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SPING MESSAGE

Distinguished Readers and Friends,

The World the world is worried about the outbreak of the Ukrainian-Russian war a week ago. The war was not without precedent. The 2015 ceasefire agreement offered a path to peace between Kyiv and Moscow. The main important elements of this Agreement is to provide a dialogue on interim self-government for Donetsk and Luhansk, in accordance with Ukrainian law, and acknowledgement of special status by parliament. **However, Ukraine has not complied with the terms of the Minsk agreement and has embarked on unheard-of armaments. In the Preface we have to place to analyse the reasons, but picking out at random it is scandalous the Ukrainian anti-minority language laws prohibition many millions citizens to use their mother tongue in own country?**

THE CONFERENCE ON THE FUTURE OF EUROPE (CoFoE) was a unique and timely opportunity for European citizens to debate on Europe's challenges and priorities. The conference on the future of Europe served a dual purpose. On the one hand, through this process, the organizers wanted to reform the European Union, to set new directions for their cooperation. On the other hand, the series also aims to increase the EU's democratic legitimacy, which has been the subject of numerous criticisms in the Community in recent decades. The European Parliament, the Council and the European Commission have committed to listen to Europeans and to follow up, within their sphere of competences, on the recommendations made. By the Spring 2022, the Conference is expected to reach conclusions and provide guidance on the future of Europe. On 9 May, the Conference on the Future of Europe (CoFoE) officially closed. The series of events began after about two years of preparation. The launch of CoFoE was not smooth, first due to the coronavirus epidemic, which was originally scheduled to start in 2020, and then delayed by institutional debates. The disagreement between the three EU institutions - the Commission, the Council and the European Parliament (EP) - was rooted in the hoped-for outcome of the conference. While the EP called for changes to the EU's founding treaties, the Council, which brings together Member States' representatives, did not want to change the existing framework after CoFoE. Based on the goals set, the results achieved and the reactions to the CoFoE, we can say that the Conference has not lived up to its promise.

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PAPERS

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INTEGRATION INTO FORMAL ENTERPRISE SPACE: CHALLENGES AND OPPORTUNITIES FOR INFORMAL SECTOR ENTREPRENEURS

Abstract

A vast majority of micro and small enterprises (MSEs) operate in an informal enterprise space, functioning without the required legal and regulatory approvals, notwithstanding crucial role that they play in job creation, poverty alleviation, exports and regional economic development. Living in an informal enterprise space is a not a choice, but forced reality brought on by regulatory burdens, complex compliance structures and an inefficient and slow-moving government system.

This paper looks at the informal MSMEs in terms of the challenges and opportunities on its route to formalization. It highlights some of these important aspects, which facilitates the transition into a formal enterprise space. IT has provided inputs resulting from interactions with entrepreneurs, associations and NGOs working in the informal MSME space. The study was also supplemented by secondary source materials. Some of the sectors that have been evaluated are waste management and recycling, last mile public transport connectivity operators, handloom weavers, potters and street food vendors.

Keywords: Informal sector; Small Enterprises; institutions and reforms

JEL Classification: L 26; L 51; L 52 O 25

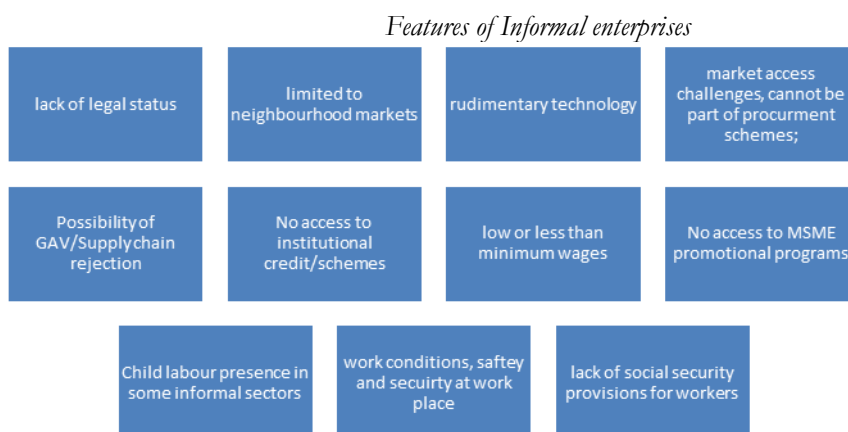
INTRODUCTION

A vast majority of micro and small enterprises (MSEs) operate in an informal enterprise space, functioning without the required legal and regulatory approvals, notwithstanding crucial role that they play in job creation, poverty alleviation, exports and regional economic development. Living in an informal enterprise space is a not a choice, but forced reality brought on by regulatory burdens, complex compliance structures and an inefficient and slow-moving government system.

The sector comprises all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. (Radhakrishna, 2012) These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal agreements. (ILO, 1993) Inclusive growth can be achieved by facilitating their formalization along with economic growth, decent jobs, better working conditions, social protection and enhanced tax collection. (Economic Survey, 2015-16). Enterprise formalization is part of a sustainable development agenda. (UN, 2015) Transition to a formal enterprise space is also outlined in ILO Recommendation 204. (ILO, 2017)

Focus areas in transition agenda

Formal enterprises stand a better chance of growth, exploiting market potential, reaching out to new markets, accessing finance and adopting technologies. Being in the formal space gives them a significant advantage as they receive access to government schemes, subsidies, incentives, technology up-gradation support and finance, including collateral free loans. Legally incorporated and registered entities can operate fearlessly without harassment from the law enforcement agencies. The opportunity that it opens for them to participate in public biddings is yet another aspect.



Reform areas in enterprise ecosystem and regulatory framework

There are a number of challenges that informal SMEs have to overcome and address before becoming part of a formal enterprise space. Registration, acquiring legal status, bank accounts, local government permissions are all pertinent aspects. Various inputs used in manufacturing, skills and certifications and educational levels of the workers, work conditions and standards, if child or bonded labour involved in the manufacturing, or any instance of human rights violations, technology, managerial and accounting practices are all other issues involved in the transition.



Reforming business laws: Scrapping of unwanted and archaic rules and procedures: Doing away with archaic rules and reforming business laws are important aspects in the transition agenda. In the United States, to launch a sole proprietorship only requires a tax identification number from the Internal Revenue Service. Whereas in most cases, SMEs must have a formal legal status to operate and enter into contracts. Cumbersome, unclear, or unpredictable incorporation and registration requirements are often a key cause of informality. (Ramos, 2016) High compliance burden and inefficiencies act as a disincentive for entrepreneurs to be part of a formal system. (Koshy P. , 2018) This could make their products and services too expensive. (Rajagopalan, 2018)

MSE friendly taxation system: Tax policies ideally have to act as an effective tool in the hands of the governments to support MSE sector. It can certainly contribute in dissuading MSEs from continuing their operations. Designing the tax system with simple procedures keeping in mind the needs of the sector is of vital importance in the process of transition from informal to formal enterprise space. It could create a friendly business climate. (OECD, 2015; Abdul-Jabbar, 2008; European Commission,

2007) However, the case is different and tax departments are seen as the most unfriendly, corrupt and scary part of the system.

Enhanced productivity, skill development, education and training: Many of the informal and micro enterprise face real threat of extinction due to competition and global market realities. Helping them realize the threat scenario itself would be a starting point towards formalization and educational outreach. (Koshy P., 2012) They are happy to remain in the prevailing status and are not eager to adopt technology, learn new skills and upgrade or expand to new areas. Some of the basic skill sets and training needs are accounting, marketing & sales, customer relationship, GST compliance awareness, and sector specific training and skill enhancement. Skill, training and networks to address the educational needs of the sector have to be an integral part of the formalization strategy and the eco system.

Addressing social and environmental concerns: The sector is characterized by lack of social security, less than the minimum wages and poor occupational safety and security provisions are some other concerns. Child labour and poor labour standards that violate human rights are also issues in some of the informal sectors, for instance brick kilns, carpet making, textiles, garments, some agro based industries. (SOMO, 2014; ILO, 2007) As per NSSO survey 2009-10, there are 4.9 million child workers estimated to be involved by different productive activities (PIB, Ministry of Labour, 2012) Poverty, malnutrition and spread of TB also prevalent commonly in many sectors. If MSEs have to sustain themselves as partners in the global value chain, responsible business issues cannot be ignored, particularly aspects like child & forced labour, safety at work, decent wages and green enterprise practices, as consumers world over are increasingly aware and demanding that the products that they consume are not an end product of unethical enterprise practices. (EC, 2013) They insist that global value chains abide by the principles of sustainability, values & labour rights at enterprise level and adhere to green enterprise practices. (EU Parliament, 2018)

Select case studies of informal sector enterprises

Each of the sectors has their special characteristics and challenges vary. Some of the sectors are operating side by side with formal and whereas some sectors have no legal sanctity. In the following section some of the cases of informal sector are explored, based upon interactions with entrepreneurs, associations such as Federation of Cycle Rickshaw Pullers Associations (FoRPA), All India Kabadi Mazdur Mahasangh (AIKMM), potters and street vendors organizations as well as weaver communities and supporting NGOs.

Handloom sector: Handloom weavers are mainly from the weaker sections of the society. They make clothes for household needs. The informal nature of the enterprises cause a decline in the number of active units. Low productivity, low income, low wages, lack of social protection are other issues. According to New Culture Society working in Sambalpur district of Orissa, “weavers who are outside the purview of a co-operative don’t get support. Lack of direct market access, traders and exporters taking away the benefits of the hard work of the real weavers are some other issues. “Due to informal nature of handloom units, there is no direct loan to weavers. Look alike and similar designs from large textile sector are bringing down the cost of original weaver made products. though technology to reduce labor contribution is available, those technologies are not reaching the weavers. Handloom industry needs critical support and handholding to help them to move towards formalization” says Kishore Chattaria of the NGO New Culture Society.

Potters: Primarily a rural, disorganized sector, operates without any application of modern day technical support. The ability to respond to the market demand is limited. It has been estimated that over 40 lakhs rural potters still work with the help of conventional pottery wheels. Of the 15 lakhs traditionally skilled potters, about 95% are involved in the work of conventional red local pottery. In addition, the products made in the village pottery are only sold locally, at the village weekly haat’s level. According to Harpreet Ahulwalia, technology, better designs and responding to market demands are crucial.

Indicator	Reforms/improvement needed	Action required	
		<i>Informal</i>	<i>Formal</i>
Legal status	Legal registration/license to operate/permits	No registration or legal status	Registered and operate with licenses, permits after fulfilling legal requirements
Taxation	Tax registration/file tax returns/obligation to pay taxes		
Technology	Transition to formal enterprise space involves	<ul style="list-style-type: none"> • Advanced technology adoption • Green technology option and their adoption • ICT adoption 	
Labor	Improvements in labor status required	<i>Enterprise workspace to be free of:</i> <ul style="list-style-type: none"> • Child labor • Forced labor • Better work conditions 	
Access to finance and banking services	Facilitating access to financial services, credit and banking services Supporting entrepreneurs even after given a loan; technical advice in marketing, technologies and any other guidance		
Market access Government contracts, procurement by the gov. agencies	Local and neighborhood markets and limited market Global market reach out potential customers		
Enhanced procurement by Global Value Chains	INTEGRATING SMEs INTO GLOBAL VALUE CHAINS Addressing labour standards Address Child labor, Forced labor Green technology		

Cycle rickshaw pullers: Cycle rickshaw pullers are found in each and every city. According to FoRPA, there are around 15 million cycle rickshaw pullers in India . Formalization and modernization of the sector offers many opportunities. Better designs solar and e-rick technologies are beneficial. Issuance of identity card and ownership of rickshaws will benefit them.. “Currently most of the rickshaws are rented out. Health issues are a concern as cases of TB are many. The conversion of ‘Rickshaw Heavers’ in to ‘E-Rickshaw Drivers’ are taking shape swiftly. The number of electric rickshaws on Indian roads is about to reach four million, which includes a large number of unemployed youth in addition to rickshaw heavers. Increase in their average income, which earlier was around “INR 200 to 350”, as pedal rickshaws and after shifting to electric rickshaws it goes upto “INR 600 to 900”.

Food sellers: Bipin and Ratan, two boys, manage a small business that sells cooked meals, in an East Delhi suburb. They make an average profit of approximately INR 2,000 every day. They have no bank account and no registration with the municipality. They are earning good profit. There is potential for further growth, expansion and diversification of their business. They can be saved from harassment law enforcement agencies, to the least with the legal status. There are several possibilities if they are in the formal sector.

Handicrafts: The Indian handicrafts industry is fragmented, with more than seven million regional artisans.. Metal ware, Wood ware Hand printed textiles, embroidered goods & Shawls, Carpets, Bamboo products are few of the select sectors. While its products have overseas markets, the artisans do not get much benefit from the exports and remain poor.

Snake charmers as barefoot conservation educators Snake charming is an age old activity for generating some livelihood. However it is not legal anymore. Snake charmers are shifting to street vending, waste collection & scrap business, construction workers and domestic maids, says Kishore Chatter. They could be provided training in order to help them find alternative livelihood sources. There are suggestions from 'Eco conservation' activists, that "employment of snake charmers as 'barefoot conservation educators'" could be another solution as this will recognize their indigenous knowledge and protect their culture and also assist in the protection of thousands of snakes killed through ignorance by the common people. (Bahar Dutt, 2005)

Waste workers/E-waste recyclers/Rag pickers: Informal entrepreneurs dominate the waste management sector. According to AIKMM, an organization of waste entrepreneurs, millions of workers are involved in waste collection, sorting, recycling and selling material thrown away and they contribute in reducing carbon emission and save energy in handling the waste and support municipalities. They face harsh working conditions, low social status, have deplorable living conditions and very little government support. They are unrecognized in legislation and criminalized by the administrations, according AIKMM.. They are not part of the public solid waste management systems and are socially invisible and seldom reported in official statistics. Electronic waste, which is hazardous, are treated by informal workers, and are vulnerable to health and environmental risks. Improving occupational safety and health, upgrading skills, better incomes and living conditions are critical.

Attempt to formalization- Harit Recyclers' Association (HRA), formed with the Informal Waste Entrepreneurs Association- AIKMM- is providing a formal platform, licenses and required legal basis for informal workers to operate legally. With the E-waste license to collect and recycle, members of HRA can operate formally. HRA has 17,000 informal waste collectors as members,in and around Delhi and can engage in electronic waste management work legally.

- Lack of awareness about the benefits of being in the formal sector
- Many entrepreneurs are illiterates
- Digital literacy is yet another aspect critical while enterprises need as they move towards a formal enterprise space
- Financial and accounting literacy is another area that is to be focused on
- Certain sectors are incompatible to be formalized do to illegal nature of their businesses
- Lack of incentive for enterprise in some sectors to migrate to formal enterprise space.
- Operating formally can be more expensive, therefore they prefer to operate informally.
- Seasonal entrepreneurs find it burdensome to register and comply

CASES OF Informal MSE sectors

Obstacles in the route to formalization

Street food sellers	<ul style="list-style-type: none"> • Unregistered firms • Contribution to domestic economy • Limited education of the entrepreneur/s • Most vendors do not cross the qualifying turnover of GST, which is INR 2 million p.a (there may be exceptions) • Cash based transactions • No bank account • No dependency on financial institutions 	<ul style="list-style-type: none"> • FSSAI is registering them and providing training for food safety and standards. States are in process of identifying and formalizing them
Handicrafts sector	<ul style="list-style-type: none"> • largest employment generators • Most of the items come from informal rural and cottage industries and from traditional handicraftsmen • Middlemen gets the benefit • Low wages and income for the real manufactures • Aspects like child labor prevails in some sectors • For many manufacturers/makers: NO DIRECT LOAN • Finance still a problem so many operate as laborers of middlemen (kind of forced labor) 	<p>Market access and marketing support to handicrafts units in villages/rural hubs</p> <p>Improved access to finance</p> <p>Trendy designs and training in to be made available directly to the handicraftsmen</p>
Handloom weavers (Sambalpur Handloom weavers: one of the largest hub of handloom sarees)	<ul style="list-style-type: none"> • Weaver communities skilled in this dominate the manufacturing • Most of them have very little education • No Direct market access • Involvement of middlemen(traders/businessmen) • NO DIRECT LOAN to weavers • modern technology are available to reducing the labor hour and cost for weavers 	
Snake charmers	<ul style="list-style-type: none"> • A traditional sector • Snake charming activity and making snakes dance as the snake charmers play the flute in various street corners • Though illegal as per wild life conservation act, still prevails • Livelihood is in danger 	<ul style="list-style-type: none"> • Alternative livelihood • Training and skill development in other areas • The employment of snake charmers as ‘barefoot conservation educators’ and the recognition of their indigenous knowledge
Informal waste recyclers (E-Waste/ plastic waste etc) (Informal sector dominate waste management sector in India)	<ul style="list-style-type: none"> • Primitive technology use • Hazardous materials exposure • Safety and security concern • No registrations, legal formalities • Unhealthy living conditions • child entrepreneurs getting exposed to hazardous conditions • Lack of education • Cases of high rate of Tuberculosis among waste entrepreneurs due to their constant exposure to waste materials 	<ul style="list-style-type: none"> • Informal recyclers cooperatives with a common license (Case of Harit Recyclers association, New Delhi) • Without compromising waste ownership to waste pickers approach
Public transport: Last mile connectivity providers (Rickshaw operators, E-rickshaws, E-rickshaws providing services to businesses)	<ul style="list-style-type: none"> • Most entrepreneurs do not own their vehicles • Due to lack of meters face challenges like uniform charges per km • Charges depend on bargaining capacity • 	<ul style="list-style-type: none"> • Metered rickshaws • Opening of bank accounts • Ensuring finance for buying rickshaws

Suggestions and plan of action: Supportive ecosystem to facilitate transition

Enterprise Resource Centre: A framework of self-supporting ecosystem wherein they can thrive would facilitate their growth and sustainability. An enterprise ecosystem with a wide network, presence, with knowledge and infrastructure backup can support informal MSEs in transition by providing various links in the ecosystem providing the crucial supports.

They can provide crucial inputs, assistance, documentation support, legal advice and many other services that informal MSEs need in transition and post transition. Following are some of the crucial points in the ecosystem: NGOs, Micro Finance Institutions, Industry Associations, MSME associations, Training and Skill development centers, Business development services, financial institutions and network, State Institutions in the MSME promotional system.

Role of organizations/NGOs/Associations: Associations and chambers of commerce of MSMEs can play an important role in facilitating transition of informal sector enterprises into formal world of business. They can provide services like information on registration, support services like tax filing and in facilitating the fulfillment of regulatory requirements. Associations or organizations of informal sector players can indeed play more effective role in the transition.

