in the South African before they reach the plates of European consumers. Many consumers and retailers would like to know about table grapes if they can consume them. Are the grapes produced sustainably? In what kind of soil did they grow? What type of fertilizer was applied? What were the working conditions on the farm? Can we be sure of their safety and durability if we have a quality and authentic certificate? The answer to these questions is the Blockchain technology.

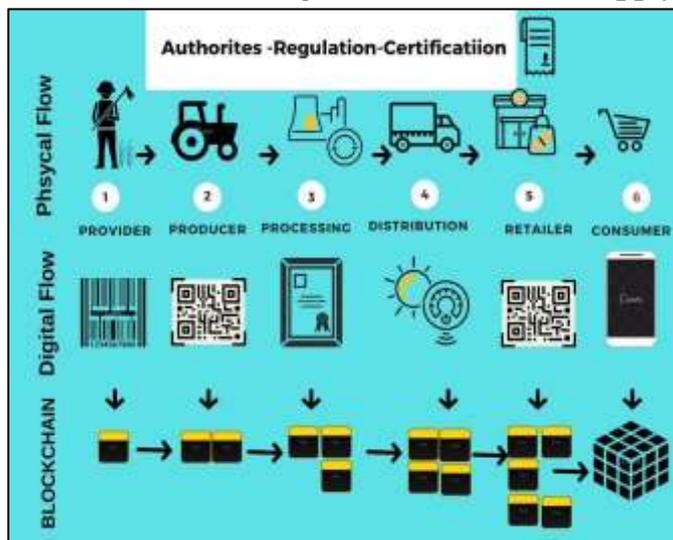
A compelling example is the experience of *Agri Digital* platform, founded in 2016. Since then, more than 1,300 users and more than 1.6 million tons of grain have been traded using the blockchain technology.

Louis Dreyfus Co, the world's largest food retailers, collaborated with Dutch banks for the first blockchain-based agricultural trade. The blockchain technology reduced five times the documents processing (Kamilaris, Fonts, Prenafeta-Boldó, 2019, p.5).

Figure 2 presents an example of digitizing the food supply chain, based on blockchain technology.

The upper layer illustrates the physical flow, the stages and the participants of the agri-food chain. This chain system is ineffective and insecure; the exchange of goods is based on complex, non-transparent and complicated paper processes. In addition, the intermediaries' involvement raises the transaction costs (two-thirds of the final cost of agricultural products is the price of supply chains operating). The consumer is not conscious about the origin of obtained products or the ecological footprint of their production process.

Figure 2. Blockchain in Agriculture and Food Supply Chain



Source: Adopted by author after Kamilaris et al.,2019

The digital flow level consists of several IT technologies (QR codes, digital signatures, sensors, *Near Field Communication* (NCF), *Radio-Frequency Identification* (RFID), computers and mobile phones) and the internet as an infrastructure.

All the digital technologies from the digital flow are recorded on the blockchain (the bottom layer). This level stores all the information a date accepted and validated by the parties involved in the supply chain. Once the blocks are validated, they are added to the whole transaction chain, becoming a permanent record of the entire process (Kamilaris et al., 2019).

At each stage of food trajectory (defined by numbers 1-6 in Figure 2), are different technologies involved, and various information is written on the blockchain, as described in table 1.

Between the most well-known projects and products based on blockchain technology, we can mention the projects promoted by:

1. *Oliva Coin* (Blockchain technology to support the small and medium enterprises in finance);
2. *Walmart, Kroger, IBM* (Blockchain for pork and mango traceability assurance);
3. *Nestle* (Blockchain for pumpkin traceability in supply chain for kids' food);
4. *AgriLedger, FarmShare, Carrefour, OriginTrail, AgriBlockIoT* (Blockchain for financial traceability, food safety, supporting farmers, reducing waste, surveillance and management).

According to Kamilaris et al. (2019) the initiatives in blockchain technology for agriculture can be divided in four main categories:

1. Food security (Blockchain is regarded as an opportunity for the transparent delivery of international aid without intermediaries for veritable and accessible assets records and to respond efficiently to humanitarian emergencies).
2. Food safety (the processing conditions, hygienic storage and food manage are very important for illnesses prevention- blockchain helps to locate the history of the product, which is important for spoilable products).
3. Food integrity (secure exchange of the food in the supply chain, each participant should deliver total aspects about the origin of the goods).

Table 1. Phases of the agri-food supply chain and Blockchain technology

SUPPLY CHAIN PHASE	PHYSIC FLOW	DIGITAL FLOW (BLOCKCHAIN)
PRODUCER (FARMER)	<i>Production phase:</i> all implemented agricultural activities; raw and organic matter (fertilizers, seeds, animal breeds and feed). Throughout the year, depending on the crops and / or the animal production cycle, we may have one or more crops / yields.	Information about crops, pesticides and fertilizers used, machinery involved, etc. Transactions with the producer / farmer are recorded information about the farm and the agricultural practices used. Additional information on the process of growing crops, weather conditions or technologies for raising and feeding animals and their welfare.
PROCESSING	<i>The phase of total or partial transformation of a primary product into one or more by-products.</i> Subsequently, a packaging phase is expected, where each package could be uniquely identified by a production batch code containing information, such as the day of production and the list of raw materials used.	Information about the processing undertaking and its equipment, processing methods used, batch numbers, etc. Financial transactions that take place with producers and distributors.
DISTRIBUTION	<i>Distribution phase: packaged and labeled product.</i> Depending on the product, the delivery time can be set in a certain range. There may be a product storage stage at this stage.	Details about transport, routes followed, storage conditions (eg temperature, humidity), and transit time at each transport unit, etc. All transactions between distributors and final recipients are written on the blockchain.
RETAILER	Sales phase: at the end of distribution, the products are delivered to retailers who sell the product (retailers). The end user of the chain will be the customer, who will purchase the product.	Detailed information on each food product, current quality and quantity, expiry dates, storage conditions and shelf life are listed on the chain.
CONSUMER	<i>Consumption phase:</i> the consumer is the end user of the chain, buys the product and requests follow-up information on quality standards, country of origin, production methods, etc.	In the last step, the consumer can use a mobile phone connected to the Internet / Web or a web application to scan a QR code associated with a food product and see in detail all the information associated with the product, from the manufacturer and supplier to the unit.

Source: elaborated by author

4. Small farmers support (the creation of farmers 'cooperatives is an efficient way to increase the competitiveness of small farmers' households and their greater share of the crop market produced by them e.g. *OlivaCoin* for olive oil market).