Market Oriented Value Enhancement: Informal entrepreneurs while are adept in basic business skills, further enhancing and empowering them with market oriented 21st century skills are important. Market Oriented Value Enhancement (MOVE) is an innovative livelihood model developed by Best Practices Foundation (BPF) in 2003-04 upon the realization that most micro-enterprise programmes directed at improving the livelihoods of the poor were ineffective. (Purushothaman, 2012) The MOVE model aims at imparting business concepts and enabling them to establish successful small-scale enterprises. This is 'learning by doing' designed to impart essential skills.

Market demand oriented entrepreneurship: Traditional sectors like handicrafts and artisan focused sectors, have very narrow focus. Often they do not think beyond traditional markets. Customer base remain stagnant or recede as the time and technology changes. Often such sectors remain informal and entrepreneurs from such sectors migrate to urban centres due to lack of demand and failure to find sustainable source of income from their traditional business.

Post loan mentoring support system: With the Aadhar registration and MUDRA loans scheme and other finance schemes for SMEs access to finance has become easy. However, even after a loan is granted an entrepreneur need guidance. How to upgrade to new levels of business, regions, new products or technology and markets are all aspects where expert help come in. Post loan support is often limited. They should get continued mentoring throughout the lifecycle of an enterprise.

To conclude, the sector has a powerful presence of brilliant entrepreneurs, who can potentially contribute much more than what they do today in a formal enterprise space. India needs to tap the potential by way of formalization, modernization and empowerment.

NOTES

i Sustainable development goal no 8 addresses this concern. SDG goals and ILO decent work for all agenda, ILO resolution on transition of informal enterprises into formal ones calls for creating an environment conducive for sustainability at all levels and areas in the life and operations of a business.

ii The European Parliament is exploring the possibility of a legislative proposal on an effective traceability mechanism for goods produced through forced and child labour. The Parliament considers that forced labour

and child labour need to be taken into account in international trade relations. This could pave the way for a complete ban on the importation into the EU of goods produced through modern forms of slavery or forced labour, especially forced work of vulnerable groups extorted in violation of basic human rights standards.

iii According to Article 24 of the Constitution, no child (below 14 years) should be employed in any factory, mine or any hazardous employment. Article 21A of the Constitution also declares that all States should provide free and compulsory education to children between 6 and 14 years of age.

iv Waste workers, cycle rickshaw pullers in many of the cities live poor condition in the urban areas, slums and colonies with no sanitation facility.

v Companies are increasingly concerned with child labour in their supply chains. They view it as inconsistent with company values, a threat to their image and ability to recruit and retain top employees, as well as to the sustainability of their supply chain. Child labourers can be found in all stages of supply chains, including in agriculture, manufacturing and retail. The Social Dialogue Section of ILO-IPEC supports businesses' efforts to reduce child labour and to increase compliance with the ILO's child labour standards: Convention No. 138 on Minimum Age and Convention No. 182 on Worst Forms of Child Labour.

vi Sustainability principles are company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

vii India Pottery Industry, <https://business.mapsofindia.com/india-industry/pottery.html>

viii Harpreet Ahluwalia is an entrepreneur and founder of Earthen Creations, Noida. Her work is focused among potters from across India.

ix A 2012 study on Rickshaw pullers says in India as on 2011-12 there were around 10 million Rickshaw pullers (Bose, 2012). As of end 2018, the figure stands at 15 million or more according to Vignesh Jha of FoRPA, (a representative body of Rickshaw pullers), with presence throughout India there are no exact estimation of their number but it could be anywhere between 15 to 25 million.

x Snake charming is illegal as per the Wild Life Protection Act 1972. The use of wild animals is prohibited under this Act.

xi MSME associations as well as chambers of commerce operate for the promotion of their member's interest and incurring of additional costs may not often get approval from the members or their boards.

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Mumbai (former Bombay) Taj Mahal and the Gate of India

Photo © by Dr. Antal Szabó

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ENTREPRENEURSHIP IN THE DIGITAL ECONOMY**ABSTRACT**

Private entrepreneurship, small business, as the most active part of business, are forced to respond quickly to all the changes taking place in our life and economy. In the coming years, such areas in the development of science and technology as virtual reality and augmented reality will be relevant, which should be taken into account when determining the direction of business development. The importance of virtual reality is currently still underestimated properly even by the developers of this product. The created programs for the use of virtual reality in the near future will greatly increase the ability of a person to learn, process and manage large amounts of information, as well as to control complex devices at a distance. The development of more advanced digital solutions and devices will entail the creation and application of such technically complex systems directly integrated with humans as neurohybrids, neurointerfaces, systems of neurogeneration and resonant neuromodulation.

Using the possibilities of new digital technologies such as NFC and NFT, small businesses today can expand the scope of their activities, as well as provide new types of services, for example, in the creation and sale of arts. The article uses the experience of introducing new technologies on the example of Russian company.

Keywords: digital economy, VR, neurohybrid systems, NFT art.

JEL Classification: O33

1. INTRODUCTION

Private entrepreneurship, small business, as the most active and purposeful part of business, is forced to react very quickly to all the changes taking place in our life and economy. Innovation helps small businesses to survive in the face of the advent of digital technologies and the post-pandemic crisis. Technology is changing people and also is changing the future of humanity. Now leaders of countries at the highest political level have set a course for the digital economy. Humanity is increasingly faced with the problem when technology becomes a familiar part of life faster than a person has time to understand it. New technologies can change a person's worldview, attitude to reality, change relationships between people. In the coming years, such areas in the development of science and technology as virtual reality and augmented reality will become well-known, that need to be taken into account when determining the direction of business development.

Virtual reality (virtual reality, VR, artificial reality) is a world created by technical means, transmitted to a person through his senses: sight, hearing, touch, and others. Virtual reality simulates both exposure and responses to exposure. To create a convincing set of sensations of reality, a computer synthesis of the properties and reactions of virtual reality is performed in real time.

Augmented reality (AR) is the result of introducing any sensory data into the visual field in order to supplement information about the environment and change the perception of the environment. It is important not to confuse Augmented Reality with Virtual Reality.

Today, companies and developers, which are pioneers of virtual reality still underestimate the importance and power of the very phenomenon that we call virtual reality (VR). While virtual reality in the eyes of developers is just a copy of reality, they create 3d worlds that are very similar to our real world. In these virtual 3d worlds, we are offered certain simple game scenarios, learning technologies and many other products, often useful, which have already formed the market of offers.

In the very near future developers and their products will form a virtual reality that can place a person and his/her brain and neural network into circumstances and environments that are completely unusual and unpredictable for his consciousness. Thus, through such products, through visits and travels in new virtual worlds, a person will be able to develop consciousness, conceptual mechanism, neural networks. A person will be able to develop abilities and capabilities to unprecedented limits, to control time, to control space, work in parallel realities, be able to see and remember huge amounts of data, huge amounts of information. A person with one glance will be able to control hundreds of thousands of parameters, hundreds of thousands of readings of various instruments, will be able to calculate and integrate various formulas with amazing and incomprehensible speed and volume. This is what virtual reality can give a person.

Inextricably linked with the previous issue are such concepts as neurohybrids, neurointerfaces, systems of neurogeneration and resonant neuromodulation.

Neurohybrid systems are systems that are integrated directly into the problematic organ and are auxiliary devices of the human neural network, for example, the well-known pacemaker. Nowadays, the range of such devices is extensive. There are already dosing chips, which, being implanted in the patient's liver, can, both independently and on command from an external device, release the substances necessary in the process of hematopoiesis (blood formation).

Neurohybrid devices are devices that allow you to scan the activity of the neural centers of the brain and then convert and transmit the received signals into digital commands. For example, looking in the direction of the coffee maker and the desire to drink coffee, being recognized by the neurohybrid system, will be perceived as a command for the coffee maker to prepare a cup of coffee for you. Currently, neurohybrids are actively used to facilitate the communication of people with impaired hearing, vision, and other sensory organs. A prime example of a neurohybrid systems user was the eminent scientist Stephen Hawking, who had a rare, slowly developing form of motor neuron disease (also known as amyotrophic lateral sclerosis or Lou Gehrig's disease).

We are witnessing the birth and very beginning of bioresonance and neuroresonance technologies. Neuroresonance technologies are such software and hardware complexes and individual devices that are focused on the occurrence of resonant effects in the field of visual, auditory and other human neural centers. With the help of such devices, it is possible to install new neural-active centers into the human neural network that can restore lost visual, auditory and other feelings. In the future, it is planned to use neuroresonance systems as a replacement for modern smartphones, monitors, helmets and augmented reality glasses. The signal carrying the message by such systems will be generated at the frequencies of the brain and fed directly to the neural centers responsible for the corresponding mental reactions of a person.

For example, mobile communication in our realities today is a two-hundred-liter barrel filled with electronics that flies in orbit around the Earth and provides communication for several million people in a vast region. This is actually a technology of micro-resonances that occur between communication devices, between handsets and cell sites. If humanity will pay a little more attention to bioresonances and those resonances that arise in the neural networks of the human brain, in the human nervous system, then very soon may appear devices that can interact directly with human auditory nerves, optic nerves, and then the need for monitors, headphones and microphones will simply disappear. The devices will be able to transmit a signal and transmit information directly to the human auditory and optic nerves, bypassing the retina and ear drums.

Already today, using the technologies that emerge in the field of microelectronics, in the field of programming, it is possible to create devices that are capable of transmitting information directly to people's brains. Our contemporaries will not have enough fantasy to describe all the possibilities that the new technology of neurogeneration will give to people in the future.

EXPERIENCE IN PRACTICAL APPLICATION OF NEW TECHNOLOGIES IN SMALL BUSINESS:

The abbreviation RFID stands for Radio Frequency Identification. The first RFID tags were created in the 1940s and patented in the 1980s. This technology allows to automatically identify objects, including those that are placed at a distance. With the help of radio signals, RFID tags are able to identify physical objects, as well as track their movement. Hence another name for tags is transponders. You can put certain information on an RFID tag, save it, and later read it.

The development of such technologies has led to the emergence of the "Internet of Things" concept. The tag, made as a sticker, consists of two parts: an antenna and a microchip. All modern smartphones use Near Field Communication (NFC) technology to work both with each other and for reading similar tags. In this regard, new generation tags, which are microcomputers based on NFC chips, have also gained popularity. The size of such a modern computer does not exceed 1 cubic millimeter.

It is the labeling and further identification of objects and their properties that allows businesses to effectively solve the problem of counterfeit products. For example, according to the law adopted in the Russian Federation, starting from 2017, all sold fur products must be equipped with a special RFID tag that protects them from counterfeiting. Our laboratory (Kuznetsoff Laboratory) proposed to develop this approach, expand the list of objects and apply the chipping principle to works of art.

Technically, the task is to integrate a standard NFC chip into the canvas, on which the artist will later create his work.

We started by protecting our technology by obtaining a WIPO-proof certificate for a method (technology) to digitize an already finished work of art. Embedding a chip (chipping) already created works of art using our technology, for example, canvases by already famous authors, often expensive canvases, means acquiring many advantages and conveniences. If the canvas is chipped, it receives additional protection against forgery, since the chip has the main property - uniqueness, and this uniqueness is guaranteed by its production technology. The chip is practically impossible to fake, which is why they are used in bank payment cards. The chip itself is such a small seed-crystal, the size of a poppy seed, from which antenna hairs extend, and this is enough to fully interact with the world of electronic gadgets.

The production technology of this crystal enables each chip-crystal, and they are produced in millions of pieces a day, to receive its own unique number and password. Of course, theoretically it is possible to make a copy of the chip, but you will need at first to build a factory for a couple of billion dollars and pass the state certification of production, which is practically not feasible, and it does not make sense for the sake of copying one chip. And even if we theoretically get the same factory for the production of chips at our disposal and grow the same tree of crystals, then inside these crystals we will get 10 to the 256th power of options for how we should address the names and keys. Of course, it may happen, in the very distant future, that some technology will appear that can bypass the protection of chips, but this is a completely fantastic theory.

Accordingly, it can be argued that each chip is a kind of fingerprint, but for an object. Further, we only have to provide art objects and objects that are dear to us with such prints. In the future, we will be able to know for sure that this is exactly the object that we need, and there is no other such thing and cannot be.

This is a brief theory, but what about practice, where is the convenience?

Art objects worth up to a thousand dollars, equipped with such a chip, do not require expertise when they are sold or rented. Statistics show that most transactions with art objects do not exceed the amount of a thousand dollars. The cost of an expert's services ranges from 100 to 300 dollars for this category of goods, in addition to these costs, there is still time for an examination and other costs. All of these are major deterrents to the development of a market for young artists. At the same time, none of the market participants has any doubts about how important it is to remove the need to conduct an examination, but at the same time retain the opportunity to verify the authenticity of the work at any time.

Using this technology, we give the buyer a real alternative to the need for an examination. Buying a painting for USD 1,000, he can simply see it in the registry-catalog, and all he has to do is to bring his smartphone near the painting. A specialized mobile application developed by our laboratory, scans the chip in this picture and that's it, that's enough! The code on the chip is read and the smartphone application itself shows the buyer what kind of work is in front of him: an original, a copy or a fake. An expert is not needed in this case.

Moreover, when scanning, our application can provide additional information: who is the author of the work, when and from whom the work was last purchased, the cost of the painting, who is the true owner, and the true owner can remotely establish a ban on the sale of this painting, or submit it to search, and then it is immediately reflected in the application and, therefore, the buyer has the opportunity to refuse a dubious transaction. Due to the fact that the application is in the smartphone, and the smartphone is connected via the Internet to the control server, the author or owner of the picture, in real time, through his personal account in our system, can see all the information about the movement of his paintings. This is very valuable feedback for the artist. Where, who, what bought, who sold, who looked, who wanted to buy, and who left an enthusiastic review. All this information is global, and, at the same time, having digital precision, is always available to the author right in his smartphone. The picture becomes a full-fledged interactive object and the author can now, through his creations, receive real-time information about what is happening to them, where they are and what people think about his work in general.

We decided to introduce this technology into life from start-ups and work with young and, in our opinion, very promising artists. At the same time, we registered our second technology in the WIPO proof system - a method of canvas chipping. At the beginning of the process of creating a work of art, a canvas is chipped, which we provide to the author, and the author, in turn, on this canvas creates his work from the very beginning.

By implementing the chipped canvases startup, we have witnessed the creative growth of a dozen young artists, including: Andrey Brus Chadov, Tasha Grekhova, Alexander Gerts, Vova Shugaev and others. Literally over the past couple of years, we have seen how talent and energy are manifested in their work. We invited young artists to apply our invention, open the era of digital creativity and digital art.

What we are doing within the framework of such a partnership is not yet being done by anyone in the world. For the artists and me, this is a real act of co-creation. On my part, creativity is technological, engineering, and on the part of the artist, this is the art of the new time, the art of the future. We connect two worlds, the world of digital technology and the world of real art. This is a very important step and event in the 21st century. In our experiment, we just want to formalize and technologize this process. How well can we do it? I hope that the interested participants in this process will appreciate our efforts. People, in contact with original art objects, will show their emotions, draw conclusions about whether we succeeded or not.

In the era of the availability of digital printers and 3D printing, artists have several pressing problems that arise both in the process of creating of an art object and in the future during its exhibition and sale.

First: Retention of authorship and author's rights. The value of the author in the work is unconditional, and first of all when creating an art object. The author needs to be known to the viewer and the buyer, because the popularity and demand for an art object is advertising of the author. This advertising is especially important when the author is still young and just starting his career. The first and main task is that the art object need to be accompanied by advertising, so that it makes the author recognizable and popular.

Second: Examination of the work and protection of art objects' consumers from fakes. At all times, various attempts have been made to solve this problem: secret signatures, copyright marks, autographs with invisible ink, and even holograms. But everything that is shown in reality (even watermarks and ultraviolet marks), unfortunately, can be easily faked in our time, but a chipped canvas cannot be faked, in view of the peculiarities of the technologies, described above.

The technology we offer is also in full harmony with the new direction in the digital art of NFT. A non-fungible token (NFT), also a unique token, is a type of cryptographic tokens, each sample of which is unique (specific) and cannot be exchanged or replaced by another similar token, although tokens are usually fungible in nature.

A non-fungible token is a digital object uniqueness certificate — a digital cryptographic certificate that confirms the right to own a digital asset (digital artifact, file). NFT does not prevent the copying of a digital artifact, it only secures the ownership of the original copy of the digital artifact in the Ethereum blockchain environment or in other similar blockchains.

In fact, our technology can become a key connecting link between representatives of fully virtual digital creativity and classical fine art. The chip, which is integrated into the canvas, allows to record and store on it both an electronic image file of the picture on the canvas and the NFT token of this image. Thus, the owner of the work can place the work in the state gallery for public viewing and under the protection of the state, and use the digital rights to this work in their commercial activities.

Considering the very phenomenon of NFT art, it can be argued that the true protection of such works, their real value, can only be observed if the owner of the digital image takes care to create, in parallel with the digital image, also an image printed on a chipped canvas.

Our technology is, in my opinion, the only way to materialize (ground) a virtual image. Because NFTs could be various photo-toads, Internet memes, icons, avatars and other digital works of art that were not previously shown in material media. This technology allows to commercialize many types of work, for example, if you made a funny collage or fantasy-style banner in Photoshop, then sent this image to roam the networks, becoming recognizable. And when this picture has become a world-famous virtual art object, it can be made part of the blockchain using NFT technology.

Getting into the blockchain, this picture receives a virtual box and an access key to it. Further, this access can be resold or transferred, but the image itself can be copied and reproduced an infinite number of times, without the consent of the author. Of course, we will need to take into account the ethical and legal aspects of such copying. It is important for us to understand that the technical possibility of borrowing pictures from a computer will remain, even if the pictures are protected in some sophisticated way. Nothing can stop somebody to bring a smartphone camera to the image, take a photo and send it to thousands of followers on the Instagram.

Differently, if you print an NFT image on a canvas with a chip and write it in the mobile application library, in this case you are guaranteed both the uniqueness of the image and the legal right to own this single real

copy. Anyone who wants to scan the chip with their smartphone, on which the application is installed, will be able to verify the originality of the work that flaunts in your living room.

But also, nothing prevents the artist from going the other way, taking a realistic physical work of art and digitizing it, that is, placing it in some kind of digital code and giving this image a digital NFT token. Next, the chip of the picture is scanned while viewing it, thus creating views for its NFT image, and thus, the picture, being popular offline, can become a meme or a popular work online. Thus, anyone who acquires the right to an NFT image will be able to receive a material object in the future, the real picture from which this image was obtained.