Blockchain technology can be leveraged as a method for assessing the efficiency of surveillance and management of the food supply chain. It can be applied to improve the monitoring of international agreements relevant to agriculture, for example, World Trade Organization agreements. Blockchain-based contracts can also alleviate the exploitation of labor in agriculture, protecting workers with temporary contracts and labor relationships in the agricultural sector. When labor agreements become part of the blockchain, it is easier for authorities to control the correctness of payments and their taxation. Monitoring the quality of products (e.g. crops, meat, and dairy) along the food chain, storage conditions, contamination can be warranted by this technology.

Blockchain is a developing digital technology that will have a considerable impact on digital ecosystems by ensuring transparency and trust in food.

6. Conclusions

The research examined the meaning of blockchain technology on agriculture development and traceability of the agri-food supply chain. The well-proven experience of the analyzed in this research pilot-projects and achievements in the blockchain technology field emphasize its importance for agriculture digitalization and sustainable development.

International practice shows that the blockchain technology is already applied in many countries, to build a reliable and transparent ecosystem, and to ensure the sustainable development of production and distribution processes, blending all stakeholders (farmers, distributors, retailers, and consumers).

However, there are still some problems and challenges that need to be addressed beyond the technical ones. To benefit from new technologies,

governments need to promote the digitalization of public administration and spend more on education, research, innovation, and IT trainings for business.

The agri-food sector is currently facing major challenges all over the world. The digital ecosystem requires not only the usage of information and communication technologies (ICT) in all areas of activity, the electronic documents management and mutual settlements, the digital interaction of all subsystems and production processes, but also:

- Development of digital information and communication structures;
- Elaboration of new forms of electronic interaction;
- Information resources;
- Knowledgebase;
- Expanding the number of platforms for business, government and social integration;
- Digital environment;
- Staff able to work in cyberspace.

The national strategies and development policies should encourage the extension of blockchain ecosystems in agri-food chains, designing a transparent regulatory frame for the blockchain and innovative IT products.

Besides the advantages concerning the rights protection, taxes elimination, data protection and control, the blockchain technology offers a new vision on traditional management function even in agriculture that is a fruitful area for IT innovative technologies.

The blockchain technology is undoubtedly a promising one for the entire economy, with various initiatives for food security and agricultural chain supply management, but also with many obstacles and challenges, which limit its broader popularity between supply systems and farms. These challenges require technical issues, education programs, governmental policies and an appropriate regulatory framework.

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Applying IFRS for accounting of cryptocurrencies

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Abstract

This article addresses issues related to recognition, evaluation and reflection in accounting cryptocurrency in accordance with IFRS. Should be noted, that there is currently no specific IFRS standard that would disclose these issues. The article also discusses the debatable issues of recognition in the accounting of crypto-currencies. However, this article discusses the possibility of recognizing cryptocurrency as an asset and the way of application of IFRS for evaluation and recording of the cryptocurrencies. In this situation, it becomes necessary at the regulatory level to consolidate the rules for accounting for cryptocurrencies. This can be done in various ways, for example: to introduce additions to a number of International financial reporting standards, or to elaborate a separate IFRS that would disclose the features of accounting for cryptocurrencies.

Key-words: Asset, cryptocurrency, IFRS, recognition, evaluation.

JEL: M41

1. Introduction

It should be noted, that cryptocurrency is a kind of digital currency, the formation and control of which is based on cryptographic methods. Recently, cryptocurrencies have found wide implementation in the modern economy. This term was established after the publication an article about the

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Bitcoin system "Cryptocurrency" (Cryptographic currency), in issued 2011 in the magazine Forbes.

The economic essence and legal status of cryptocurrencies are being discussed. In different countries, cryptocurrencies are reckoned as a means of payment, a specific product, may have restrictions in circulation (for example, a ban on transactions with them for banking institutions). A distinctive feature of cryptocurrencies is the absence of any internal or external administrator.

Thereby, public or private bodies (banks, state body, etc.) can not affect the transactions of any participants of the payment system. Cryptocurrency transfer is irreversible-no one can cancel, block, dispute or force (without private key) to make a transaction. However, the participants of the transaction can voluntarily temporarily mutually block their cryptocurrencies as collateral or establish that the completion/cancellation of the transaction requires the consent of all (or optional additional) parties.

The term "cryptocurrency" has been used after the appearance of such system for making payments as "Bitcoin", which was released in 2009. After Bitcoin began to appear new cryptocurrencies, which are called Altcoin (alternative coin), such as: IOTA, Litecoin, Stellar, etc.

In connection with the widespread use of cryptocurrencies, questions arose regarding the reflection in the accounting of such transactions applying the provisions of IFRS. It should be noted that there are already some developments in the field of accounting for cryptocurrency, for example:

- Accounting Standards Board of Japan in March 2018 issued Accounting for Virtual Currencies, (Accounting Standards Board of Japan, 2018)
- Chartered professional accountants Canada issued "An Introduction to Accounting for Cryptocurrencies in 2018". (Chartered professional accountants Canada, 2020)

It is necessary to note, that IFRS do not provide for a specific standard that would relate to the reflection in the accounting of crypto-currencies. In this regard, first of all, the question arises how to reflect in the accounting of cryptocurrency, whether to recognize them as an asset. It is necessary to emphasize that in the company's accounting policies must specify the procedure for accounting, evaluation and recognition of cryptocurrencies. In

modern economy there are over 1,500 cryptocurrencies and more are being developed.

However different cryptocurrencies can have various characteristics, and the reasons for acquiring them can be different, thus, the reflecting in the accounting of such operations may have different results and consequences. Thereby, certain conditions reflected in the accounting policies of the enterprise for the recognition and evaluation of some crypto-currencies may not be acceptable to others.

Therefore, enterprises should evaluate each cryptocurrency reflecting separately based on their circumstances and the characteristics of the market for it.

First of all, it is necessary to determine whether the cryptocurrency is an asset. The definition of an asset is given in the IASB's Conceptual Framework as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity (IASB, 2018).

3. Research

Based on the definition, we can conclude that the cryptocurrency, if the conditions of this definition are met, is an asset, but in each new case, when dealing with a new cryptocurrency, the company must independently determine whether it is possible to recognize the new cryptocurrency as an asset. If the crypto currency is recognized as an asset, the second question arises in accordance with what IFRS it should be recognized?

In accordance with the paragraph 7 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" if it is applicable, the company can use a specific IFRS Standard (IFRS 2.)