This is the essence of our invention. We do not just digitize a work, but create a work together with the author, and the digitization of this work is carried out in the process of its creation. In our opinion, this technology will soon translate canvases into a new standard for artists and consumers, opening a new chapter in the development of fine art.

CONCLUSIONS

Using the example of the technology we have described, we can see how the introduction of just one technology can open up a whole range of directions in the development of markets and services. It is important to note here that the time spent on the introduction of such technologies and the development of consumer markets based on these technologies is comparable with the life cycles of any other entrepreneurial projects. The financial costs of introducing digital products are quite commensurate with the lending capabilities of small and medium-sized businesses. The cost of operating mobile applications and advertising activity in social networks today does not require billions of dollars in investments and budgets. Every entrepreneur can succeed by offering new services to consumers and supplying them with digitally produced products that provide advantages and convenience in work and life.

Most of the laboratories and developers in our time exist in the form of start-up projects, being in an active search for investors and distributors of innovative products. They are open to communication and partnership, many publish their achievements in open social networks: Facebook, Instagram and specialized platforms such as Kickstarter.

New technologies open the door to the future, to digital products and services, to real opportunities for small businesses.

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TEACHING ENTREPRENEURSHIP WITH DIFFERENT METHODOLOGY

ABSTRACT

Purpose: I would like to share the 20 years of teaching experience I gained during teaching entrepreneurship in different programmes.

Out of the plenty ways of teaching in class I practiced the most common ones. We started with frontal lecturing, shifted towards case study Harvard Business School methodology and ended up in blended learning (mirrored classroom).

I found that all methodology is suitable to teach entrepreneurship if they are containing practice-oriented assignments. All courses should include entrepreneurial language in the study programme. In case of mirrored classroom students are bored of long videos and not meeting them every week less efficient in control and keep their motivation during semester. Blended learning biggest advantage compare to other two methodologies, that different classes receive similar quality. In frontal and case study methodology the quality of education is largely dependent on the quality and credibility of the professor/lecturer.

The assumptions only valid if we look at general entrepreneurship courses. Courses like business planning or social entrepreneurship require much more practice-oriented classes (including guest entrepreneurs / field trips etc...)

In my case from the large number of standard frontal teaching, till the blended learning mini classes I was trying to find best ways to satisfy students need. I would like to share some of these experiences, with colleagues, who likely to have similar challenges in entrepreneurship teaching.

At Essca University we teach small classes 10-15 pupil, but runs parallel every campus, altogether 300 students. With mirrored classroom, video materials on moodle platform with MCQs. Professor only has a role of a mentor. There is an entrepreneurial project with video pitch in the end of the course.

At Corvinus Cems international program introduction to small business shifted to start-up navigator where students learned more about entrepreneurial ecosystem and have assignments to understand start-ups (born global companies).

At Corvinus BA (bachelor) program starting and managing small business course where main focus was to get to know an entrepreneur (case study) shifted to business concept map where focus was practical steps before registering a business entity and entering the market.

Continues development is welcome, but I am concerned whether we are not losing a lot of value forgetting traditional teaching.

Keywords: blended learning, case study learning, practice-oriented teaching, participant-centred learning, entrepreneurship teaching

JEL Classification: A2, L26

INTRODUCTION

First of all, I own a lot of gratitude to our founder Peter Szirmai, who was visioner and changed our mindset about entrepreneurship teaching. He was dedicating all of his time and effort to help students in several fields of life. He was wise and patient with young talents like me. Also we still have the luck, that one of the greatest entrepreneurship professor János Vecsenyi was with us with last 20 years. His creativity and innovative mindset 'push the envelope' further beyond most other University courses. Without his books, course materials, basic principles, matrixes, models we would not exist, and would not earn excellence feedback from thousands of satisfied students.

I also want to say thank you to all the colleagues¹ who was teaching the courses with us, as all of them added a bit from year to year, left his/her fingerprint on the subject. Without them my knowledge and the course would not be our intellectual property, just it would be a course copied from foreign university.

In the last 20 years most of the time Entrepreneurship course and programmes were elective at Corvinus University of Budapest. It means students had the freedom to choose whether they want to attend courses about entrepreneurship. This was a privilege to us, as we were in a convenient situation that only those students applied for the class who were interested/motivated to study entrepreneurship. Also, we experienced growing need by students, we tried to increase capacity to meet the demand. We also offered the course on English language, and because of changes like introduction of Bachelor and Master system, we shifted the course from 4th year to 2nd year of studies.

This 20 year was full of up and downs, it was rather bumpy road, and we received several bad feedbacks on ideas which were not welcomed by many students. In 2023 we have fresh restart of the course, and I try to look back and list all the pros and cons of different teaching method. I also look for help, from other lectures how we could go beyond and become better servant / mentor / professor for future students.

EVOLUTION OF THE LAST 20 YEARS IN OUR METHODOLOGY

Standard frontal teaching

As a university student in year 2002 I had the pleasure to listen the first entrepreneurship course taught by professor Szirmai and Vecsenyi together. In Hungarian language the word of students means to listen. In those times students' only duty at the University was 'to listen'. Not to disturb professor (be silent) and at the end of the course to pass the exam what he/she has memorised from the book. I did not expect different. The book was written by Janos Vecsenyi: Entrepreneurship. From idea to restart, as it was in editorial version just before publication, we got it as a handout material.

I think there was where magic happened. Peter Szirmai was not talking only about theory, but brought plenty of stories and real life examples. I was started my first business 1999, and the class I realised that they have answers most of my business problems. This was something useful what I learned there and it opened my eyes and mind wanting more and more.

János Vecsenyi was real showman, a fantastic actor, who was a trainer/mentor, and using his skills to make the class as entertaining as possible. He made roleplay on class, challenging students with questions, sharing his fantastic experience of his managerial business life.

So it was traditional standard frontal teaching class, with all the cons like formal class, final exam from the book, student supposed to be only listeners.

¹ I cannot list all of them, but I want to mention by name: Gábor Kerékgyártó, Krisztián Csapó, Dániel Béza, Zoltán Sipos, Judit Filep, Ágnes Kiss, Katalin Szakács, Pál Breuer, Gábor Kazár, Balázs Csóri, László Csepregi, Loretta Huszák, Geirge F. Hemmingway, János Moll, Gergely Freész,

But two fantastic professors did their best to turn this class a never forgetting event. I did not miss a single class, as first time in my studies I had the pros, like it was useful what we study, interesting real-life stories, and entertainment.

It became immediate success and trigger the development of the subject. First of all, they had to figure out, how keep up with the demand. They had to change the model to lecture and seminar. They had to teach lecturers how the lead seminar. They had to standardise quality and assure that at each seminar happens the same. They developed teaching handouts for all the classes. But this point where important thing happened. They invited seminar leaders to take part in development of the course. Their plan was, if somebody take part in study material development, they will own the course. They will fill that it is also his own subject. Will be much mor involved and more motivated to teach the class. Within 3 years the class reached out 250-300 students/semester with 2 professors and 7 seminar leaders (most of them active entrepreneurs from business.)

Practice-oriented classes

The aim of this new and exciting course was to develop not only an understanding of business and its supporting theories and concepts, but to stimulate and encourage entrepreneurial thinking and development.

We were surrounded by entrepreneurs developing new concepts and ideas, stimulating others to follow them or to stand and admire their achievements. Every one of us is surrounded by opportunity; the key is to realise that when “opportunity knocks” you as an individual have the ability and knowledge to unlock its value.

The main objectives of this learning experience were to create an understanding of the nature of entrepreneurship and the contributions entrepreneurial ventures make to the economy, identify and evaluate characteristics of prospective entrepreneurs and their industry & competitive environments in order to appraise their chances for success, assist course members evaluate their own entrepreneurial potential and probable levels of commitment. The course also provided practical knowledge on starting, managing new ventures and try to refocus career objectives of becoming job creator instead of job searcher.

The whole program was designed to be very practice based where students will be actively encouraged to develop their ideas in a series of workshops that will be run throughout the course. The course was provided lectures, case discussions, and experiential learning opportunities around four major issues:

- (1) The Entrepreneurial Perspective focuses on the individual (the entrepreneur), the organization (the entrepreneurial venture), the process, the environment (the international arena)
- (2) Creating and starting the venture provides an insight on collecting and creating business ideas, and making a business plan
- (3) Financing new venture presents the business model of a new venture and gives tips to finance the new venture
- (4) Managing, developing and ending the new venture deals with issues of interest of most entrepreneurs such as launching the new venture, establishing the management structure, coping with crisis, and driving for growth

To expand perspectives entrepreneurs were invited as guest speakers.

Also students were not listener any more they got plenty of assignments to keep them busy all the time.

Assignments:

- Collecting business Idea (Individual assignment)
- Creating Business Concept (Individual assignment)

- Collect and present information on the procedure of starting of a new venture in your home country (Individual assignment)
- Preparing a case study in writing about an entrepreneur and his/her venture. (Individual assignment)
- Create a business plan for a company (group assignment)

With a large number seminar leaders, the subject became more colourful. There was a healthy competition between seminar leaders who get better evaluation at the end of the semester.

There were several cons as well. First, students felt too much burden on them. Too many assignments and difficult group works made the unhappy. Even students received detailed guidelines for homework they did not feel comfortable. Group work was not common at university studies, so they found it difficult to form groups and work together on regular base.

Too frequent changes caused several problems. The optimum solution was not changing more than 3 class material in a semester. The greatest disaster was when we sent out students to banks to collect financing opportunities. Branch offices of banks around university block received 500 similar inquiry in one week. Finally bank employees solved all the assignments and giving the students readymade solution, so now work has left to students just to hand it is.

I believe the best assignment to prepare case study about a real entrepreneur. This assignment force students to leave the safe environment of university walls. They have to find an entrepreneur and interview them. It increases communication skills. It also opens their eyes and mind when they hear the story of a real entrepreneurs. While they prepare the case out of entrepreneur's story the usually find the takeaway alone.

What we experienced that they want guest entrepreneur (guest speaker) for every class. It is never enough. In order to make student pay attention to the guest speaker, they have to write thank you notice to the entrepreneur after class. This helps to learn from the guest, as they have to write about what was surprising, what was meaningful for them, and how good was the presenter.

Participant-centered learning

At Harvard Business School, they were ahead of all school in teaching. They changed their flagship course from General management to Entrepreneurial management. They prepared cases, from large budget, and the prepared time plan for every class, with detailed board plan included. The professors were very experienced and professions with a lot of help of teaching assistants, who were taking notes and minutes of the class.

We also tried to implement some study elements with limited success. We also formed study groups (3-5 students), they had to read the case and prepare for the class together, answering questions, work out solutions.

Also, we translated the course to English and bought some Harvard cases to use in class. We used Robert D. Hisrich (2005) Entrepreneurship book as basic reading. Compare to European and local cases we did not have success teaching Harvard cases. We were not enough familiar how to teach Harvard cases. Most of the Harvard cases were above the level of Master programs. Students without working experience are not the right audience for this case methodology.

We realised that entrepreneurship became common course for many programs so it was not so 'sexy' for students anymore. Therefore, less students were selecting entrepreneurship course as elective anymore.

We shifted focus of the course in order to gain more students again. The English version became start-up navigator, and most of the course is about start-up ecosystem. Start-ups are very trendy, so many students wanted to learn about them.

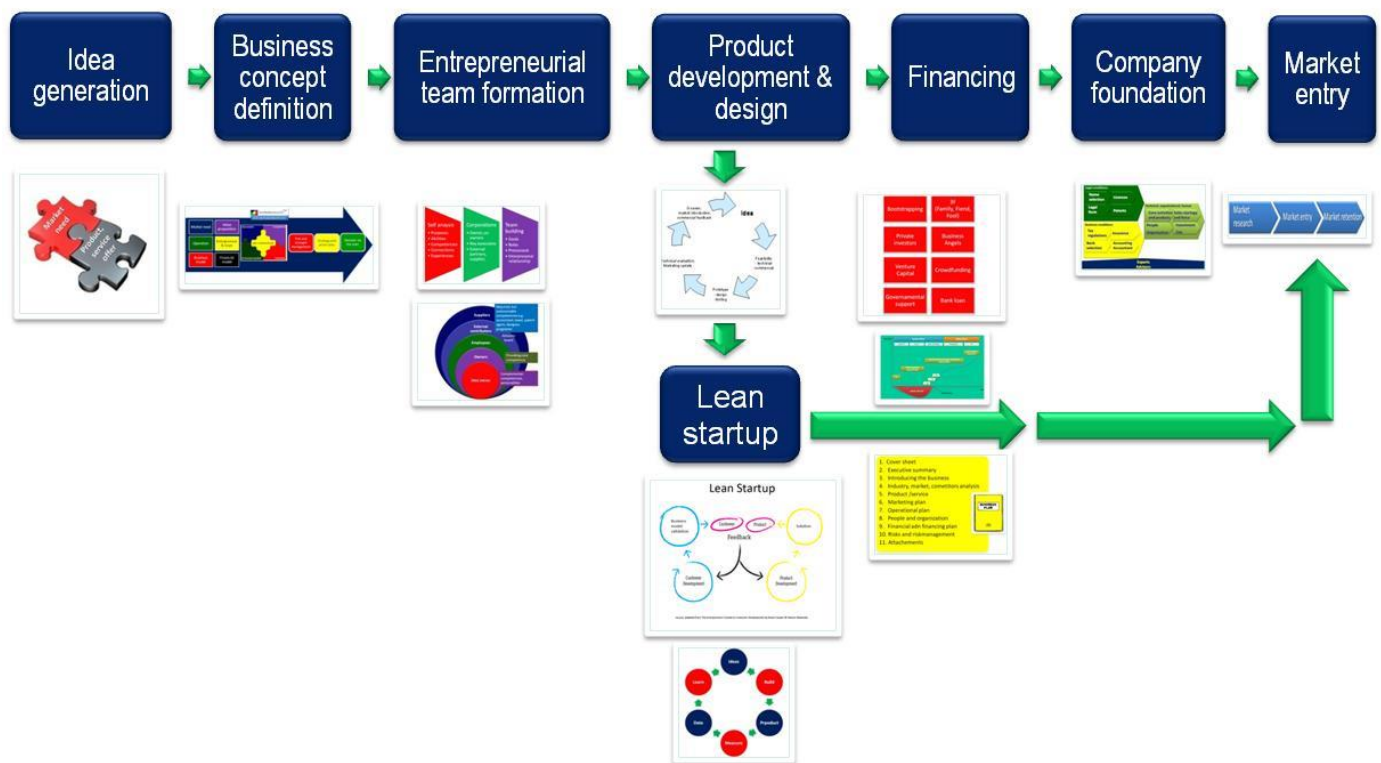
The Hungarian course shifted from getting to know an entrepreneur towards how to develop new business. Vecsenyi- Petheő (2017) prepared a new coursebook, titled Start new venture smart. 12 steps from the idea to market.

Vecsenyi prepared a Business Concept Map and roadmap for students how to enter the market.

We visited the European entrepreneurship colloquium on participant centered learning at Harvard Business School, led by Howard Stevenson. We came back with a lot of motivation and hope that is also possible to do as good as they do. We had to learn that we cannot adapt the fantastic supportive business environment what United States have. The market opportunities and possibilities on the other side of the pond is not comparable of ours.

A roadmap were developed and became the spine of the renewed course, which were filled with practical local examples.

Roadmap of the Entrepreneurship course



All the courses followed this roadmap and students had modified assignments, like testing viability, do market research, design one pager and prepare for elevator pitch.

There were plenty lessons learned out of this period. With help of IT developer an online software was developed startmybusiness123.com, where students had to answer question, and from the answers it becomes a mini business plan.

This simple software had a lot of difficulties. We had to simplify reality, narrow down choices, and continuously correcting bugs. Students were not happy with the solution, and results were hard to mark by professors.

After a time, the lack of support by the university we were not motivated to finance it ourselves. Time flies very fast over software so it should start from scratch again to modernise it.

Guest speakers worked well, new course book also, but roadmap was not easy to follow, as there was different type of students in the class.

We identified 3 segments of students:

- first segment were *Future hunters* (curious, open, uncertain) they need only to get familiar with why entrepreneurship is important in your life and for society for them the course provides practical knowledge on starting a new business
- second segment were *Future rider* (want to start business later, need orientation, need to prepare) for them the course focus to inspire and encourage entrepreneurial thinking, to learn business language and entrepreneurial behaviour, to refocus career objectives to become entrepreneur
- third segment Start-up driver (want to start as soon as possible, want to try, want to gain real life experience)
For them we offered extra out class activity to participate in start-up VIP program. In this program students were working on their own ide. Doing market research, feasibility study, elevator pitch and participate in Danube Cup competition.

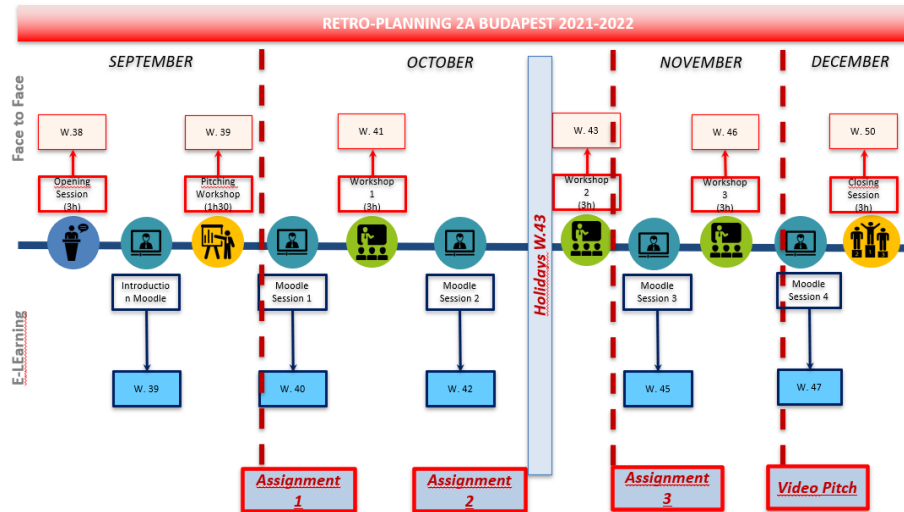
This program invited students from other university and become international thanks to the effort of a dedicated team. Most of the students are in first two segments, so we are not allowed to concentrate only future talents.