The accounting treatment of assets in accordance with IFRS is reflected in the following standards:

1. IAS 7 Statement of Cash Flows; IFRS 9 Financial Instruments -for accounting of cash,
2. IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments- for accounting of non-cash financial assets,
3. IAS 40 Investment Property- for accounting of investment properties,

4. IAS 38 Intangible Assets -for accounting of intangible assets,
5. IAS 2 Inventories - for accounting of inventory.

Therefore, it is necessary to consider which of them are applicable to the accounting of cryptocurrencies.

The essence of the cryptocurrency is not strictly applicable to the definition of currency, which is done in IAS 32 “Financial Instruments: Presentation” such as “*currency (cash) is a financial asset because it represents the medium of exchange...*”. (IAS32) For example, some cryptocurrencies cannot be used as a medium of exchange, they have a limited medium of exchange compared to most traditional fiat currencies. In addition, a number of financial institutions in the world have banned the use of cryptocurrencies, as they represent an increased risk in financial transactions.

Cryptocurrency also does not correspond to the definition of the cash equivalent as which is “short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value”.

In most cases, the cryptocurrency is not a short-term operation and is aimed at the long-term period. At the current time cryptocurrencies cannot be accounted for as cash or a cash equivalent. Consider the provisions if the cryptocurrency can be recognized as non-cash financial asset?

The main characteristic of a financial asset is that the holder of the financial asset has the contractual right to get cash or another financial asset from another company or to exchange financial assets or financial liabilities with another company under conditions that are potentially favorable to the holder. Mainly the holder of a cryptocurrency does not have any contractual right, however some contracts such as forward contracts or options to buy or sell cryptocurrencies in the future may meet the definition of a derivative and be subject to financial-instruments accounting.

Consideration should be given to situations where cryptocurrency can be recorded as an intangible asset. IAS 38 “Intangible Assets” defines “*an intangible asset as an identifiable non-monetary asset without physical substance*” (IFRS 2.). Indeed, cryptocurrencies generally meet this definition and can be recognized as non-monetary assets and are therefore within the scope of IAS 38 “Intangible Assets”.

Thus, the cryptocurrency can be measured at either cost or at fair value (the revaluation method). Thus, cryptocurrency can be defined as intangible assets with an indefinite service life as indefinite lived intangibles, if there are no factors to indicate a definite useful life.

If the company will keep records of the cryptocurrency at cost, it must take into account the provisions of the IAS 36 “Impairment of Assets” and records the impairment in the statement of profit or loss.(IFRS 2.) To account for cryptocurrency at fair value, it is necessary an active market for it, to be able to measure it correctly. The accounting under the revaluation method, is more complex: increases in fair value are reflected in other comprehensive income (OCI), while decreases are registered in profit or loss.

To determine the fair value of the cryptocurrency, is applying the provisions of IFRS 13 “Fair Value Measurement”. However, the current application of IAS 38 and the measurement of cryptocurrencies at cost, does not correspond to the economic substance and does not provide relevant information to users of financial statements.

Another standard considers asset accounting is IAS 2 “Inventories”, indeed, its application can be justified if the company holds a cryptocurrency for sale. In accordance with the provisions of IAS 2 “Inventories” cryptocurrencies would be measured at the lower of cost and net realizable value. So as, decreasing in net realizable value would be registered in the statement of profit or loss.(IFRS 2.)

This accounting is applicable to “commodity broker-traders those who buy or sell commodities for others or on their own account, for the purpose of selling in the near future and generating a profit from fluctuations in price.” They measure inventories of commodities at fair value less costs to sell and changes in value. But this is reflected in the accounting of inventory transactions only for a broker-trader.

It should be noted that Accounting Standards Board of Japan in its issue Accounting for Virtual Currencies proposed to classify cryptocurrencies as a new independent category of assets, it gives the following arguments: *Virtual currencies did not fit into any of the existing categories* (Accounting Standards Board of Japan, 2018)

Table 1: Characteristics of cryptocurrencies in relation to assets according to Accounting Standards Board of Japan

Assets	Characteristics of cryptocurrencies
Foreign currencies	Foreign currencies generally refer to fiat currencies, and virtual currencies may have characteristics different from foreign currencies
Financial assets	Virtual currencies do not meet the definition of financial assets (other than cash)
Inventories held for trading	Virtual currencies are not always held for trading
Intangible assets	Virtual currencies do not have physical substance but intangible assets generally are not intended to be held for trading

Source: Accounting Standards Board of Japan Accounting for Virtual Currencies March 2018 https://www.asb.or.jp/en/wp-content/uploads/20180315-01_e.pdf

Also, Accounting Standards Board of Japan in its issue Accounting for Virtual Currencies proposed to evaluate the cryptocurrency as follows (Accounting Standards Board of Japan, 2018):

Table 2: Assessment at the balance sheet date of Virtual Currencies Held by an Entity on Its Own Behalf

An active market for the virtual currency	
Exists	Does not exist
Market price	Cost, written down to the estimated disposal value if such value is lower than cost

Source: Accounting Standards Board of Japan Accounting for Virtual Currencies March 2018 https://www.asb.or.jp/en/wp-content/uploads/20180315-01_e.pdf

From the point of view of taxation in most countries of the world, transactions for the purchase of goods for a cryptocurrency are transactions subject to taxable income tax. Chartered professional accountants Canada in its issue An Introduction to Accounting for Cryptocurrencies notes that if any company disposes of cryptocurrencies, whether through a barter transaction

or simply through trading, the company must determine whether gains or losses are on account of income or capital. (Chartered professional accountants Canada, 2020)

Table 3: Recognition and assessment at the balance sheet date of Virtual Currencies Held by a Virtual Currency Dealer on Behalf of Its Customers

	Assets Liabilities	Assets Liabilities
Initial recognition	Virtual currencies should be measured at market price at the date they were deposited by the customer	The same amount as the corresponding asset should be recognized as a liability to represent the obligation to return the virtual currency to the customer
Measurement at the balance sheet date	Same as virtual currencies held by an entity on its own behalf	The same amount as the corresponding asset

Source: Accounting Standards Board of Japan Accounting for Virtual Currencies March 2018 https://www.asb.or.jp/en/wp-content/uploads/20180315-01_e.pdf

In particular, the cryptocurrency could be inventory, or investment property, or intangible assets acquired in the nature of transaction and any future gain or loss must be recorded in accordance with the relevant IFRS standard. It should be noted that some companies hold cryptocurrencies for capital appreciation, but cryptocurrencies are not property as specified in the definition of investment property.

Therefore, it does not seem that a cryptocurrency is investment property within the scope of IAS 40 "Investment Property".