Blended learning (mirrored class)

I had the privilege that Essca University (France), invited me to teach entrepreneurship at its Budapest Campus. Essca has five campuses around the world and students should study at least one semester abroad during their studies. Every semester plenty of French students arrive to Budapest campus to study English courses not offered at home. It was very good traditional teaching, but because of institution accreditation Essca management decided to turn several classes in blended learning. This way they can guaranty same quality on every campus, and the courses are homogenous everywhere. In France a group of professors developed course material, recorded videos with ppts, selected several videos to implement the course. After the course material were ready, they prepared a lot of multiple-choice questionnaire (MCQ) in order to measure student performance. They also developed guideline for local lectures and grading forms. When it was ready it was uploaded in moodle and was lunched for the first time.

The moodle was a very good platform for this, several features are used, which were not used before. The professor could follow progress and summarize received points automatically.

They also prepared a roadmap, for the course, see below.



As you can see every second week is e-learning (students do not attend class), previously these were the classes where professors had a lecture about theory. Students should watch videos which are obligatory and there are other videos offered if they get interested in the topic. On other weeks students attend classes and lecturers are guest entrepreneurs act like mentors. They are helping students to reach the course goal. The final goal is to prepare a 90 seconds video pitch about a business idea, which were not exist before. They have to get seed financing and have to develop a business concept during the semester.

Teaching first time in mirrored class was very uncomfortable. In this special case at all campus together 300 students were selecting this course. In Budapest only one class with 18 students. In other campuses number of students vary between 12 and 30. The second semester was much easier, as lot of fear was not valid. A lot of assumption was not true at all. The small group is ideal if students are motivated. If there are some free rider larger class more efficient.

The are several reasons to use blended learnings:

- Standard quality of the course is easily reached
- Unexperienced lecturer can run the class with low effort
- Professors has only the role of mentor, he/she is not the center of the course
- MCQ and assignments force continues study
- More Covid safe as less contact need with student

I also experienced difficulties, which keeps me away from blended learning in post Covid times:

Less contact with student makes course very impersonal, also less possibility to control process, and less opportunity to get to know them. Students do not like boring long videos, so the watch it double speed or only watch the first 5 minutes.

Only team can develop such a big material. Videos need to be refreshed, recut, remake frequently, lot of background material needed, technology use is not professional compare to commercial or studio videos. For high quality act and video cut financing is not available at universities.

CONCLUSION, HYBRID TEACHING IS PROBABLY THE FUTURE

We had to keep an eye always on business trends, and we did our best to implement popular tools and methodology in our course. These tools are useful, but not easy to integrate in a course. We integrated Alberto Silva (2011) Prototype it, into the process. This was more interesting for engineering students. We also implemented Bill Aulet (2013, 2017) disciplined entrepreneurship process in the course. There are several phenomena which are widely used, but did not exist earlier e.g. beach head market, life time value, cost of customer acquisition, persona etc...

We are not allowed to talk about entrepreneurship without Eric Ries (2013) lean start-up model. Although we have our own Business Concept Map, we have to teach student how to use Business model Canvas by Osterwalder (2010). After we included start-ups in our programs Steve Blank (2012) book about start-ups became part of the course. Validation got into the highlight so we use Robert Fitz Mom test as well.

We accumulated large experience in entrepreneurship teaching. We are facing challenges, how to teach the next generation of lecturers. What kind of lecturers do we need? Regular PhD students or active entrepreneurs or good researchers. Which way should we go on? Should we force online teaching? What is the right class size? Should we reach out for more students or we should we focus on excellent ones?

I think online is not good enough, therefore we need hybrid teaching. Some part of the course should happen online like MCQ, short videos, cross boarder teamwork. But we need to meet personally, introduce them local heroes (entrepreneurs), teach them skills to gain experience in solving problems.

Entrepreneurship course needs great professors, who run the shows, and we need lecturers / mentors who drives small seminars. We need also up to date course materials, which need to be continuously developed by teams. It is impossible to develop quality material alone.

Lately we started to add new tools to the course in the form of special workbooks. These workbooks are sample forms for a real case, to drive students through processes. It contains a sample and an empty form sheet. It has a guideline as well, e.g. how to do validation, how to prepare a pretotype.

I hope others will also share their best practices to improve quality of teaching and be able to develop student skills. Entrepreneurship courses should move to need to have category instead nice to have. I wish after publishing this article I get a mail at least one lecturer who is ready to go on this path with us.

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SOME THOUGHTS FOR EDUCATIONAL THOUGHT LEADERS.**ABSTRACT**

The Author presents the steps of industrial revolution. The last one – the fourth stage we call as digital age. From positive perspective the digital age gives us greater global connectivity, greater flexibility in our work environment, cheaper communications, cheap education for the masses, huge information storage and varied learning options. We are witness of the most significant social transformation of the global community.

The senior generation in Europe and US is feeling alienated due to: increased feelings of inequality not only between the generations of their family but also within their peer groups, the inability to access public services that have become more and more digital, and an increase feeling of technophobia due to their accelerated health issues. The challenge to European educational thought leaders are: to better understand the reasons why older people are having problems within this new economy. In conclusion we must start thinking more about our senior people's ability to comprehend and utilize this new digital technology if they are to be inclusive in our society.

Keywords: industrial revolution, digital age, challenge of the European education, introduce digital technology to the old generation

JEL Classification: G32; E51; F30

Charles Dickens started his famous 'Tale of Two Cities' with 'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness...'. Dickens wrote this classic book against the background of the French Revolution. At the time Dickens was also able to bear witness to another revolution that had started about 100 years prior to his book being printed in 1859 - the industrial revolution. Today, 240 years later, we are well into the fourth stage of this industrial revolution. Dr. Jeffrey Sachs (The Ages of Globalization, 2020) tells us that as of the year 2000 we entered its fourth stage and he refers to it as the 'digital age'. A time where our primary energy source is shifting to wind and solar; our industry base is driven by digital networks; and our information sourced from the internet. Perhaps this is the best of time. It is also a time when many of our higher education leaders are seeking direction in an accelerating society of inequality. Perhaps the worst of time.

The first stage of the industrial revolution started with the invention of steam as a tool of mechanization in the mid 1700s. This transformation shifted the base of our labor forces from manual labor to mechanical labor and with this shift most nations moved from an agriculture to manufacturing based economy. The second stage began about 140 years later and was ushered in by the commercialization of electricity. Electricity enabled machines to operate other machines (automation) and vastly increased the speed of the manufacturing process. By the 1960s the third stage was ushered in with the commercial application of the computers. This third stage again changed labor requirements from technical to knowledge-based skills. And once again we had a shift from a manufacturing to service-based economy. The 'computer age' basically lasted only about 50 years as the internet set the stage for today's fourth phase the 'digital age'. This most recent shift requires specialized skills in science, technology, engineering and mathematics that many schools are struggling to meet.

From a positive perspective this digital age gives us greater global connectivity, greater flexibility in our work environment, cheaper communications, cheap education for the masses, huge information storage and varied learning options. Perhaps the age of wisdom. But at the same time the digital age has created many challenges such as the creation of monopolies (think about Facebook, Amazon, Netflix and Google), greater cyber-crime, radicalized thinking, and addictions to gaming. But perhaps the greatest negative effect of this digital age is that it has created greater inequalities between people and nations. A time of foolishness.

It appears that aging has become one of the most significant social transformations of our global community. Today the composition of the world population has changed dramatically. According to the UN between 1950 and 2020 global life expectancy rose from 46 years to 73 years, almost a 60% increase. Further if we look at the number of people over 65 years of age (seniors) we find they account for about nine percent of the global population. This nine percent, according to Statistica (2019) is expected to double to about 1.5 billion by 2050 making for a shocking transformation of all aspects of society. However, this nine percent of seniors are not evenly distributed evenly around the world. If we look at the world as six major continents we find approximately 18% in Oceania, 15% in North America; 12% in Asia, 8% in Latin America; and 3% in Africa. But 18% live in Europe (the highest of all continents) and this concentration has many challenges for European society and education in particular.

According to research by Eurostat (2019) only 24% of the people over the age of 65 in Europe have the basic digital skills to function comfortably in society. These seniors are feeling alienated due to: increased feelings of inequality not only between the generations of their family but also within their peer groups, the inability to access public services that have become more and more digital, and an increase feeling of technophobia due to their accelerated health issues such as disabilities of arthritis, cataracts, hearing loss and dementia. It is believed that many of these alienations could be reduced greatly with lifelong learning focused on applied digital skills. Cognitive stimulation from further education offers increased neuron generation that: positively effects memory, thinking and reasoning skills; reduces risk of some forms of dementia; lowers stress and blood pressure; and spark interactions that helps avoid depression and isolation in seniors.

It is therefore suggested that the challenge to European educational thought leaders are: to better understand the reasons why older people are having problems within this new economy; to find ways to introduce digital technologies to currently excluded users; to improve the design of digital products such that they are easier for seniors to use thus excluding those who are physically challenged; to rethink the language of digital and get rid of the acronyms that have led to elitist communication among the 'cool crowd'; and to encourage seniors to continue life-long learning and offer them continuous programs focused on the applied nature of the digital age for everyday use.

In summary our world's population is aging dramatically and at the same time our industrial revolutions stages are becoming shorter and shorter in duration. Europe has the greatest percentage of people over 65 years of age and only 24% of their elder citizens have a basic understanding to use the new digital technology and are thusly discriminated within their family, community and society. Not understanding their specific challenges and responding to them will only add to any county's political, economic and social issues and facilitate an age of foolishness.

In conclusion we must start thinking more about our senior people's ability to comprehend and utilize this new digital technology if they are to be inclusive in our society. If we want to sustain ourselves and our current quality of life we may consider slowing the pace of technical change allowing all of us, especially our seniors, to catch up. Also shifting a large portion of our current educational budgets in higher education from youth to life-long learning for the elderly may pay dividends and usher in a more inclusive society. A time of thought.

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THE WAR IN UKRAINE DEALS A BLOW TO RUSSIA'S FOREIGN DIRECT INVESTMENT LINKS ³

ABSTRACT

The war in Ukraine started in February 2022 adds major uncertainties to foreign direct investment (FDI) to and from the Russian Federation and affects it negatively in the short, medium and long run. The degree of the hit will depend on the exact contents of sanctions and counter-sanctions, not fully known yet. However, the severe consequences of some of them are already visible, adding to the financial strain caused by the war. FDI to and from Russia is expected to fall drastically in 2022 and, depending on the length and depth of the conflict, in the subsequent years if no exit strategy is developed fast to stop the conflict and its eventual escalation. This study concludes that the fall in FDI will at the end hurt the economic capacities of the Russian Federation already affected by a previous round of sanctions imposed in 2014. Decoupling of the Russian economy from FDI partners works, if it works, only partially, and at a relatively high cost. That in turn could thwart the very economic fundamentals of the war effort.

BACKGROUND

On the night of 21 to 22 February 2022, President Putin announced that the Russian Federation would recognize the independence of the self-declared Donetsk and Luhansk “People’s Republics” and would deploy troops there as “peacekeepers”. Then on the morning of 24 February 2022, the Russian Armed Forces launched a large-scale invasion of Ukraine, with the apparent aim of removing the Ukrainian Government and replacing it with another one more friendly towards the policies of President Putin. With these steps, hostilities in Eastern Ukraine originated in March 2014 reached a new level. Indeed, between August 2014 and February 2022, they remained of relatively low-intensity, though still deadly and devastating. Since 24 February 2022, death and devastation reached unprecedented levels not just for Ukraine but for the whole European continent since 1945. At the moment of writing these lines, it is unclear how the conflict would evolve, how long would it last, how would it end. We do not even know if it will spill over to other countries or not.

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On the first days of the conflict, the initial response of the international community was relatively limited, mostly a continuation of the counter-measures adopted in 2014, when the Russian Federation had annexed the Crimea. After the large-scale invasion, the reaction became more muscled. At this point of time, every day new sanctions are adopted against the Russian Federation and Russian interests and more and more countries join them. The list includes mostly the countries that are linked to the North Atlantic Treaty Organization (NATO) and the European Union (EU) covering the whole European continent except Belarus, a close ally of the Russian Federation that let the Russian troops pass, and Serbia, North America, parts of Latin America, Australia and New Zealand. African and Asian countries and territories are less involved so far, with some exceptions (e.g., the Republic of Korea, Singapore, Taiwan Province of China). The list of countries applying sanctions includes surprises such as traditionally neutral Switzerland that aligned itself to the EU policy minus the one on supplying arms to Ukraine.

At the Security Council of the United Nations, binding action was blocked by a Russian veto. As a result, the case was referred to the Eleventh emergency special session of the United Nations General Assembly convened for 28 February 2022 as requested in a joint letter by more than 87 countries. On 2 March 2022, the General Assembly adopted a new Resolution on the ‘Aggression against Ukraine’ that reinforced Resolution 68/262 on the ‘Territorial Integrity of Ukraine’ (March 2014) and went further by demanding an immediate halt to Russia’s use of force and the immediate, complete and unconditional withdrawal of all Russian forces from Ukraine’s internationally recognized borders. With no Russian veto power available at the General Assembly, the new Resolution was adopted by a large majority – the vote of 141 of the 181 countries present, reinforcing the Russian Federation’s isolation on the scene of world politics (the 2014 Resolution had been adopted by 100 votes in favour). Of the 35 countries that abstained, there were some emerging powers such as China, India and South Africa that did so as a ‘matter of principle’ (not to position themselves in a dispute opposing the United States to Russia), although these countries, too, agreed with the need to respect the territorial integrity of Ukraine. The ‘no’ vote of the Russian Federation was supported by only four more countries: Belarus, the Democratic People’s Republic of Korea, Eritrea, and Syria.

GENERAL CONSIDERATIONS ON THE EFFECTS OF WAR AND SANCTIONS

There is no war without death and destruction. The invasion of Ukraine is no exception to that rule. The blunt of that blow is falling on Ukraine, where the fighting goes on. It also has collateral negative effects on the Russian Federation, and not only in terms of dead soldiers, whose real number was made a top secret on the first days of the conflict. War is extremely costly for the State budget. It has been speculated that each day of war could cost various billions of dollars (a much more limited intervention in Syria had allegedly cost about 4 billion dollars per day). The reserves built up before the war can evaporate quickly, especially if some of the resources parked outside the Russian Federation become non-accessible due to their freezing (see also below).

Due to the status of the Russian Federation as a nuclear superpower, the sending of troops to Ukraine is excluded for third countries. Their reaction is limited to financial assistance, the sending of military assistance and sanctions against Russian interests. From the point of view of the economic consequences of the war, sanctions deserve particular attention. It is to be stressed that the ones that would bind all United Nations members are excluded as the Russian Federation holds veto power in the Security Council where they should be adopted. As a ‘second-best’ choice, the ‘Western powers’ mentioned above started their own systems, trying to coordinate between themselves and convincing others to adhere on their own free will. However, no

third country would be obliged to join them, and the Russian Federation is surely adopting its own counter-measures to counterbalance them (e.g., exchange controls on export proceeds).

This analysis attempts to ask what the potential impact of sanctions and counter-sanctions on foreign direct investment (FDI) inflows to, and outflows from, the Russian Federation would be. Though these measures suffer from many limitations and inconveniences, there are no real alternatives. The most serious limitation is that sanctions do not fully stop economic links, rather they result in higher costs for, and less ease in, doing business. It is also evident from the lessons of the ones imposed after the annexation of the Crimea in 2014 that they have hurt not only the Russian Federation but also the issuing countries. Paradoxically, the winners have been the ‘free rider’ countries. When Western firms abstain from doing business with the Russian Federation, companies from third countries not applying the sanctions (e.g., China or India) move in and benefit from the departure of competitors. It is also to be noted that the Russian Federation has managed to increase somewhat its economic independence and diversification since 2014. As a result, the new wave of sanctions had to be much more severe to bite.

This however does not mean that the impact of past sanctions would be fully negligible. It is quite likely that they have contributed to the growing lag of Russian GDP growth vis-à-vis the rest of the world. In 2009–2013, that difference was 1.1 per cent. In 2014–2018, it more than doubled, to 2.4 per cent (table 1). Sanctions and counter-sanctions also resulted in a declining share of the Russian Federation in world inward FDI – from 2.5 per cent in 2009–2013 to 1.4 per cent in 2014–2018, and also in world outward FDI – from 3.2 per cent to 2.8 per cent (table 2). It is to be added that the Russian Federation cannot fully replace its FDI links with the West by FDI links in the emerging countries, as the technological content and the value chain configurations of the two are different.

Table 1. Annual average growth rate of the real gross domestic product in the Russian Federation and in the world, 2009–2018 (in per cent)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Russian Federation	-7.8	4.5	4.3	3.7	1.8	0.7	-2.0	0.3	1.8	2.5
World	-1.3	4.4	3.3	2.8	2.8	3.0	3.1	2.7	3.4	3.1
Difference	-6.6	+0.1	+1.0	+0.9	-1.0	-2.3	-5.1	-2.4	-1.6	-0.6

Source: the author’s calculations, based on United Nations data.

Table 2. Share of the Russian Federation in global FDI inflows and outflows, 2009–2018 (in per cent)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Share in inflows	2.2	2.3	2.3	2.0	3.7	2.1	0.6	1.8	1.6	0.9
Share in outflows	2.9	3.0	3.0	2.2	5.0	4.7	1.6	1.7	2.1	4.1

Source: the author’s calculations, based on UNCTAD data

The effect of sanctions and counter-sanctions adds to the effects of the war. In general, war situations do dissuade FDI. In general, war is a blow to economic growth due to its shock on production, even in countries where the economic effects have been ‘planned’ meticulously and preventive measures have been taken to protect the treasury of all firms, especially the multinational enterprises that have to operate across borders (in this case the Russian multinational enterprises). If the conflict goes on, or if too many assets are lost at both at

home and abroad, even the best prepared firms can run out of money. As for firms investing in Russia, sanctions creating obstacles to accessing finance may be the most severe disincentives.

In the Russian case, the minimum expectation is a drop in GDP at least in 2022, which would further accentuate the effect of falling behind other leading countries of the world. IMF estimated that the Russian GDP in 2021 was about \$1.7 trillion, which was 14 times less than the GDP of the United States and 10 times less than the Chinese one. The Russian Federation was a nuclear superpower but with a middle-sized economy, 11th in world ranking, behind the Republic of Korea. The IMF also forecasted before the war that Brazil's GDP would exceed that of the Russian Federation in 2022, making the latter the smallest of the BRIC economies again. Moreover, if we assume that the Russian GDP falls 'only' 10 to 20 per cent in 2022 under a very optimistic scenario, it would still fall behind that of other nations, namely Australia, Spain and Mexico, in that order. In other terms, the war is to accentuate the gulf between the political and military aspirations of the Russian leadership and the economic means to achieve them. As for inward and outward FDI, which is a powerful tool for augmenting a country's productive capacities as discovered by politicians in various emerging powers, such as China, they risk of drying up for the Russian leadership in the worst moment.