IFRS require disclosure of information, in addition, some standards require additional disclosure in the financial statements, which must be also relevant. In terms of cryptocurrency, the most appropriate disclosure in the financial statements is the following information:

- a description of the cryptocurrency, its important characteristics and the purpose of holding it (e.g., investing, buying goods and services, etc.),
- the number of units of the cryptocurrency held at year end,

- disclosure of information in the accounting policy in terms of cryptocurrency,
- if the cost model is used, the fair value for the cryptocurrency together with the appropriate IFRS 13 disclosures.
- Information on the market risk associated with the cryptocurrency.

4. Conclusions

Further expansion of the digital economy will lead to the accelerated development of various types of digital payment instruments. However, the accounting rules for cryptocurrency transactions are not set out in IFRS. Along with it, it is already necessary to reflect correctly in accounting the cryptocurrency transactions.

It should be noted that at the IASB's January 2018 meeting, the IASB discussed the possibility of having a research project relating to cryptocurrencies and the need to develop a new standard on the accounting of crypto-currencies. The US Financial Accounting Standards Board (FASB) staff are researching this topic.

In the present, the authors analyzed the provisions of various IFRSs for the possibility of recognizing cryptocurrencies as an element of financial statements.

In conclusion, the authors would like to emphasize that the issues of reflection in the accounting are not currently disclosed in any particular standard, so companies should reflect in their accounting policies as in the accounting will be recognized and evaluated cryptocurrency.

The authors are of the opinion that cryptocurrency is a special type of asset that is at the junction of long-term and current assets, so for its accounting it is necessary to conduct research and elaborate an International Financial Reporting Standard that would reflect the particularities of operations with cryptocurrency.

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Development of Moldova psychological services market: the need to use regulatory mechanisms and foreign European partnership

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Abstract

The article reflects the features of the formation and development of the market of psychological services in Moldova, which were identified as a result of a survey of psychologists in the country. The reasons for increasing demand and expanding supply in the market are explained. Problems and difficulties in the functioning of the market of psychological services were revealed, such as the lack of a legislative framework, price regulation, state support, and the quality of psychological services. The article highlights the ways and mechanisms for the effective development of Moldova psychological services market, the need to use regulatory mechanisms and foreign European partnership.

Keywords: psychological services market, European partnership, regulatory mechanism, supply and demand in the market of psychological counseling, client, range of psychological services, pricing, and promotion.

JEL Code: I 11

1. Introduction

Moldova psychological services market development follows the example of the successful functioning and development of this type of service in European countries.

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The advanced experience of the European psychological community in Austria, Germany, Great Britain, the peculiarities of pricing for their services becomes the foundation for the formation of the market of psychological services in Moldova.

In the highly developed European countries, the organization of the process of providing psychological services is well thought out, there are developed professional associations of psychologists and psychotherapists, a licensing system, as well as laws regulating activities in this area, which ensures a much greater level of public confidence in psychologists than in the Republic of Moldova.

Moldovan psychologists urgently need the support of the psychological community of highly developed European countries on the basis of project activities, participation in European psychological associations, which are not yet available to our specialists.

The market for psychological services in Moldova is in its infancy, which began in the 90 soft he last century.

The development of the market of psychological services is facilitated by the acceleration of the rhythm of life, crisis processes in society and, as a result, the state of uncertainty that is present and accompanies people's lives. The prevalence of uncertainty and multitasking in the daily life of society increases the number of anxiety disorders, neurosis, exacerbates problems within the family, and increases the threat of depression. All these make people think about their psychological health.

In modern conditions, the market for psychological services is growing and has not yet reached its peak. In the coming years, this trend will continue, because the human psyche is under enormous strain, processing information, the amount of which is constantly increasing.

Modern man lives in an ever-increasing information load. Currently, the psyche needs new behavior models, strategies and resources for adaptation. Depression, powerlessness, emptiness can be a reaction to an excess of "undigested" information - information stress.

The market of psychological services, responding to the demands of the times, offers many types and methods of finding peace of mind. This is

facilitated by the constantly growing demand for psychologist services, a fairly extensive offer, and a high level of competition.

However, it is rather difficult to research the market of psychological services in Moldova and identify development trends in it. The lack of relevant theoretical research on this topic, lack of knowledge and information about the functioning of the psychological services market, significantly limit theoretical support for research in this area.

This is also due to the shadow nature of this market, its spontaneity and the fact that the market itself is in its infancy.

2. Material and method

Understanding the features of the functioning of the services sector gives to psychologists an understanding of their role and place in the market of psychological services, their effective presence in this market.

In order to identify the peculiarities of the development of the market of psychological services in Moldova, in December-February 2019-2020, a questionnaire survey of 60 certified psychologists of the country was conducted in the SFERA Psychological Center. Picks - quota.

The research objectives were:

- Determining the demand for psychological services in Moldova,
- The study of supply on the market,
- Study of the problems of the functioning of the psychological services market,
- Promotion of psychological services.

In the process of writing the article, secondary information and statistics were also used.

3. Results and discussions

The results of the study and an understanding of the nature of the services market can contribute to the effective growth of the psychological services market, the growth of the quality of psychological services.

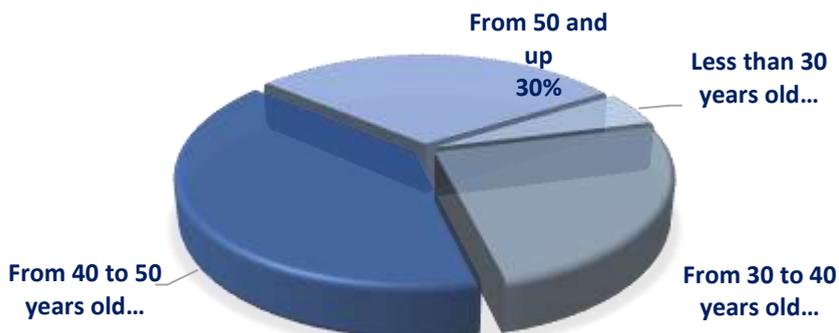
The nature of the service sector, the features that distinguish a service from a tangible product, determine the specifics of the service market, which is considered in unity with the product market as one of its varieties, obeying the general laws of a market economy.