TYPES OF SANCTIONS AND THEIR POTENTIAL IMPACT ON FDI

At this stage, some sanctions are already announced, others are still under consideration. This section offers a non-comprehensive overview of the main types with the potential impact on Russian inward and outward FDI.

- *Prohibition to trade and establish new investment links with the Donbas region* (announced by the United States). At first sight, this measure has a limited impact, as it applies to American firms only, and not if they do business in the Russian Federation but in the separatist Ukrainian zones only. However, past experience shows that 'American firm' may mean any company with substantial presence in the United States independently of its ownership structure, to prevent a discrimination of corporations that are domiciliated in the country, and to preclude the temptation for re-domiciliation to escape the constraints. Nor is it clear in the rules if only direct trade and investment relations count, or also indirect links via value chains. If the rules are extended to both, non-negligible parts of the global economy are to be affected. It may for example be a major issue for firms from 'neutral' countries (such as China) that do not wish to lose their access to the large United States market. To be kept in mind, too, that the exposure of Russian or other international business to the Donbas region may be larger than one would think at first sight. The Donbas is a major producer of coal, iron and steel, machinery and equipment, which can be inputs for production in the Russian Federation and in the value chains of other countries. These sanctions may hurt these business links when the region probably needs an increase in economic activities to satisfy the local population after the evaporation of the initial euphoria of recognition by the Russian Federation. It may also create a dilemma for Russian firms. On the one hand, they may be prompted by the Russian Government to invest in, and trade with, the region to contribute to prosperity there. On the other hand, they may be hit by U.S. sanctions for doing so. The same dilemma applies to firms wishing to invest in Russia: how to avoid being sanctioned in the U.S. when some of the supplies are best available from Donetsk and Luhansk? For all these reasons, prohibition to do business with the Donbas is expected to have a major negative impact on both Russian FDI inflows and outflows.
- *Stopping business projects in and/or with the Russian Federation by governments applying the sanctions.* The first and best known case is that of the Nord Stream 2 gas pipeline suspended by German authorities. Although in each case, the economies of the partner countries may be hurt as much as that of the

Russian Federation, other projects may suffer the same fate. And the impact on both types of FDI flows is negative.

- *Export ban on, or control of, strategic inputs.* Such measures are currently under consideration. The United States wishes to negotiate such measures with the Asian exporters of semiconductors/microchips. It is unclear at this stage if they will be accepted by the partners, and what the real impact on the Russian economy would be. To be noted that Ukraine is a key supplier of semiconductor-grade neon. If the Russian Armed Forces occupy the country and manage to control the Ukrainian suppliers, the Russian Federation can try to use them to develop its own semiconductor industry (the Russian Federation produces another raw material, palladium). The problem is that such capacity building requires lots of time and know how. In the meantime, stopping supplies from Asia may affect the business links of those Russian firms that use those semiconductors/microchips. To be noted that such a measure would prompt Russian authorities seek local solutions (import substitution) to replace them. The measure is very uncertain; so is its impact.
- *Sanctions against Russian (and Belarusian) individuals linked with the recognition of the breakaway “republics” and the war,* mostly in the form of freezing their assets possessed in their personal capacity or in their firms. This is more than a symbolic list. Its effect naturally depends on how long the list is and how many people with business interests figure on them. Already the first lists included persons linked with Promsvyazbank, VTB Bank and the VKontakte media group. As the list lengthens, the effect of the measure may increase.
- *Freezing of Russian banking assets abroad.* This is a very severe measure affecting both inward and outward FDI. To be noted that the group of the largest Russian banks includes various State-owned entities (such as Sberbank, VTB Bank, Gazprombank, Promsvyazbank, the State Development Corporation Vneshekonombank or VEB, the Otkritie Financial Corporation, the Russian Agricultural Bank and Novikombank, to mention the largest), therefore sanctions are straightforward to justify due to their direct links with the power centre. There are also entities that are on paper privately owned but are so close to the Government that already on 2014 they were put on the sanctions list, such as the Rossiya Bank. The freezing of the assets of these financial institutions (it has already happened to most of the ones listed, others may be added later on) has a double negative effect on FDI. On the one hand, it results in the stopping or bankruptcy of the affiliates of these banks operating abroad, as it happened very early on with the Vienna-based Sberbank Europe AG, with affiliates also in seven other markets (Bosnia and Herzegovina, Croatia, Czechia, Germany, Hungary, Slovenia and Serbia). To be noted that already in November 2021 the bank had initiated the selling of its affiliates in other countries except in Czechia and Germany. With that transaction not yet fully completed, the bankruptcy of the Vienna-based parent may affect all this network. Other Russian banks may face the same fate if sanctions last for a long time. On the other hand, this freezing assets means and impossibility of financing the transactions of Russian multinationals abroad. It also has an impact on access to finance by foreign investors located in the Russian Federation. The country may be prompted to apply restrictive measures to stop the outflow of resources, including an obligation to surrender export receipts or prohibition of the repatriation of profits. These circumstances could make the life of foreign investors close to impossible. These measures may become inevitable considering that the part of the foreign assets of the Central Bank of Russia has been frozen, meaning that the institution cannot access those reserves that is piled up before the war but located abroad. Because of this measures, foreign exchange controls have to be instituted earlier and in a more drastic manner.

- *The exclusion of Russian (State-owned) banks from the SWIFT payment system.* The decision has been taken by the EU to exclude seven large Russian banks, with the exception of Sberbank and Gazprombank so far. This measure makes all business transactions involving the Russian and foreign clients of these banks more costly and more cumbersome. Alternatives do exist on paper, such as using China's Cross-border Interbank Payment System (CIPS). However, developing this alternative may be not so easy and would not prevent the problem of increasing the cost of doing business. Moreover, the use of that system may result in 'side effects' such as the need to rely heavily on the Chinese yuan as the currency of payment/clearing, which may not be desirable for some businesses. As another alternative, within the Russian Federation, the Financial Message Transfer System of the Bank of Russia (SPFS) has been launched with about 400 users, which may be a solution for purely domestic payments. However, this system is not yet linked with other systems abroad; therefore, it does not attenuate the obstacles to international payments, which is a major problem for both foreign investors in Russia and Russian firms abroad. In sum, the exclusions from SWIFT creates major inconveniences, hurting both inward and outward FDI significantly.
- *Restricting the financing of the Russian sovereign debt from Western (U.S.) capital markets.* If implemented, this measure would make the refinancing of the debt more costly and more difficult. It would however have only an indirect impact on the operations of State-owned Russian multinationals, financed by the Russian State.
- *Sectoral sanctions.* Sanctions affecting different sectors of economic and social activities may have very different impacts on FDI. Two of them, banning Russian vessels from foreign ports and Russian aircraft from foreign airspace can seriously hamper business transactions between the Russian Federation and the rest of the world, and can act as a major disincentive to FDI. To be noted that these sanctions are not fully 'water proof'. Trade with the outside world can be switched to foreign carriers, but naturally at the expense of an increase in shipping costs and a decline in the Russian freight and shipping sector. Measures affecting cooperation on the Space Station can also have some negative consequences for supplying firms. Limitations imposed on science cooperation may seem to be more symbolic, so could the measures affecting arts, culture and sports. In those areas, it is mostly the international reputation of the Russian Federation that is hit, though one should not underestimate the business side of these activities either.

In sum, certain measures may have a major impact on FDI, others would be more limited (table 3).

Table 3. Potential impact of sanctions on inward and outward FDI of the Russian Federation, 2022 and beyond

Measure	Expected impact on FDI
Trade and investment ban on Donbas	Major
Stopping business projects with Russia	Depends on the size of the project stopped
Export ban on, or control of, strategic inputs	Uncertain
Sanctions against Russian individuals linked with the recognition of the breakaway "republics" and movement/deployment of Russian troops	At the level of the firms that they are linked with
Freezing of Russian banking assets and exclusion from SWIFT	Very major
Restricting the financing of the Russian sovereign debt from Western capital markets	Limited
Sectoral sanctions	Ban on Russian vessels and aircraft may be major

Source: the author's collection of information

The situation at the war and the Western sanctions all indicate that probably the Russian Federation is heading towards the deepest and most severe crisis in its history, destabilizing the war effort itself. Such a crisis could also hamper the attempts of Russian business to build local capacities to counteract the sanctions. It is also to be noted that relying on foreign partners such as China and India in mitigating or avoiding the effects of the sanctions can also have side effects. These countries cooperate with the Russian Federation under sanctions because of self-interest. Their Governments made it clear that cooperating with the Russian Federation does not mean a recognition of the separatist republics of the Donbas or accepting the Russian invasion. There may be also points in the chain of events when the Chinese and Indian Governments and the firms of these countries have to choose between keeping Western and Russian business links and they choose the former. Moreover, with the loss of Western partners, the dependence of the Russian economy on these partners may increase. It is also to be taken into consideration that this type of cooperation with China and India can also have geopolitical consequences. If Russian firms fall into deep crisis, they may be replaced by Chinese and/or Indian companies in countries that in the past the Russian Federation perceived as its zone of influence (e.g., in Central Asia).

The 'haemorrhage' has already started. FDI is reacting immediately. As mentioned above, Sberbank Europe is the early bird in a potentially long flow of Russian bankruptcies abroad. Another case of instant bankruptcy is that of the Switzerland-based Nord Stream 2 holding company, which was expected to manage the construction of the gas pipeline stopped by German authorities.

Corporate exodus from Russia?

In the Russian Federation, one of the mainstays of inward FDI, the oil and gas sector has already experienced the first attempts to leave the country. First, BP announced on 27 February 2022 that it would sell its 20 per cent stake in Russian State-owned oil giant Rosneft, then the next day Shell expressed its wish to exit its joint ventures with also State-owned Gazprom, and the day after Exxon announced its exit from the Sakhalin oil and gas project in the Russian Far East.

Beyond the oil and gas industry, some Western firms started leaving the Russian Federation or stopping sales to the Russian market. To some degree, this is a change in corporate philosophies. In the past, business kept more distance with politics, only complying with the sanctions dictated by public authorities. Examples include:

- the *transportation industry* (Maersk and MSC halting container shipping to and from Russia, Hapag Lloyd and container carrier Ocean Network Express of Japan suspending reservations to Russia, DHL suspending services to and from Russia),
- *major aircraft manufacturers* (Boeing suspending the supply of parts, maintenance and technical support to Russian airlines and the operation of its training centre in Moscow, Airbus stopping the sending of parts to Russia),
- *vehicle producers* (Ford suspending its participation in its joint venture in Russia, Daimler Truck suspending cooperation with its Russian joint venture partner Kamaz, automotive supplier ZF Friedrichshafen stopping deliveries to Russia, Harley-Davidson stopping sales to Russia, Volvo and General Motors stopping exporting to Russia),

- *the tech industry* (Apple stopping selling its products in Russia),
- *financial services* (HSBC, Société Générale, Raiffeisen Bank Austria and Shinhan Bank of the Republic of Korea severing ties with Russian banks, Visa and Mastercard excluding Russian financial institutions from their networks),
- *consumer goods producers* (Nike stopping sales in Russia), and
- *the entertainment industry* (Spotify with its closure of its Moscow office, Stonemaier Games with its exclusion of Russian partners, Disney, Warner Bros., Sony, Netflix).

In most cases, the severing of these links affects trade, with a possibility of a reversal of decisions if the situation changes. However, the suspension of participation joint ventures can also lead to divestments. Moreover, the exit of transportation services and the suspension of supplies are hurting the participation of Russian units in global value chains, and the decisions of financial institutions further exacerbate the financial obstacles to doing business in and with Russia.

In response to the exodus, Russian authorities have attempted to declare a ban on departures. The problem is the effectiveness of such measure if companies prefer leaving behind their assets but still stopping operations. Moreover, such a ban could risk prompting a series of investor–State disputes by the foreign companies. The Russian authorities, if condemned, may risk being ordered extremely high amounts of damages, further reducing the country’s financial resources.

Impact on Hungary

Hungary occupies a partly special position in the Russia–Ukraine conflict. Though it is a member of the EU and NATO, over the past decade, its Government has developed very close links with the Russian Government under the umbrella of a policy called ‘Eastern Opening’, which covers also China, Turkey, and various Central Asian countries. The Hungarian Government has attempted to implement a political model similar to the one already in place in the Russian Federation. At the fora of the EU and NATO, it used its vote to protect the interests of the ‘Eastern’ partners. It has also initiated joint projects with the Russian Federation built not only on economic and financial considerations, of which the largest is the plan to build phase two of the Paks Nuclear Plant with the help of State-owned Rosatom and financed by a Russian loan. Hungary also became in 2019 the official headquarters of the multilateral development institution International Investment Bank (IIB) whose largest shareholder is the Russian State.

After 24 February 2022, the Hungarian Government decided to align its policy to EU and NATO decisions in a rather radical change of policy line, though it did so with some reluctance. At the moment of writing these lines, it is unclear if it is a deep change in policy directions, or more a reluctant alignment.

An overview of the business interests at stake has to factor in that the policy of ‘Eastern Opening’ has not brought about a breakthrough in Hungarian–Russian economic relations. The two countries are not major business partners for each other, except in selected sectors such as energy. Indeed, according to official statistics, in 2020, the share of the Russian Federation reached 17.8 per cent in Hungarian imports, composed almost exclusively by fuel. In turn, the share of the Russian Federation in Hungarian exports remained under 1 per cent, composed mostly of processed goods (typically pharmaceuticals, medical equipment, machinery, vehicles, food and agricultural products). The dependency of bilateral cooperation on energy supplies is reflected also by the fact that, just before the outbreak of hostilities, the two countries started negotiating an

increase Russian gas supplies to Hungary. In the new situation, it is becoming more and more doubtful if it ever becomes reality.

As for inward FDI of Hungary from the Russian Federation, it remains relatively small. By the ultimate beneficial owner principle, the FDI stock in Hungary originated in Russia accounted in 2019 about €1 billion, or 1.3 per cent of the total, according to the data of the National Bank of Hungary. The same year, the FDI stock of Hungarian investors in Russia by the nationality of the immediate investor (data on ultimate investors are not available on that direction) amounted to €521 million, or 1.7 per cent of the total. These data may not fully reflect the real size of bilateral FDI links, especially on the side of Hungarian capital in Russia, due to the presence of roundtripped and transhipped transactions. (Roundtripped deals mean capital leaving a country, transiting another one, to return to the country of origin. Transshipment means capital transiting through a third country between the country of origin and the final destination. Both types of transactions make the accurate counting of FDI difficult.)

Bilateral FDI between the two countries may be both directly and indirectly affected by the sanctions imposed on Russian business. For example, the majority ultimate owner of Dunaferri iron and steel company is the VEB bank, under sanctions in the West, and a minority shareholder seems to be linked with the Industrial Union of Donbas. The FDI components of the Paks 2 could also be in jeopardy, although the first reaction of Hungarian authorities was that sanctions would not affect the project. However, not only the continued participation of the fully State-owned Rosatom may pose problem for both the EU and NATO, but also its financier, the sanction-ridden VEB bank.

Transshipment of FDI also means that it is not straightforward to identify all Russian business interests in Hungary. The number of relatively large companies with Russian equity over HUF 500 million (\$1.5 million) may be around twenty and the list may have changed over time. For example, the company Panrusgas Gas Trading Plc. importing natural gas from Gazprom was closed in 2021 and entered liquidation before the onset of the war as the terms of gas supply from Russia had changed. Sberbank Hungary, affiliated to the now bankrupt Vienna-based Sberbank Europe is also in liquidation.

It also remains to be confirmed how Russian businessman Ruslan Rahimkulov's projects are affected by the war and sanctions. He has his permanent residence in Hungary and thus his investments should be counted as local investment. He is a 50 per cent business partner to a big intermodal logistics centre on the Hungarian–Ukrainian border subsidized by the Hungarian Government. Construction on this container terminal aimed to become a major gateway for Chinese rail freight transported all along the 'New Silk Road' (now officially called Belt and Road Initiative) started in 2021 and it is close to completion. However, the future of the project is now in jeopardy mostly due to the war that tore apart all links passing via Ukraine.

Another Russian company subsidized by the Hungarian Government in investing in Hungary and potentially subject to a halt is Arnest Group, which in January 2022 announced the construction of a new aerosol filling and metal packaging plant in Hungary. It is unclear if the company retains enough capital to carry out the project or it has to cancel it.

In principle, all investment involving Russian business interests can fall directly or indirectly under the EU sanctions, though individual exceptions can be made. For instance, the construction of a vaccine factory expected to produce the anti-COVID Russian vaccine Sputnik among others, could claim an exception on health care grounds. To be noted also that IIB was not an immediate target of the first sanctions, although Czechia and Romania indicated their withdrawal from the institution claiming that IIB was connected to Russian spy operations.

As for Hungarian businesses having relatively large-scale operations in the Russian Federation, their number is limited. Without attempting to be fully exhaustive, the bank OTP, the oil and gas company MOL Group, the pharmaceutical firm Gedeon Richter are mentioned as prime examples. One can also mention the medical implant and prosthesis producer Sanatmetal, the animal and feed supplement producer Agrofeed. Some of these firms are also present in Ukraine but not in the two breakaway counties, thus not subject to the ban of doing business there. In turn, doing business in the Russian Federation may soon become very difficult for all these firms, making their future more uncertain there.

CONCLUSION

In sum, the war in Ukraine adds major uncertainties to FDI to and from the Russian Federation and will affect it negatively in the short, medium and long run. The degree of hit will depend on the exact contents of sanctions and counter-sanctions, not fully known yet. The paradox of this war is that, if the intention of the planners was to make the Russian Federation more powerful, the effect is already opposite, and can worsen over time. Observers may wonder what went wrong with the planning of the economic consequences. One hypothesis is that the inputs did not reflect the realities of the outside world correctly. Perhaps realities have been replaced by a wishful image of a weak, divided and paralyzed international community. Sadly enough, one cannot avoid a feeling of *déjà vu* as the lessons of European history more than eight decades ago seem to be by and large forgotten or ignored by today's planners of the economic consequences of war.

Right now, the biggest question for Russian authorities is how to get out of an impasse that hurts all people in the world, in Ukraine, the Russian Federation and other countries of the world alike. It would require extreme courage to apply the right solution, namely the implementation of the United Nations Resolution on the immediate cessation of hostilities and the unconditional withdrawal of troops from Ukraine.

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Disclaimer: This study has been prepared exclusively on the basis of publicly available information. While all care has been taken to verify each piece of information, unintended errors in the facts are not fully excluded in a situation where information and disinformation are arms used by the warring parties

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SHOULD SERBIA JOIN THE EUROPEAN UNION, AND WHAT COST MIGHT THIS ENTAIL? *

ABSTRACT

The Government of Serbia repeatedly declares its priority of joining of the European Union (EU), advancing a silly and politically suicidal declaration that there is no plan B for Serbia. But enlargement is *not* part of the EU's *real* agenda, in spite of its meaningless and politically empty declarations to this end. The EU has much more important issues to solve, including its own survival. The economic, political and social costs of Serbia joining the EU are enormous and manifold. The Government of Serbia and EU-paid lobbyists emphasise material gains and EU solidarity. This may be music to the ears of a population in a relatively poor country such as Serbia, but the costs it will imply for Serbia are almost never mentioned. This is insidious and dishonest, and hides the reality that for Serbia the EU no longer provides economic or political fuel from which any attractive mileage can be gained. What will Serbia get in return for its EU membership? The EU is unstable (Brexit; the future of the EU is in question; economic catastrophe created by the euro) and dysfunctional (countries have mostly not been able to agree on anything of substance for more than 15 years). As Serbia shall never join the EU as a full member, the country should have a plan B and look at the experiences of Switzerland, Israel, Singapore, South Korea and even Britain. There exists life and prosperity outside of the EU.

Keywords: Serbia; EU; Enlargement; Brexit; Mini Schengen; Open Balkan; Project Fear; Kosovo

JEL Classification: F13; F15; F50

1. INTRODUCTION

Serbia ¹, enlargement, especially the EU Western Balkan enlargement, does *not* feature on any *real* EU agenda in spite of the meaningless and politically empty EU declarations to the contrary ². For instance,

“The European Union, fearing a political backlash in member states, can no longer agree to give a guarantee of future membership to the six Balkan countries once promised a place in the club, according to four diplomats and an internal document.

...in Albania, von der Leyen said she stood by the pledge that “Albania’s future is in the EU”.

But the EU's credibility has been damaged, particularly after France and the Netherlands temporarily halted the enlargement process two years ago and Bulgaria is now blocking it³⁷.

The EU has much more important issues to solve, including its own survival. A reform of the EU – if it is reformable at all – will inevitably concentrate on improving the EU before any energy is focused on enlargement, especially expansion into problematic countries⁴.

The economic, political and social costs of Serbia joining the EU are enormous and manifold. The Government of Serbia and EU-paid lobbyists emphasise material gains (transfers of around €200 million a year), democracy, prosperity, competition on a wide market, protection of the environment and EU solidarity. This may sound like music to the ears of people in a relatively poor country such as Serbia, but the costs Serbia faces on this highly uncertain and rocky road are almost never mentioned to the general public and voters. These costs are many and varied, bitter and unacceptably high. The situation is insidious and dishonest. This loud silence surrounding these costs hides the reality that for Serbia, the EU no longer provides economic or political fuel from which any attractive mileage can be gained. Brexit⁵ is a wake-up call to an EU project that is in serious trouble (Minford *et al.*, 2005; Minford and D. Meenagh, 2020)⁶.

The structure of this article is as follows: following this introduction, section 2 explains the gains expected from EU enlargement. This is followed by the costs Serbia needs to pay for EU entry (section 3) and the benefits the country may receive (section 4). European Union solidarity and honest swindlers are dealt with in sections 5 and 6, respectively. The Mini Schengen agreement is explained in section 7, while section 8 focuses on Project Fear. Suggestions for what Serbia should do are outlined in section 9, and conclusions are presented in section 10.

2. EXPECTED GAINS

The start of our discussion is based on two courageous, highly uncertain and shaky assumptions:

- that the EU will exist in the future, and
- that the current member countries will wish to remain members of the EU.

The EU has tremendous achievements that are the envy of many countries throughout the world. The first is the situation of no war between France and Germany. This has so far been a great and unique historical achievement⁷. The EU won the Nobel Prize for peace in 2012. Other important and great achievements include: enlargements, environmental protection and competition policy. The EU has other 'achievements' such as monetary integration (the area where deep integration is tested). This eurozone policy is verging on disaster for most EU countries, particularly Greece, Spain and Italy (this country has not had any real economic growth for 20 years). The EU is not considered for the Nobel Prize for economics. The euro operates well only for Germany and perhaps, Austria and the Netherlands. This is not the case for others in the group. Apart from the political gain for France (the re-united Germany is locked in the EU project to avoid the situation where 'Great Germany' does something 'on its own'),

what are economic gains that could be convincingly explained to the protesting '*gilets jaunes*' (yellow vests) in France²⁸

The formerly socialist and one-party countries that joined the EU expected, wished and hoped to get the attractive benefits that are the foundations of the liberal democracy in Western Europe. The waiting-room Western Balkans countries hope to obtain political and economic gains that include:

- democracy;
- transparent government;
- solidarity;
- free and fair multi-party elections and parliaments that voice various social and political strands in society;
- rule of law (including elimination of corruption);
- economic prosperity;
- social rights (and business interests);
- financial transfers (subsidies, especially for farming and regional development);
- employment;
- freedom of expression and travel;
- information and media that is objective and free;
- liberal values; and
- a healthy, safe and orderly life.

Robert Cooper, a ranking and seasoned British diplomat, was frank when he explained the reason for the possible EU Western Balkans expansion:

Taking in the Western Balkans and tackling climate change, thereby depriving Russia of oil and gas revenues, were the most powerful steps the EU could take to keep order in Europe⁹.

The principal reason for the possible Western Balkans EU enlargement is the Western opposition to and onslaught towards Russia and Russian interests. Compare that to the expectations of the Western Balkan countries! These countries are no more than Western disposable handkerchiefs for other goals¹⁰. This is yet another wake up call for the EU waiting-room countries hoping to join the EU group. What are these countries being used for?

3. COSTS

European Union entry is a very hard and complicated matter. Any country wishing to join must negotiate 35 various chapters with the European Commission. For both the commencement and cessation of negotiations on each chapter, each of the 27 EU member countries must give their consent. Hence, there are 1,890 obstacles (35x27x2) to finishing negotiations with the European Commission. There are no time limits for decisions on each of the steps. If certain entry dates are even mentioned, they are not even indicative, but rather 'hallucination-inducing drugs' for the naïve. Even if all is agreed and done in the enlargement negotiations, the final word will have to pass through a national referendum in many EU countries. Who can

guarantee that the result will be positive? If, for instance, during that referendum time, there is a dispute between Russia and say a Baltic state or Poland, voters could easily vote no to the entry of Serbia in order to strike Russia. François Mitterrand, the late French president, once said that “if you ask a specific question in a referendum you will always get an answer to a completely different one”¹¹.

The new EU enlargement methodology (2020) is intended to make the enlargement process more credible, more dynamic and more predictable. In reality, it introduced more complications and difficulties to the process. The 35 chapters were grouped into six clusters; there are incentives and punishments including withdrawal of funds and visa-free travel. The rules were unilaterally changed after the enlargement game started. This complicates, hardens and makes uncertain the EU road for the waiting-room countries. In that sense:

“The widespread perception in the Western Balkans is that the prospect of accession is receding and that European aspirations are lost under a complex set of conditions and procedures that keeps the Western Balkans locked into a Sisyphean destiny”¹².

Apart from the compulsory Copenhagen criteria for EU entry found in Article 49 of the Treaty on European Union (democracy, rule of law, functioning market economy, *acquis communautaire*), Serbia is or will be required by the EU and/or its member countries to ‘pay’ the following additional entry costs:

- To abandon the United Nations (UN) Security Council Resolution 1244 as the supreme international law.
- To recognise the independence of its Province of Kosovo and Metohija¹³ as a full member of the UN.
- To exchange an ambassador with its Province of Kosovo and Metohija.
- To dismember the Republika Srpska (perhaps the only Serbian success over the past century) and its melting into the Muslim-Croat federation in Bosnia and Herzegovina. That, in fact, was the trigger for the war during 1990s.
- To cede to Croatia the Serbian territory (left bank of the Danube) from the Hungarian border to Bačka Palanka. Croatia, an EU member country with a veto power (like all other EU member countries), still uses the old Austria-Hungary maps. The Danube has been changing its flow over time. Croatia has a great, once in a millennium chance, to claim this former Austro-Hungarian land in a peaceful way and at a peaceful time.
- The potential carving out and abandoning of the southern Serbian Ras region and the Serbian northern Province of Vojvodina.
- The expulsion of Russian and Chinese interests from Serbia¹⁴.
- Further painting Serbia in rainbow colours – this at a time when the Serbian demographical situation is critically bad (low birth rates and strong emigration).
- The forced settlement in Serbia of hundreds of thousands of Afro-Asian Muslim migrants EU countries do not want to accept, or whom they have expelled as unwanted¹⁵. Germany unilaterally invited these migrants to come without previous

4. BENEFITS

What will Serbia get in return for full EU membership? Serbia will find that:

- The EU is *unstable* (Brexit; the future of the EU is in question; economic catastrophe created by the euro)¹⁸.
- The EU is *dysfunctional*. The cross-eyed EU countries have not been able to reach a decision on almost anything of substance for more than 15 years. The EU cannot agree on important issues such as monetary and fiscal policy; banking institutions; immigration, especially the distribution of migrants from Muslim countries¹⁹; Schengen; enlargement; free society and individual freedoms; energy policy; the fight against the COVID-19 pandemic and chaos regarding the production and distribution of vaccines; relations with Russia; North and South Stream gas pipelines; genetically modified food; recognition of the independence of the Serbian Province of Kosovo and Metohija; the attack on Libya and the support of rebels in Syria; the Macedonian language and nation; or sanctions against Turkey.
- *Debt slavery*. The experience of the formerly socialist countries that joined the EU shall be repeated (Jovanović *et al.*, 2018).
- *Brutal blackmail* (take a look at Greece, Poland, Hungary, North Macedonia, as well as Serbia).
- Significant *increase in the price of electricity* because of the forced abandonment of coal-powered power plants and the use of renewable energy sources. On the one hand, protection of the environment is a superb global action everywhere. However, on the other, rich countries may be able to afford the expensive 'Green Agenda' now (but were unable and unwilling to do that when they were poor), but they would force poor and coal-rich Serbia to do so also. With loans, of course. A low price for electricity has for decades been a strong social policy subsidy tool in Serbia, that often bought social peace.

As the EU was unable to increase economic growth in real terms, in 2014 it changed the statistical methodology used to calculate gross domestic product (GDP). The new methodology includes parts of illegal economic activities such as contraband, drug trafficking and prostitution²⁰. This new methodology provides nominal gains in GDP and allows politicians to boast about their successes, but the person on the street will not feel any richer because it is little more than statistical alchemy. Some growth may return after the fall provoked by the COVID-19 crisis, but that may only be the return to the pre-crisis situation.

While the Central and Eastern European countries received regional funding and diplomatic support from the old EU guard, there are important matters that have contributed to new EU countries feeling like they are second-class members of the club. One such symptom of this club hierarchy can be found in how Western companies treat their Eastern consumers (Jovanović *et al.*, 2018).

Even though the EU has the single market, disturbing dual qualities and double standards between the old and the new countries of the EU are still evident. Lower quality food products (fish fingers, yoghurt, chocolate, etc.) and other goods (washing powder) are sold in the East of the EU. The region's consumers are misled, or even cheated, into buying second-rate versions of standard branded goods. Thousands of Czechs, Slovaks and Hungarians cross borders weekly to Germany and Austria to shop not just for the lower prices, but for the superior quality of renowned goods that while packaged in the same way, have a far superior quality in the EU's old West. In Slovenia, for instance,

“Spar, whose own-brand strawberry yoghurt in Slovenia was found to have 40 per cent less strawberry than the Austrian version, said it was merely producing what Slovenians wanted”²¹.

While Bulgarian Prime Minister Boyko Borissov labelled such policies to be ‘food apartheid’, Jean Claude Juncker, the president of the European Commission, stated at that time that,

“In a Union of equals, there can be no second class consumers. I will not accept that in some parts of Europe people are sold food of lower quality than in other countries, despite the packaging and branding being identical”²².

Industries discard such criticism by claiming differences in various versions of goods arise from adjustments made to suit local preferences, and from the use of local inputs. It would be hard, however, to reasonably argue that a Slovak or a Hungarian prefers a weaker version of the same washing powder used by their German or Austrian peers; one that is packaged in the same manner, save from just a few (important) words and percentages found hidden in the small print that very few – until now, perhaps – ever bother to read²³.

Bulgaria was the country known for centuries for its absolute geographical advantage in the production of high-quality early spring and summer fruits and vegetables. In the EU, Bulgaria turned into an importer of food²⁴. Its population decreased from 9 million in 1990 to 6.9 million in 2021, predominantly through emigration, especially that linked to the EU entry. The foreign debt of Bulgaria at the end of communist times in 1989 was €10 billion. This provoked fury in the country against Todor Zhivkov, the communist ruler. The foreign debt of Bulgaria in 2021 is €38 billion. Foreign debt in Poland is even more alarming. It stood at €95 billion in 2004 (when Poland joined the EU) and reached €306 billion in 2021. Serbia needs to take note of these examples and learn from them, especially seeing as approximately 50,000 people emigrate from Serbia a year, mostly to the EU. Serbia loses €1 billion euros a year on account of this only²⁵. This is a substantial gain for the EU.

One should not forget foreign debt. Weakened manufacturing capabilities and open internal market rules increased levels of imports in the formerly socialist EU countries, increasing the trade deficit with the ‘old’ EU countries. This had to be financed by loans. Foreign debt went ‘through the roof’. Loans are relatively cheap now, but this will not last forever (Jovanović *et al.*, 2018).

5. SOLIDARITY IN THE EUROPEAN UNION

Solidarity is supposed to be one of the founding principles of the EU. When times become hard, solidarity in the EU can hibernate or utterly fail²⁶. One case in point is the COVID-19 pandemic of early 2020.

Italy was the country hit hardest by the COVID-19 pandemic. It desperately needed medical supplies and staff. Contrary to the laws and spirit of EU integration, Germany banned the export of such goods abroad. Russia offered to supply Italy with the necessary medical staff and materials. Italy accepted, but Poland (and apparently a few other EU countries) did not permit the overflight of 15 Russian transport airplanes carrying the medical staff and humanitarian assistance. The Russians had to fly a much longer route south over the Black Sea, and were significantly delayed in reaching Italy at such a critical time²⁷. Italy was in a desperate situation as thousands were dying daily for months. Nonetheless, a significant amount of real and swift solidarity, relief aid and medical staff reached Italy from Russia²⁸, and from communist China²⁹ and Cuba³⁰.

If the founding EU member, Italy, is treated like that in the EU, what can a small and poor outsider country like Serbia expect? The EU gave a certain amount of COVID-19-related financial assistance to Serbia³¹, but at that time (first half of 2020) the value of money was equal to the value of the confetti. You have the money,

but you cannot buy what you want and what you need (medical supplies), as at that time there were export bans in the EU³². Medical supplies that were shipped from Asia were even hijacked at airports³³.

Being outside the EU, Serbia was able to go it alone and supply its citizens with respirators, masks and vaccines against the COVID-19 virus from wherever they were available (predominantly from China and Russia). Something like that would not be possible if Serbia were in the EU. Serbia even donated vaccines in the Balkan region, as well as 100,000 vaccines to a successful EU member country, the Czech Republic, in May 2021.

The eurozone is both badly constructed and defectively operated. No monetary zone survived long without a political union. Greece is a country that is in deep economic and social trouble. This is linked to the eurozone. A part of the predicament is on the shoulders of Greece, while another part belongs to the eurozone system (Jovanović, 2012; 2015; 2019; 2021). In any case, Greece needed solidarity. And solidarity came in the Teutonic form of unprecedented austerity measures³⁴. A study in *The Lancet* found that the EU austerity programme was the main cause of increased mortality³⁵.

6 PACTA SUNT SERVANDA ³⁶ AND HONEST SWINDLERS

The entire EU is based on law and its respect. The EU and other reasonable entities would not be able to operate without such social organisation, as trust and stability would evaporate. Serbia therefore expects to adhere to such a collective setup when joining a bloc like the EU. Law and order are the litmus tests for the stability and operation of the EU as they should assure reliable, just, honest and trustworthy partners.

Unfortunately, and to great surprise and enormous disappointment, the EU turned out to be an honest swindler and charlatan in Serbian relations through its Province of Kosovo and Metohija. The case in question is the *Brussels Agreement* (2013)³⁷. The EU was honest because it really wanted to solve a grave problem in an almost instant way. The EU was also a swindler because the EU was not only an honest broker, but also a party and a guarantor of the deal. The EU failed to honour its obligations. The Serbian side fulfilled all its obligations, while the provincial Kosovan side failed to fulfil the sole obligation it had (to create the Community of Serb Municipalities). The EU remained silent. It could easily force the Kosovan side to implement its only obligation simply by cutting finances. But the EU did nothing of substance (a few empty statements do not count). It is not hard to imagine how the Serbian side would be squeezed by Brussels for any failure to implement its side of the *Brussels Agreement*.

Contrary to all regional trade agreements, Kosovo unilaterally introduced customs duties on imports of all Serbian goods from 10 to 100 per cent in the period 2018–2020. The Kosovo Court also breached Article 10 of the *Brussels Agreement* while processing a Serbian resident in 2021. The reaction from Brussels on those and all other cases has always been mild and toothless. In such a situation, the molycoddled authorities in Kosovo have no incentive whatsoever to change their bullying behaviour.

The EU is, unfortunately and regretfully, not trusted in these matters. Hence, rushing now into a 'legally obligatory agreement' with the Province of Kosovo and Metohija under EU sponsorship would be a grave Serbian mistake. What would Serbia get in return? Another illusionary promise to join the EU at an unspecified date in the future?

The Kosovo and Metohija issue was transferred from the United Nations (UN) to the EU and Brussels in 2008. Apparently, a European problem needs a European solution. However, after 13 years of EU mediation and searching for solutions, matters are moving at a glacial pace. Is it time to move the problem away from the apparently incapable EU and towards the UN and New York?

One has to keep in mind a sad and disturbing history in Europe. If one looks at the frontiers in Europe since 1900 (even centuries before) and slice history into 20-year-long segments, one will find that frontiers were always changing. And they continue to change. This is the failure of the post-national world. When likened to grammar, most frontiers in Europe are a comma, not a full stop. De Gaulle once said:

“Treaties, you see, are like girls and roses: they last while they last” (Macleod *et al.*, 1998, p.v.).