At the same time, its features are distinguished as: high dynamism; high speed of capital turnover due to the short production cycle; the predominance of small and medium-sized enterprises, the specifics of the service delivery process related to the personal contact of the producer and consumer; the individuality and originality of the services and technologies provided in many industries; high differentiation of services; the uncertainty of the result in many cases in the provision of services; the asymmetry of information between the producer and the consumer. (Лавлюк, 2005)

There are also features due to the specific nature of the service, the intangibility of the service, the impossibility of its storage and transportation, the simultaneous production and consumption of the service, the need for personal contacts between the consumer and the producer, a high degree of individualization and non-standard demand for services. (Новаторов, 2015)

The opinion of psychologists about the features of the functioning of the market and its understanding was revealed during a survey, in which practicing psychologists of various age groups took part: a) less than 30 years old – 5%; b) from 30 to 40 years old – 25%; c) from 40 to 50 years old – 40%; d) from 50 and up – 30% (Figure 1).

Figure 1. Age of practicing psychologists participating in the survey



Source: Elaborated by authors

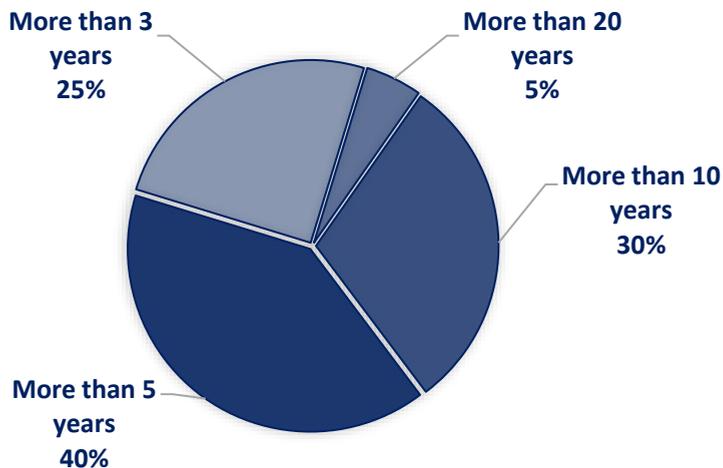
Therefore, the majority of actively practicing psychologists in the country are over 40 years old. This can be explained by the wide experience of specialists, the accumulated client base and the great trust of clients.

To the question: “How long have you been working in the market of psychological services in Moldova” 5% of respondents answered - more than 20 years, 30% of respondents have been working - more than 10 years, 40% - more than 5 years, 25% - more than 3 years (Figure 2).

Thus, it can be stated that most psychologists - about 70% have been working in the market of psychological services for 5 to 10 years. This suggests that in recent decades the number of players in the psychological market has been growing, the market is in a growing stage and attracts specialists from related fields.

The formats in which psychologists are represented on the market for psychological services are somewhat different: the most are the single specialists who receive appointments in a private office, receive at home or consult via the Internet – 55%.

Figure 2. The period of functioning in the market of psychological services in Moldova



Source: Elaborated by authors

Specialists at multidisciplinary medical centers or specialized clinics make up 20% of respondents, and psychologists who work in state medical and social institutions -25%.

According to the respondents' answers, it was found that the services of a psychologist are most in demand among people aged 15–35 years.

Among the issues that Moldovans turn to psychologists, the problems of interpersonal relations are leading – 65%.

Messages related to fears, anxiety and various phobias – 45%.

Further descending represent: psychosomatics -20%, problems of self-searching and self-realization - 15%, depressive disorders, stresses - 15%, decadent moods due to a midlife crisis - 10%. Psychologists also note an increase in appeals from clients with different sexual orientations who are trying to solve problems of gender identity and establish strong relationships in a homosexual couple (Figure 3).

Figure 3. Problems that clients turn to psychologists



Source: Elaborated by authors

You can distinguish mysophobia (fear of germs, dirt, etc.), fear of closed spaces, fear of losing your mind and harming yourself or your loved ones, fear of contracting any disease, including cancer.

Among the psychotherapeutic areas offered by Moldavian psychologists are a multimodal approach, cognitive-behavioral therapy, Erickson hypnosis and NLP, gestalt therapy; art - therapy, body-oriented therapy; transactional analysis; psychodrama, symbol of drama, classical psychoanalysis.

Most of the experts surveyed noted an increase in demand for group training. Also popular are art therapy, family systemic therapy. Such a service as coaching is in demand, which was originally positioned as psychological support for successful people.

To the question, "What areas of psychological counseling do you use?" 90% of psychologists answered that they use an integrative approach, focusing on the client and his problem and 5% - gestalt therapy. 4% consider themselves psychoanalysts.

To the question "How do you promote your psychological services", most of the respondents indicate that they necessarily use the capabilities of social networks, blogs, sites and other Internet features - 95%, many promote themselves using recommendations, word of mouth - 80%, outdoor and print advertising - flyers in certain institutions, relevant topics - 5%.

In addition, experts noted that for successful promotion in the market it is necessary to do:

- *Emphasis on personality.* Business acquires a human face. The psychologist both works and sells with his personality. The task of a psychologist - both in order to be a professional and in order to sell himself - to expand, enrich his personality;
- *Regular communication with the audience, live communication.* Communication through posts on social networks, video. It is needed to tell people about how they can solve your problem using your service. Unfortunately, this is what many psychologists are missing. Selling is focused on customer. (Черников2013)

Psychologists who participated in the survey also noted the difficulties and problems that hinder the development of the market of psychological services.

So, according to experts, the absence of a law that would regulate psychological activity in the country makes this market a shadow.

In 2018, a bill was proposed to approve the principles of joining the profession, the quality standards of private and state psychological services, psychological examination, guaranteed psychological assistance and regulate the activities of psychologists by creating an alliance responsible for certification of psychologists in Moldova based on best domestic and international experience; however, the law has not yet been adopted. (Newsmaker, 2020)

Until now, psychologists in Moldova have worked according to internal regulations, whether it be school, army or police. The new document will legitimize the work of specialists in all areas. Thus, while from the point of view of legal regulation, the market is practically not regulated in any way. To date, there are no criteria for distinguishing psychological, psychotherapeutic, and esoteric care. Education, too, while little effect on whether a person can be engaged in this activity. In addition, these services can be disguised as coaching and consulting services.

The law on the activities of psychologists should, on the one hand, mean a guarantee for the population to receive qualified psychological services, and will also contain requirements for the activities of psychologists.

In matters of *price regulation*, the market is at the very first stage of development. There is no average price for the market, unlike Europe, where there is a standard price for the whole country, which can be raised depending on certain criteria: experience, any regalia, any licenses or titles and you can raise it by exactly the same amount of Euro.

So, based on the results of the study, it was found that the spread in prices for psychological services vary from 200 to 500 lei. Pricing depends only on the desire and self-esteem of the psychologist. The question for consultation or per hour is also decided solely at the request of a specialist.