All treaties age and need occasional maintenance. History teaches us that there are, unfortunately, no final frontier settlements for frontiers in Europe. They are all and will continue to be frozen conflicts. One fears to consider the potentially ‘slippery’ frontier issues between Poland and Germany; Hungary and Romania; or Slovakia and Hungary. The situation in the ‘Western Balkans’ is at the forefront of this troubled process.

Serbia is advised and ‘forced’ by the West to recognise and accept the ‘reality on the ground’ and to carry on. Well, if one has a toothache or pneumonia, does one accept that reality or do something about it? Does Cyprus accept the reality that it has not controlled a third of its country for what is now two generations? Can the Kosovo and Metohija issue be solved at all? Is it similar to the Middle East? Or Cyprus? The ‘legally obligatory agreement’ among Serbia, its Province of Kosovo and Metohija and the EU may therefore be a total defeat for Serbia and the Serbian nation.

Kosovo and Metohija are for the Serbs what Jerusalem is for the Jews. It is not only a Serbian homeland, but also and more importantly the cradle of the Serbian nation with well over 1,300 Serbian Christian Orthodox churches, monasteries and other sacral objects dating back to the tenth century. They are important and active testimonies of world Christian heritage. The local

Albanians treat those Christian shrines with hideous and uncivilised disrespect³⁸. Only Rome has a higher concentration of Christian churches in the whole of Christendom. For many Albanians (predominantly Muslims), Kosovo and Metohija form only a part of their homeland, which is a respectable argument. No matter the current situation (all affairs are transitory in the Balkans), the Serbian deed on Kosovo and Metohija must not be wasted at all.

The experience with the *Brussels Agreement* clearly shows that Serbia’s Western partners in this matter are not trustworthy. Serbia would do better to delay its ‘end game’. The global situation is far from perfect for the Serbian side, but the picture is slowly improving. A deal now would not be the ‘end game’, but rather the grounds for a bigger conflict that may erupt in the future.

*The White Paper on the Future of Europe – Reflections and Scenarios for the EU27 by 2025*³⁹ was presented in 2017. This is the official political platform for the evolution of the EU. The word *enlargement* was not mentioned in the document at all. Hence, all official statements about enlargement made by transient politicians need to be taken with a pinch of salt. The same holds for the European Commission’s Communication *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*⁴⁰, presented in 2018. This communication states the year 2025 as a possible EU entry date⁴¹. Until the year 2025 arrives, this non-

binding document will not only be forgotten, but the politicians that delivered this document and the promise to Serbia will also be forgotten and in political retirement.

The EU leaders held an annual summit with the heads of the Western Balkan countries in Brdo (Slovenia) on 6 October 2021. In the final, baroque-style Brdo Declaration⁴² – full of nice words – enlargement was mentioned only once, while the European perspective was stated trice. This is nothing new. Meanwhile, no entry date was declared. European Union enlargement is therefore blockaded, “and European lies to the Western Balkans should come to an end”⁴³.

This verity must be clearly disclosed to the waiting room countries to avoid further disappointment and instability. To put this stance into plain English,

“The European Union has indefinitely killed off membership hopes for western Balkan countries because of fears of a populist backlash over mass migration. ... Mass migration from eastern Europe is widely blamed in the EU for Brexit and has led to discontent in northern and western member countries, including unease in Germany”⁴⁴.

The Brdo Declaration (paragraph 10) mentions an amount of EUR 30 billion (EUR 9 billion in grants, with the rest in loans) for the entire Western Balkans region over 7 years. While this is a welcome amount in these less developed countries, the money is largely linked to the EU Green Agenda. This means that most of the activities will be awarded to EU firms (this is an indirect subsidy to EU domestic businesses). The real mantra in Brussels has for years been

“Let’s provide more money, while enlargement stays on life support”⁴⁵.

7 MINI SCHENGEN OR THE OPEN BALKAN INITIATIVE

A ‘Mini Schengen’ agreement was proposed among the Western Balkan countries (Albania, North Macedonia and Serbia, to include at a later stage perhaps Bosnia and Herzegovina, Montenegro and the Serbian Province of Kosovo and Metohija). It was supposed to be a ‘training ground’ for the EU waiting-room countries in the region, and would include free movement of persons, goods, capital and services. This 2019 idea was supported by the EU as a step for those Mini Schengen countries towards EU membership.

While the interests of Albania and perhaps North Macedonia are obvious, we do not see any substantial gains for Serbia, in spite of its official interests. On the contrary, while Serbia has an export surplus in this ‘mini region’, much more is necessary to qualify for EU membership. Here come two issues:

- ❖ If you want to be a top tennis player, you need to play tennis with the best, such as Roger Federer, Rafael Nadal or Novak Đoković, not with the author of this article or, for that matter, with all other readers of this article. So it is in business. In order to improve, Serbian businesses need to compete with Italy, Germany or France, not Albania. The Mini Schengen would be a step back for Serbia as the country would have worse partners than it had in the former Yugoslavia. The Mini Schengen partners (Albania and North Macedonia) always vote in all international fora against the interests of Serbia. Does Serbia need that formalised in the Mini Schengen?

- ❖ The Mini Schengen deal would allow the free circulation of people and capital. Who would go from Serbia to work in Albania? The Albanians may have an interest in having their diplomas recognised in the region. The Serbian population often fear that the rich Albanians (some of whom were/are drug dealers and traffickers of humans and their organs) would buy land and real estate in south-western Serbia from poor locals and, subsequently, create solid grounds for the territorial expansion of Albania. In addition, there is a fear that the jihadists from the Middle East or Afghanistan would enter and settle in Serbia via Albania.

The Mini Schengen affair is like all other Serbian paths into the EU. It is like a story about a young man who was promised an attractive, beautiful, educated, interesting, rich and fertile young woman. However, there were conditions. This man had to get a better education, get stronger muscles, become wealthy, buy a house with a pool, start to smoke marijuana, get tattoos, change the colour of his eyes to blue and give up some of his friends and relatives. Once he does all that, they take from the nursing home the grandmother of that young woman and pass her on to him, although he had been waiting for a different ‘reward’. And what has happened

8. PROJECT FEAR

During the Brexit affair various British ministers, members of Parliament, members of research institutes and people from banking and business circles and the academic community – as well as world leaders – were involved in what is known as Project Fear⁴⁶. They argued that the country would face a ‘catastrophe’ if it leaves the EU: capital would fly away, there would be unemployment, crisis, misery, isolation and that “all bridges above rivers would fall down and the Sun would not shine again”.

This did not happen. On the contrary. Following the Brexit vote (2016), unemployment was at its lowest level for a decade and predictions about substantial losses were proven to be wrong⁴⁷. The intuition of the British voters and their faith in the domestic economy was proven to be much more exact than the prognoses of experts or ‘experts’. The British economy has continued to grow since Brexit. Its growth rate in 2021 is expected to be 7.25 per cent, the fastest since the Second World War⁴⁸.

The Brits boast about the effectiveness of their COVID-19 vaccination campaign. This would have been impossible had Britain been in the EU. European Union bureaucracy and politics created long delays in procurement. Brexit also stimulated democracy in Britain. Before, politicians were shielded and isolated from the population as most of the new laws came from Brussels. In the new Brexit situation, politicians must respond better to the demands of the people. Political parties that were against Brexit are fighting for their survival.

Certain media outlets, lobbyists, court academics and, even, the Serbian Government sometimes apply a similar ‘Project Fear’ at home. They would do well to be cautious and look at not only where the EU is heading but also at alternative strategies, as EU integration is not a tide that lifts all boats equally.

9. WHAT TO DO?

As Serbia shall never join the EU as a full member, the country must have a plan B and look at the experiences of Switzerland, Israel, Singapore, South Korea and, even, Britain. Life and prosperity also exist outside the EU.

Serbia was at the very top of the list of countries that vaccinated their populations against the COVID-19 virus in the first half of 2021. A choice of four different vaccines was offered to the population. If Serbia were a part of the EU, Serbia would feature at the bottom of that same list. There are choices for the future of Serbia other than the ones offered by the current Serbian Government and EU lobbyists.

Public money must be spent wisely. It has to be scrutinised openly. However, many big and small public contracts in Serbia do not pass through the normal tender-based procedure, or there is only one participant in the tender process. Many public works (roads, railways, underground transport, hospitals) worth hundreds of millions of euros are directly agreed with American, Turkish, French or Chinese suppliers. Is this the sort of stage for potential corruption that is tolerated by the EU? Brussels is highly sensitive and strict regarding free and fair competition. Is the EU candidate Serbia flying unnoticed under the EU competition radar?

Serbia must reform its judiciary (cases are not settled within a ‘reasonable time’ but rather last for more than a decade); the Office of the State Prosecutor exists, but it is inactive; the Parliament has no opposition (opposition parties boycotted the 2020 elections as there was rather meagre access to media with national reach); and many consider the current Parliament in Serbia to be ‘falsified’. Many also argue there is widespread corruption in the country through public purchases, widespread nepotism and crony employment. Why is the EU not pressing Serbia hard on these issues? With such pressure, the population would observe that such matters are changing in the direction of EU values and culture. Does the EU want this situation to continue in Serbia to keep the country away from the EU?

Serbia will have elections on all levels in April 2022. The EU was involved and offered good offices in the mediation between the Government and the opposition in order to improve the election-related environment, especially access to electronic media with national reach. That was one of the most important reasons why most in the opposition boycotted elections in 2020. Easy, simple, fast and cheap access to objective information is one of the fundamental democratic values in Europe, not only in the EU⁴⁹.

Television is the means by which most of the population is informed about what is going on in Serbia. National frequencies are officially awarded in an exclusive manner to the state and other media that are closely linked to or controlled by the Government. Potentially half of the population has no or no easy access to alternative sources of information. Important and continuous EU-sponsored direct mediation cut only a minor corner in improving the new pre-election media conditions. The document produced as part of this mediation was more an evaluation of the conditions with certain general suggestions than a concrete roadmap with specific and tangible solutions to amend the media situation. The disappointment was great. Does the EU want Serbia to remain in such a media and information penumbra in order to push it away from the EU? Apparently, the EU is more interested in the stability of Serbia (and other candidate countries) than in democracy. Hence, the tacit (or explicit) support of hard-line local politics.

The confusion and mixed messages continue to filter down from the EU. European Parliament resolution of 25 March 2021 on the 2019-2020 Commission reports on Serbia⁵⁰ shows the EU’s perplexity (or is it?) on Serbian matters. In paragraph 43, it correctly “urges the Serbian authorities to take immediate measures to

guarantee freedom of expression”, while in paragraph 93 it requests the Serbian authorities to revisit the permissions given to the Russian media.

Freedom of expression is one of the core European and EU values. However, the EU has introduced a unique feature in its foreign relations. The Brdo Declaration (paragraph 3; original emphasis) reads: “The EU is by far the region’s **closest partner, main investor and principal donor**. The unprecedented scale and range of this support **must be fully recognised and conveyed** by the partners in their **public debate and communication**”.

The word ‘must’ is interesting. To some this may sound like a potential introduction of a ‘verbal delict’ and censorship. Does the EU fear its esteem is in jeopardy? Is this only in the Western Balkans or throughout Europe? Can one outside the EU have an open mind and be critical about certain EU matters? Or should one have a single vision of the world, as was the case in past non-democratic times?

The competency of the Serbian government is a worrying issue. Certain ministers have had rather questionable educations and diplomas. There are those (Minister of Environmental Protection) that do not know how to read properly in public the text and figures prepared for them. There is a publicly confirmed plagiarist (stripped from his PhD title) who happily continues to be in full charge of the state finances; while the various and sizeable commercial activities (arms, drugs) of other senior ministers and their aids leave room for serious doubt. This is normally an unacceptable matter in the EU.

Public offices customarily have to hold only ‘clean’ persons. In the EU, for instance, Karl-Theodor zu Guttenberg, the German Minister of Defence, had to go (he resigned in 2011) over the plagiarism of his doctoral dissertation. Similarly, the German Minister for Family Affairs, Franziska Giffey, resigned (2021) because of a plagiarised doctorate. Why is the EU side silent about such matters in Serbia? Is it because of an intention to keep in place a government that is softly yielding (step by step) on the matter of the recognition of independence of the Serbian Province of Kosovo and Metohija? It seems for this reason that such matters are tolerated.

The Serbian Government is forcing the EU path as its overall priority (there is no ‘plan B’)⁵¹. Our opinion is that it does not have a clear mandate for such a policy. The public has never been clearly asked in a separate question in a national referendum about an issue as crucial as the EU path. It is true that the EU path was promised, but it was mixed with all the other questions including down-to-earth matters such as a short country road in the small village of Kukulovci or the sewage system in Borča. We argue that the EU path and EU entry (pie in the sky) must be separated from all other questions in a national referendum. The people are interested in their local country road and sewage system, so they will vote for the political group that offers the resolution of such matters. The problem is, however, that the mixing of the EU question with these everyday matters is akin to ‘sweeping it under the carpet’.

The Serbian Government never asked the population *in advance* a direct question in a referendum (fully separated from other questions – please note the second part of the following question): *Are you in favour of the continuation of negotiations with the EU about full membership and are you ready to pay the price the EU will request from Serbia for membership?* The Government does not have the guts to ask this question. Does it fear the public response? The cost of EU entry is listed above. It is unacceptably high and bitter. Is joining the EU, after the payment of such a price, a reward or a punishment for Serbia?

The EU has never given a full and complete list of conditions that Serbia has to fulfil in order to join the EU. Once the requested conditions are fulfilled, newer sets of harsh conditions inevitably arrive. The Serbian Government has not realised that a full and definite list of conditions for EU entry does not exist. There is only one condition for EU entry: to fulfil all new conditions that will always arrive in the future. If the Serbian public were to be made fully aware of this colonial treatment and of each new and severe condition, the fading support for the policy of EU accession would continue to recede.

A promised referendum just before EU entry is an insidious manipulation by the Serbian authorities and EU lobbyists. At that time, Serbia would already be 98 per cent inside the EU through 35 negotiated chapters. That referendum would have a lower significance than putting a dot on the letter *j*. A referendum on the negotiations with the EU is long overdue, but it's not too late now. It will be, later.

10 CONCLUSIONS

The EU introduced and applied exemplary policies and practices. Some of them are the envy of much of the world (environmental protection). Many would like to accept and apply such extraordinary achievements (but not necessarily others such as the euro). Any reasonable country needs to follow, even accept and apply such great achievements, policies and practices. Serbia is no different. However, should Serbia do that from the inside the EU? The country has to pay an unacceptably high price to join. Serbia may and should change at its own pace to the extent that the circumstances (including finance) permit. Certain crucial things can be done in a superior way outside the EU. One such case in point is the successful vaccination of its population against the COVID-19 virus. Britain managed to do the same.

Cooperation with the EU in politics and economics is inevitable, necessary and beneficial for Serbia. European Union laws spread beyond the EU, especially regarding the environment and social affairs. Many important laws, practices and policies (such as the rule of law, freedom in media, protection of the environment, competition or protection of consumers) are reasonable and acceptable, and need to be taken and implemented (the exception is monetary policy). That can all be done without the hyper-costly full membership of the EU.

Since the departure of Britain from the EU, the EU no longer speaks for Europe. It also does not include either Russia or Turkey. Hence, speaking from Brussels 'on behalf of Europe' does not hold. Serbia needs to liberate itself from the myth about the grandeur of the EU. Developed and democratic Britain left the EU, and the EU remains 'burdened by undemocratic and nationalistic' Poland and Hungary⁵². Polish Prime Minister Mateusz Morawiecki compared the EU to the communist dictatorship, and told Polish Members of Parliament "that the EU was run by a 'eurocrat' oligarchy in the interest of nations such as Germany and France"⁵³.

The Serbian Government behaves internationally like an illegitimate child that tries to woo others in the EU to love Serbia. However, this 'love' shall never come from the West. Most in the West observe the Serbs as 'small Russians'⁵⁴. In the West, as long as you are against the Serbs and the Russians, all is allowed. Does the EU need another trouble-making 'undemocratic' Poland or Hungary or another 'corrupt' Bulgaria in its membership? Aleksandar Vučić, the President of Serbia, once said 'the EU is a fairy tale on paper'⁵⁵.

Hence, Serbia should not believe any longer the empty overtures from Brussels about enlargement. Serbia should copy Brussels and do as it has done: the EU pretends to want Serbia in its membership and Serbia should pretend that it wants to join the dysfunctional and unstable EU. As recently exemplified by Brexit, the EU provides neither economic nor political fuel from which one can gain any significant mileage.

The Czech politician and diplomat Jiří Kobza does not advise Serbia to follow the example of his country. He said⁵⁶: “EU membership is no longer an advantage, on the contrary, I see it as strengthening slavery before corporations, banks and the Brussels bureaucracy. The fact is that EU membership could bring Serbia several useful things. However, the EU corporations will benefit the most because they will have access to another country and its resources and markets. I consider that the loss of much of independence is a fundamental shortfall of EU membership, followed by the EU Green Deal, EU migration policy, the so-called Recovery Fund that will bring endless debts and other misfortunes. I hope there will be a chance to explain this to our Serb brothers.

I think that the more interesting way is to go through an agreement and consent, I do not mean the Lisbon Treaty or other EU traps that are based on mutual benefit. Manage things according to your own laws, with your own currency and your own migration, agricultural and defense policies. Don't come to the position of Poland and Hungary so that you can live without the censorship of the European Commissioner Vera Jurova and without the dictates of the LGBT lobby”.

To join the EU now would be for Serbia like coming to a sumptuous EU party – as it seemed to be in the 1990s – but at 5 a.m., when all the best food and drinks have already been consumed and all the girls taken home. The EU is not the path without alternatives for Serbia. Plan B for Serbia is to learn from the experiences of Switzerland, Norway, Israel, Singapore, South Korea and, even, Britain. There is life and prosperity outside the EU as it is now.

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NOTES

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1 ‘Brnabić: EU ostaje prioritet, ne postoji plan B’, RTS, 23 November 2020.

The Prime Minister of Serbia, Ana Brnabić, claims that she graduated from business schools in the United States and in Britain. Even at lousy business schools one learns there must always be a certain plan B, C, or even D. If there are no backup plans or alternatives, the player is subject to blackmail as they are in a corner. This is an open invitation for the bad and colonial treatment of Serbia.