Competition. A healthy competition is possible when the client has an understandable tool for evaluating services and comparing offers from different consultants. People have no such tool at all in any form. Information on the criteria for evaluating the services of psychologists is not available.

Therefore, competition is based on the number of “first consultations”, and then the client relies on their own impressions and intuition. Therefore, unlike the traditional market, where competition leads to an increase in the

quality of services, in the market of psychological services, competition is more based on the quality promotion of oneself as a specialist.

In terms of supply and demand on the market. The growth in demand for psychological services is explained, as noted above, by the maturity and willingness to consume psychological services both at the level of individuals and their families, and at the level of organizations.

State structures, for example, have now announced a demand for performance psychologists, for example, school psychologists, sports psychologists, psychologists in law enforcement agencies, military psychologists.

The number of offers, differentiated by customer request, is growing. Therefore, the consumer of psychological services can learn the specialization of a psychologist. The number of seminars and trainings for different population groups is growing. The number of offers for parents, children, students and other categories of the population is growing.

In terms of quality and professionalism of services. There has been a tendency to separate the services of astrologers, tarologists, and esotericists from psychological services. Psychological centers position themselves separately from the esotericists, distancing themselves at a certain stage. The experience of the respondents shows that now it has become important for customers - from which market are you.

Moreover, although there is high competition in the market of psychological services, there are few good and highly professional psychologists, to this situation led the lack of legal responsibility for the misappropriation of the status of a psychologist.

Thus, based on the very study, tendencies and problems in the development of the market of psychological services were identified; recommendations were made to support psychological counseling in the country.

4. Conclusions

The market of psychological services in Moldova is actively developing, demand and supply are growing, the range of psychological services offered is constantly expanding.

Obtaining psychological services in the country is becoming the norm, contributing to the health of the nation and maintaining its mental balance in a turbulent environment.

Most psychologists work in the market of psychological services from 5 to 10 years. This suggests that in recent decades the number of players in the psychological market has been growing, the market is in a growing stage and attracts specialists from related fields.

Psychologists would be glad to cooperate with their colleagues from developed European countries, but they do not have yet such an opportunity.

Among the issues with which Moldavians turn to psychologists, the problems of interpersonal relations, appeals related to fears, anxiety, phobias and depression are leading.

The lack of a legislative framework makes this market shadow, prevents it from developing, and deprives state psychologists and clients of state security.

It is necessary to adopt legislative acts in the field of the implementation of psychological activities, as they can be used to track professional communities, maintain a register of specialists, and provide opportunities for further training and subsequent certification.

Based on the adopted law, the process of providing psychological assistance will become transparent and understandable to people trying to get it. (Newsmaker, 2020)

In matters of price regulation, the market is at the very first stage of development, the pricing methodology has not been developed.

As in any business, it is needed to pay attention to the marketing of psychological services: the quality and competitiveness of the service provided, the conditions for its provision and methods of promoting services.

The successful development of the market for psychological services in Moldova is impossible without studying the advanced experience of developed European countries, the specifics of regulation of this market by the state. There is a great necessity of close cooperation of psychologists from Moldova with psychologists from developed European countries, as well as active project activities, and participation in European associations of psychologists. The development of various forms of partnership with

European psychologists can also be based on joint training activities, supervisory support of Moldovan psychologists, and information support of the Moldovan community on innovations in the field of psychological counseling.

Thus, for the formation and development of a civilized market of psychological services, it is necessary: state support for psychologists, transparent legislation, close interaction with foreign psychological organizations, ongoing professional development and training of psychologists, education of a stress-resistant and trained client and the study of advanced foreign experience in order to maintain the psychological health of the nation at the proper level.

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Enrollment of women in STEM

Mariana ROBU¹

Abstract

The aim of this research is to contribute to the development of national policies and strategies for attracting and guiding women in STEM education programs of the Republic of Moldova. The research method is based on national data analyses, statistical trends and econometric forecasting analyses to identify the benefits of increasing the representation of women in STEM areas. The key conclusions are that the enrollment of women in research and education in area of STEM (Science, Technology, Engineering and Mathematics) will contribute to the economic development of a country. The paper presents concrete economic benefits from increasing the number of women in STEM, from creation of new employment to the economic development of the country and in particular in STEM areas.

Keywords: STEM, economic development, women implication in development

JEL Code: G38 Government Policy and Regulation

1. Introduction

The main problem identified for the study is that women are a minority in science, technology, engineering, and mathematics (STEM) studying and occupations. The problem is not new for Moldova (1.), and it is necessary to identify a solution by studying this issue to propose some policy actions, with consideration of international projects and best practices (2.). Importance of this research is in its contribution to implementation of national policy on gender equality and social equity.

The aim of this research is to analyze the economic potential of achieving a share of 70% of women in STEM by 2050. The study presents

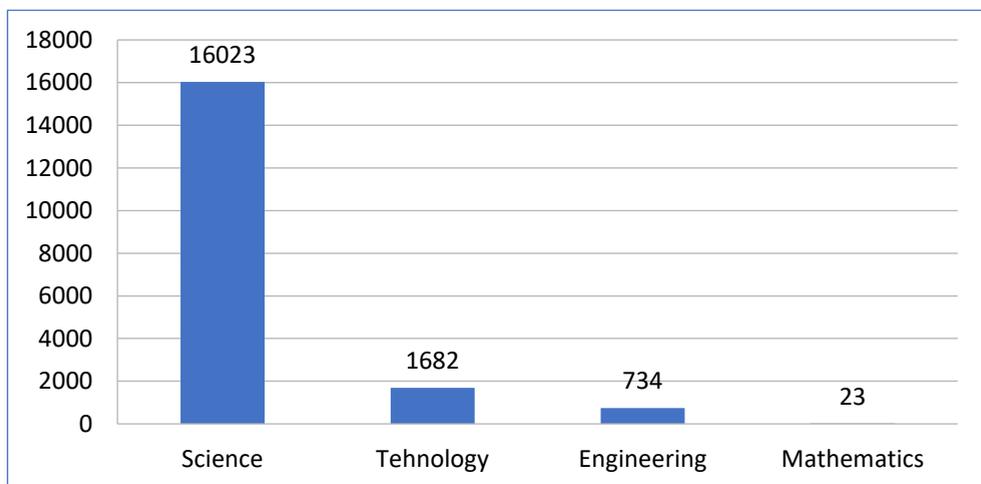
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the potential assessment scenario and should not be considered as a forecasting of future development. The research question is: what if by 2050 the share of women in STEM will be 70%?

The results of research could be useful for national governmental and non-governmental institutions for long term policy decision making on how best to improve the social and economic situation of men and women in Moldova with consideration of gender equity.

In year 2017-2018 only 22.1% of women graduated STEM in the Republic of Moldova, or about 3,5 times less than men - 77.9% (UN Women, 2020, p.1). Women are underrepresented in the area of study STEM (EIGE, 2020, p.1). Only 4.5% of girls do study in the area of Science, Technology, Engineering and Mathematics (STEM) or about 18462 persons in the Republic of Moldova (Robu, 2020, p.5). The Figure bellow shows the number of girls studying STEM in 2019-2020 in Moldova.

Figure 1. Women studying STEM in the Republic of Moldova 2019-2020



Source: Elaborated by the author, compiled based on data from National Bureau of Statistics

2. Literature review

Although the research subject of gender equity in STEM is new for the Republic of Moldova, there are some successful research results of this subject worldwide.

The research in USA (Ramsey et.al., 2013) demonstrates the importance of a welcoming academic environment for women in STEM, and it also provides a model for how key elements of intensive university programs targeting women can be translated into a more general approach that reaches a wider audience.

Although are search focused to one institution (Perna et.al., 2008) of African American women in STEM fields, the findings shed light on the ways that institutional characteristics, policies, and practices may mitigate the barriers that limit attainment of African American women in STEM fields.

Another important study in USA (Yonghong Xu, 2015) demonstrated significant departure between the earning profiles of men and women within the first ten years of employment. Further, findings indicate that women in STEM occupations experienced multiple earning penalties concurrent with their growing family obligations. To increase the representation of women in STEM fields, interventions are called for to encourage a family-friendly workplace that is open to and supportive of women managing a home and career. Also, incentives are needed to support women's continuation to graduate education as a means to increase their human capital and to level their earning power.

The role of women in STEM in Latin-American and the Caribbean region shows essential differences among countries (García-Peñalvo, 2018). Some countries seem to have good numbers of women in Science such as Argentina – 52%; Venezuela – 56%; Bolivia – 62%; countries like Honduras, Mexico, Columbia, Ecuador and Chile achieve low rates of about 30%. The young women studying STEM programs is much lower than men.

A self-assessment tool was developed (García-Peñalvo, 2019) for assessment the gender equality in higher education institutions of Latin America, an interview protocol for female role models, and a mobile application to show those role models.

In recommending (Diekman, 2015) that STEM organizations develop programs that recognize communal goal pursuits as important to persistence in STEM, we also encourage such organizations to be aware of the subtle and overt devaluing of communal activities.

Leadership in STEM organizations thus should be proactive in clarifying the value accorded to these activities.

In the Republic of Moldova, the gender equality research (EIGE, 2020) is conducted with support from UNWOMEN, and more and more national institutions are involved in the process.

First steps are done (Robu, 2020) on assessment of economic benefits of promotion social and gender equity. The Republic of Moldova committed to promote the social and gender equality and the work is in progress in this area.

2. The methodology

The analyses are based on assessment of the scenarios of future development of the area of STEM in Moldova. The calculations are made in MS Excel, and more advanced tools for long term planning are under consideration for future use. The objective of the research is to model a scenario of achieving 70% of women working in STEM by year 2050 in the Republic of Moldova. In order to model such a scenario an assessment of existing data on women in STEM in Moldova was done, and observation is that in 2019-2020 the share of women in STEM in Moldova was only 4,5%. This value was exponentially extrapolated to year 2050 to see how it change to achieve 70% of women in STEM, and how it impacts other economic indicators.

3. Results

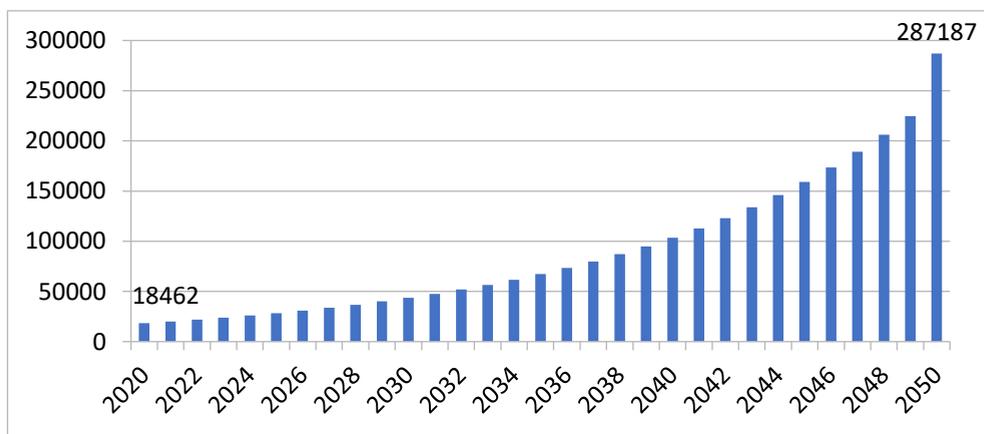
The results are based on the mathematical modelling of a scenario with assumption of having 70% of women in STEM by 2050, based on data for base year 2020. The analyses have shown that about 287 thou. Additional jobs in 2050 due to improvements in gender equality by addressing gender segregation in educational choices and increasing the participation of women

in STEM, or about 70 % of the jobs taken by women. Every year an increase of 9% of number of new girls is foreseen to join the STEM area of study in order to achieve 70% of women by 2050.

It is expected that the increasing of performance indicators will conclude in reduction of the labor costs and to higher volumes of production. The higher involvement of women in STEM will contribute to 5% increasing the production for every 1% of increased number of women in STEM. Or, the 70% of women in STEM by 2050 will result in 15 times higher level of production. As result, it is possible to propose a decreasing from 8 to 6 hours per day of working time by 2050. This will improve the balance of work-vs-family time. The Figure bellow shows forecast of women in STEM in Moldova.

An international comparison of results of this study with EU study (EIGE 2020) have shown that between 6.3 to 10.5 million of new jobs created by 2050 if it will be achieved a target of 70% women in STEM, for Moldova this number is 287 thou. jobs. Every year an increase of 8% of new women in STEM is foreseen in EU, for comparison in Moldova it is 9% to achieve 70% by 2050.

Figure 2. The women in STEM in the Republic of Moldova 2020-2050, pers.

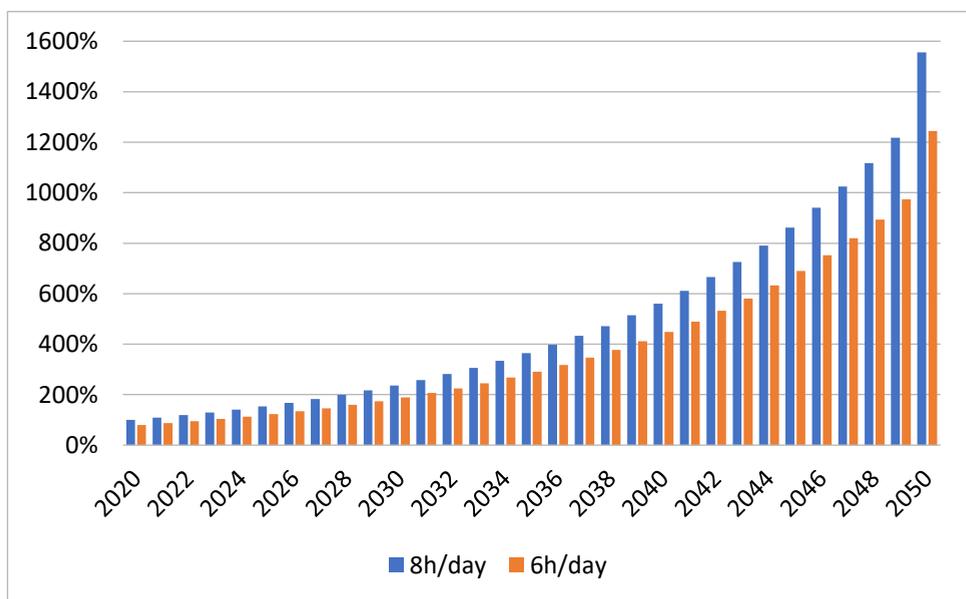


Source: Elaborated by the author, expert estimation based on assumption to have 70% women in STEM by 2050.

The results of analyses show that an improvement of the gender equality in area of studying STEM in Moldova will contribute to reduction of shortage of qualified employers, to increased level of employment of women, and to a better productivity.

All the mentioned factors will contribute to the economic development of the country due to improved productivity and increased number of qualified personnel in STEM. The Figure bellow shows the comparisons of production level by 2050 comparing to year 2020 in %.

Figure 3. The level of production in STEM in the Republic of Moldova to 2050



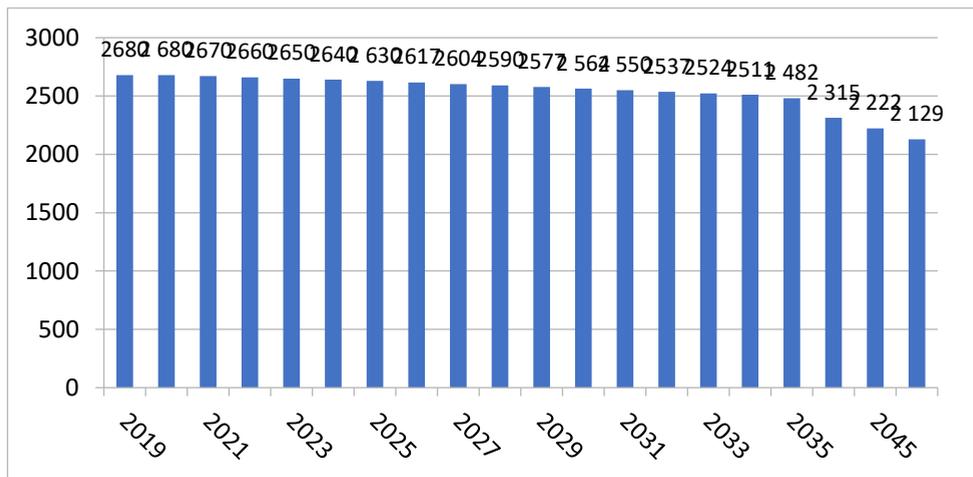
Source: elaborated by the author, expert estimation based on assumption of 8 or 6 hour of working day.

It is observed an increase by 1500% of total production in area of STEM by year 2050, comparing to year 2020. The increase is based on assumption that it will be 8 hours per day – the duration of working time. If the duration of working time is considered 6 hours per day then it is observed an increase by 1200% by 2050 of production in area of STEM in Moldova comparing to 2020.

The consideration of 6h/day duration of working time is based on the probability that the high level of productivity will result in increased level of unemployment. It is worth to consider the mentioned factor as an option for future policy making in order to balance the productivity and unemployment rate. An important factor to be considered is the growth rate of population.

The population growth of the Republic of Moldova is forecasted to be negative (World Population Prospects: 2017). In year 2019 the population of Moldova was 2680 inhabitants, for comparison in year 2000 it was 4,3 mill inhabitants. It is foreseen a decrease¹ by -0.38% per year by 2025; by -0.51% per year by 2030; -minus -0.85% by 2050. The trend of decreasing number of populations is mainly due to migration, and decreasing number of children in families. Observed trend in negative growth of population is an important warning for the need in new policy on population for the Republic of Moldova.

Figure 4. Population forecast of the Republic of Moldova, th. inhab.



Source: Elaborated by the author, compiled based on Medium Projection for the Right Bank from UN Department of Economic and Social Affairs/Population Division -World Population Prospects: The 2017 Revision, Key Findings and Advance Tables.

¹ Medium Projection for the Right Bank from United Nations Department of Economic and Social Affairs/Population Division -World Population Prospects: The 2017 Revision, Key Findings and Advance Tables.

4. Conclusions

Implication of women in research and education in area of STEM (Science, Technology, Engineering and Mathematics) will contribute to the economic development of a country. The main conclusions are as follows:

- about 287 thousand additional jobs are created in 2050 due to addressing gender segregation in educational choices and increasing the participation of women in STEM
- an increase of 9% per year of number of new girls is foreseen to join the STEM areas
- The higher involvement of women in STEM will contribute to 5% increasing the production for every 1% of increased number of women in STEM
- The 70% of women in STEM by 2050 will result in 15 times higher level of production.
- It is possible to propose a decreasing from 8 to 6 hours per day of working time by 2050. This will improve the balance of work-vs-family time.
- The results of analyses show that an improvement of the gender equality in area of studying STEM in Moldova will contribute to reduction of shortage of qualified employers, to increased level of employment of women, and to a better productivity.

The consideration of 6h/day duration of working time is based on the probability that the high level of productivity will result in increased level of unemployment.

Observed trend in negative growth of population is an important warning for the need in new policy on population for the Republic of Moldova.

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