A senior Brussels official stated that ‘*Once a country applies to join the EU, it becomes our slave*’ (“Outgrowing the Union” [A survey of the European Union]), *The Economist*, 25 September 2005, p. 9.

Good politicians and leaders face choices; often difficult ones. They need to make decisions and lead. If there are no choices, if there is only one way (no plan B), this ‘liberates’ them from any responsibility in the sense that ‘we have no choice, we have to do that’. This is bad politics and shoddy leadership. Choices always exist: to light or not to light a cigarette.

2 ‘Serbian PM: Western Balkans frustrated with the EU’, EURACTIV, 21 June 2021.

3 R. Emmott, ‘EU no longer agrees on Balkan membership guarantee, diplomats say’, Reuters, 28 September 2021.

4 These problematic countries include Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia (including the Province of Kosovo and Metohija), and Turkey.

5 The current Brexit is not the first British cutting of relations with the European continent. The Roman legions were expelled in the year 410 after 367 years of occupation. Henry VIII cut relations with Rome in 1534. Life in the British Isles regarding relations with continental Europe is back to normal.

6 Brexit is the fourth crack in the EU’s membership structure. Earlier departures from the EU group were Algeria (1962), Greenland (1985) and St Barthélemy (2012).

7 The Preamble to the Treaty of Rome states that its founders are resolved to preserve and strengthen peace and liberty and calls on other European peoples who share their ideals to join them in their efforts.

8 The EU may seem to act as nation-deconstructing machinery. Look at France – the country can do almost nothing to fix its economy, hence the protests. Eurozone rules prevent that.

9 A. Rettman, ‘EU enlargement is only real solution to Balkan conflicts’, EUObserver, 20 May 2021.

10 European Union economic interest in Serbia is rather slim. The total economic size of Serbia is similar to a medium-sized city in the ‘old’ EU, such as Amsterdam.

11 ‘Europe should vote’, The Economist, 27 September 2003, p. 34.

12 ‘EU faced with “deep disappointment” in Western Balkans’, EURACTIV, 10 May 2021.

13 The full name and geographical reality of the southern Serbian province is Kosovo and Metohija. These are two distinct geographical areas. In order to de-Christianise the nation, communists erased the name Metohija, which means the area that belongs to a monastery. There are over 1,300 Christian churches and monasteries in this province

– only Rome has a higher density of Christian churches. The communists extended the name of Kosovo to the entire province where the Albanians are mostly Muslims.

14 It is harder, if not impossible, to trade freely with Russia and China from inside the EU, especially for the formerly socialist EU countries. Cooperation with China on the One Belt, One Road initiative is not strongly encouraged, while 5G technology is banned (on security grounds) even though Huawei’s equipment is much cheaper than the EU alternatives.

15 The EU countries shall not expel engineers or medical staff, but rather those who cannot be integrated or who present a security risk. There is a potential diplomatic trick (even blackmail) that Serbia would take in only those migrants that it agrees to accept from the EU. However, if Serbia refuses to accept the migrants designated by the EU, the Serbian EU entry path shall be blocked.

16 The Serbian Government and certain media institutions sometimes (often?) economise when informing the public on issues with migrants in Serbia.

Refuge-related assistance worker accidentally stepped on a prayer rug because of a crowd in the corridor where she worked. The aggressive refugees forced that woman to kiss the rug, made a video, put it on YouTube and boasted globally with it for a week. Only when the video had been widely spread did the authorities react to protect that frightened local woman.

See <https://twitter.com/ustanak1804/status/1341781035634323457> Accessed on 25 May 2021.

Also see <https://direktno.rs/vesti/drustvo-i-ekonomija/324026/migranti-bogovadja.html> Accessed on 25 May 2021. In addition, migrants robbed elder churchgoers during prayers in Belgrade. They were caught. See <https://www.kurir.rs/vesti/beograd/3473029/migranti-opljackali-vernice-u-crkvi-u-beogradu-upali-na-liturgiju-pa-oteli-torbice-zeni-odneli-celu-penziju> Accessed on 25 May 2021. Now imagine the Western and other media fury if these Muslim robbers were forced to kiss Christian icons.

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18 Stiglitz (2016) and Jovanović (2019, 2021).

19 Many in Europe question why those people do not move to Saudi Arabia and other rich states in the Middle East.

20 B. Fox, ‘Sex and drugs drive EU growth surge’, EUObserver, 17 October 2014.

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It is interesting and worrying that the countries that have a legal system based on precedents, create a precedent and later argue that such a precedent is not a precedent! Principles (if there are any) are interpreted with comical flexibility.

For the record: international law recognises the unilateral declaration of independence only to former colonies. As for the EU, the Lisbon Treaty, Article 4.2 reads on territorial integrity as follows:

The Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government. It shall respect their essential State functions, including ensuring the territorial integrity of the State, maintaining law and order and safeguarding national security. In particular, national security remains the sole responsibility of each Member State.

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31 Redistribution of already allocated funds.

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36 In Latin ‘agreements must be kept’.

37 See <https://www.srbija.gov.rs/cinjenice/en/120394> Accessed on 9 September 2021.

38 On 11 March 2001, Afghanistan’s ruling Taliban Muslims blew up two giant Buddha statues in defiance of international diplomatic efforts to save them. This provoked a huge worldwide outcry. However, little is known about similar actions by the Albanian Muslims in Kosovo. This Serbian province has been ruled by the UN mission since June 1999. Security has been provided by tens of thousands of NATO troops equipped with state-of-the-art military hardware, intelligence and logistics. Since the UN and NATO took control, the Albanian Muslims militants have burned, bombed and destroyed 115 Christian Orthodox churches and monasteries that originate mostly from the fourteenth and fifteenth centuries. Thirty of those churches and monasteries were destroyed in an organised and well-coordinated action in the presence of NATO military forces as recently as 17 and 18 March 2004. Most of the churches and monasteries represented ‘precious and irreplaceable heritage of our civilisation’ (F. Riccardi, *EU’s growing influence in foreign policy. But . . .*’, Bulletin Quotidien Europe, 3 April 2004, p. 3).

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⁵⁰ See https://www.europarl.europa.eu/doceo/document/TA-9-2021-0115_EN.html Accessed on 30 September 2021.

⁵⁰ 'Vučić za Klajne cajtung: Naći put između zaštite životne sredine i privrede', Dnevnik, 7 September 2021.

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⁵¹ M. Wilczek and B. Waterfield, 'EU is just like the communists, says Poland', The Times, 20 November 2020.

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THE 7 ELEMENTS OF A STRONG BUSINESS MODEL

File: Extract from the <https://www.entrepreneur.com/article/243753>
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ABSTRACT

Creating a business model isn't simply about completing your business plan or determining which products to pursue. It's about mapping out how you will create ongoing value for your customers.

Keywords: business model, business process, business resources, value proposition

JEL Classification: L21, L26

Where will your business idea start, how should it progress, and when will you know you've been successful? How will you create value for customers? Follow these simple steps to securing a strong business model..

1. Identify your specific audience

Targeting a wide audience won't allow your business to hone in on customers who truly need and want your product or service. Instead, when creating your business model, narrow your audience down to two or three detailed buyer personas. Outline each persona's demographics, common challenges and the solutions your company will offer. As an example, Home Depot might appeal to everyone or carry a product the average person needs, but the company's primary target market is homeowners and builders.

2. Establish business processes

Before your business can go live, you need to have an understanding of the activities required to make your business model work. Determine key business activities by first identifying the core aspect of your business's offering. Are you responsible for providing a service, shipping a product or offering consulting? In the case of [Ticketbis](#),⁴ an online ticket exchange marketplace, key business processes include marketing and product delivery management

⁴ **Ticketbis** works as an intermediate between individuals who want to resell or buy tickets to music, sports, theatre and cultural events. The seller determines the price of the tickets. Like the majority of secondary ticketing platforms, Ticketbis charges a commission from each party involved in the exchange.

3. Record key business resources

What does your company need to carry out daily processes, find new customers and reach business goals? Document essential business resources to ensure your business model is adequately prepared to sustain the needs of your business. Common resource examples may include a website, capital, warehouses, intellectual property and customer lists.

4. Develop a strong value proposition

How will your company stand out among the competition? Do you provide an innovative service, revolutionary product or a new twist on an old favorite? Establishing exactly what your business offers and why it's better than competitors is the beginning of a strong value proposition. Once you've got a few value propositions defined, link each one to a service or product delivery system to determine how you will remain valuable to customers over time.

5. Determine key business partners

No business can function properly (let alone reach established goals) without key partners that contribute to the business's ability to serve customers. When creating a business model, select key partners, like suppliers, strategic alliances or advertising partners. Using the previous example of Home Depot, key business partners may be lumber suppliers, parts wholesalers and logistics companies.

6. Create a demand generation strategy

Unless you're taking a radical approach to launching your company, you'll need a strategy that builds interest in your business, generates leads and is designed to close sales. How will customers find you? More importantly, what should they do once they become aware of your brand? Developing a demand generation strategy creates a blueprint of the customer's journey while documenting the key motivators for taking action.

7. Leave room for innovation

When launching a company and developing a business model, your business plan is based on many assumptions. After all, until you begin to welcome paying customers, you don't truly know if your business model will meet their ongoing needs. For this reason, it's important to leave room for future innovations. Don't make a critical mistake by thinking your initial plan is a static document. Instead, review it often and implement changes as needed.

Keeping these seven tips in mind will lead to the creation of a solid business plan capable of fueling your startup's success

INSTITUTIONAL PROFILE

WORLD ECONOMIC FORUM ANNUAL MEETING

22—26 May 2022

FOUR WAYS LEADERS CAN STRENGTHEN EUROPE'S ECONOMIC RESILIENCE

Mirek Dusek

Head of Europe, Eurasia and the Middle East; ExCom Member, World Economic Forum

Source: <https://www.weforum.org/agenda/2022/05/4-ways-leaders-can-strengthen-europe-economic-resilience/>

- The war in Ukraine has fostered solidarity between European Union states as they unite against Russian aggression.
- European leaders from government, business and civil society must respond to the crisis without neglecting its strategic imperatives.
- Maintaining progress on four key strategic areas can ensure Europe's future trajectory.

The 64km tank column that Russia sent into Ukraine failed to take Kyiv but succeeded in ending the illusion that Europe is insulated from direct military attack. This [birth of a geopolitical Europe](#),⁵ a moment I have best heard described as “Europe's adulthood”, has brought the curtain down on an age of innocence that for most Western Europeans had lasted an entire lifetime.

In this new context, there is one thing that matters above all else for the survival of the EU: its capacity to defend itself and stand united against external threats. But adulthood also means being able to respond to crises without losing sight of strategic priorities. As the knock-on effects of the war ripple through the continent, several European leaders from business and government are already [thinking long-term](#).

Here are at least four areas where they could join forces to forge a more resilient, competitive **and sustainable Europe**.

1. Delivering on the promise of Europe's strategic autonomy

Strategic autonomy, usually understood through a security prism, has also come to mean autonomy in the materials, technologies and skills that will fuel tomorrow's economic growth. In all these areas, Europe has undergone a transformational shift in policy and mindset first triggered by the sobering supply chain shocks of the pandemic and now hardened by the return of war to the continent.

⁵ See at <https://carnegieeurope.eu/2022/04/14/making-eu-foreign-policy-fit-for-geopolitical-world-pub-86886>

Germany, for example, increased its defence budget by €100 billion to reach 2% of the country's GDP, a NATO commitment that had long eluded most NATO members in times of peace. This will push the EU's collective defence budget north of 20% of total global expenditure this year.

The imperative of building Europe's "open strategic autonomy", floated for years in think tank circles, has now become received wisdom across national capitals. Europe's dependence on one or two markets for critical raw materials is more complete – [up to 98% in some cases](#) – than its better-known security and energy dependencies. Market solutions alone haven't been able to drive over-dependence down, and the European Commission is now actively considering [concrete policy proposals](#) to strengthen Europe's primary materials industry.

2. Transforming Europe's energy dependence into economic opportunity

Given Europe's reliance on Russia for its hydrocarbon imports, the war has increased pressure on the region's energy systems. Russia supplies 40% of [Europe's gas](#), 20% of its oil and 45% of its coal, making the diversification of energy supply and the uptake of renewable energy one of the major priorities for European leaders to work on jointly.

Last March, the European Commission launched its [RePowerEU](#)⁶ plan to decouple the European energy system from Russia by 2023 and deliver on its climate commitments on an accelerated timeline. While [RePowerEU](#) hinges on further increasing targets for energy saving and for uptake of renewable energy sources, it will also be a vehicle for the Commission to help provide affordable energy to Ukraine and other countries directly affected by the war. The additional €210 billion needed to achieve energy independence will need coordinated efforts from the private and public sector, at both the national and EU level.

Businesses have been very active in developing and deploying innovative climate solutions, from [carbon capture technologies](#) to [breakthroughs in fusion power](#) to sustainable fuels. This notwithstanding, Europe still lags on innovation when compared to other geographies. The objective of investing [4% of the EU's GDP](#) into research and development is still out of reach – [with the bloc reaching only 2.3%](#) last year.

Leading on climate innovation will help Europe move away from the fossil-fuel paradigm to a new one, which promotes R&D through government policies and tax credits that accelerate the adoption and scaling up of innovative technologies. Only then, can climate innovation become a source of long-term competitiveness for Europe and fuel the continent's economic growth.

3. Making Europe's labour market more resilient

A consequence of the pandemic-induced economic shock was the increase in the unemployment rate across the European Union, [up 6.2%](#) in 2022 (a 2% increase versus the previous year) and reaching alarming levels in Spain (13.5%), Greece (12.9%) among other countries. As member states implement their National Recovery and Resilience plans to address the challenges of their

⁶ See at https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1511

national labour markets, it would be important to complement those reforms with policies that can help integrate Ukrainian refugees into the workforce.

Since the start of the war, [almost 6 million people have fled Ukraine and almost 8 million have been displaced internally](#), relocating to western areas of the country.

This is the biggest forced population movement that Europe has experienced since World War II. The magnitude of the Ukrainian humanitarian crisis (five times the Syrian refugee inflow in 2015) is going to be felt across Europe if countries are not immediately able to respond with the right support.

As Ukrainian men aged between 18-60 are required to remain in the country to support its defence, women accompanied by their children and elderly relatives are forced to flee. Due to the war, women face the double burden of taking care of their young and elderly family members even as they become the primary financial provider for their families, sometimes entering the labour market for the first time.

When the EU activated its [Temporary Protection Directive](#), it provided all Ukrainian refugees with a residency permit for up to three years, access to education and employment as well as free movement across the EU. However, the sheer scale of the challenge requires active public-private cooperation to ensure that Ukrainian refugees thrive in their new homes.

The role of business is paramount in four key ways: help governments develop reskilling and upskilling programmes for Ukrainian refugees willing to work; offer apprenticeships, internships, or maternity cover programmes to integrate refugees rapidly into the labour force and into society, even if for a temporary period; provide subsidized childcare opportunities so women can enter the workforce; help establish “support groups” to help Ukrainian families navigate their new local environments.

In a few days, European leaders from government, business and civil society and their global counterparts will convene in Davos for the World Economic Forum’s Annual Meeting. It will be a crucial platform for progress on these four key areas for Europe’s future trajectory through the structured multi-stakeholder dialogues that the Forum will host. These high-level dialogues will complement the ongoing work that the Forum leads through its action-oriented communities, such as the [CEO Action Group for the European Green Deal](#), which aims to support the EU in achieving its climate objectives, and Leaders for Europe’s Digital Decade whose focus will be on accelerating the region’s digital transformation.

4. Strengthening Europe’s global leadership on food security

Conflict is the [main cause](#) of food insecurity around the world, and the war in Ukraine, which involves two of the world’s largest sources of calories destined for human consumption – [12% of the food traded globally](#) comes from Ukraine and Russia – could see the number of undernourished people grow [by 7.6 million](#). Some regions, such as the Middle East and North Africa and East Africa are acutely dependent on Ukrainian and Russian cereals imports; a staggering 50% and 90% respectively.

Europe is a net exporter of agri-food products and appears not only able to absorb the shocks stemming from the war to its food system, but also capable of supporting partner economies through exports of its food surplus. Beyond keeping trade in food flowing globally, Europe could stimulate sustained investment in long-term food security programmes in countries hit particularly hard by the war and by the commodity shock it triggered.

At the same time, rising inflation, skyrocketing energy prices and gradual land degradation could, over the medium to long-term, hinder Europe's capacity to meet its own food needs and reduce its capacity to produce a food surplus for export. Here, public-private cooperation would be crucial to foster sustainable and innovative agricultural practices that preserve land quality while enhancing crop performance.

An opportunity for action

In a few days, European leaders from government, business and civil society and their global counterparts will convene in Davos for the World Economic Forum's Annual Meeting. It will be a crucial platform for progress on these four key areas for Europe's future trajectory through the structured multi-stakeholder dialogues that the Forum will host. These high-level dialogues will complement the ongoing work that the Forum leads through its action-oriented communities, such as the [CEO Action Group for the European Green Deal](#),⁷ which aims to support the EU in achieving its climate objectives, and Leaders for Europe's Digital Decade whose focus will be on accelerating the region's digital transformation.

⁷ See further in <https://www.weforum.org/communities/ceo-action-group-for-a-european-green-deal>

NEWS

EUROCHAMBRES

Brussels, 31 March 2022
POSITION

S

EU and Western Balkans: a profound and deepening partnership

Eurochambres calls upon the countries of the Western Balkans and the European Union to set up a clear timeframe for the implementation of reforms leading towards the EU accession of Serbia, Montenegro, North Macedonia, Albania, Bosnia and Herzegovina and Kosovo. In order to prepare for accession, the EU should support the digitalisation of companies, entrepreneurial knowledge and training through regional partners, such as chambers of commerce and industry. EU support for key infrastructure and structural reforms in the candidate countries are interlinked.

The Western Balkans is a part of Europe. It is a region of strategic importance and the EU has a common history and a common future with Serbia, Montenegro, North Macedonia, Albania, Bosnia and Herzegovina and Kosovo.

Trade relations with the Western Balkans precede political developments: presently, the European Union is the largest trading partner, investor and donor of the Western Balkan countries. Exports to the Western Balkan countries have more than doubled in the last ten years and imports have more than tripled during the same period.

Unfortunately, political progress towards the EU accession of the Western Balkan countries has stalled in recent years. To revive a dynamic towards accession, Eurochambres suggests the following steps:

A clear **“timetable” for the six Western Balkan countries leading to full EU accession**. This has been the case for the countries that joined the EU in 2004 and has proven to be a decisive incentive to carry out the necessary reforms in a relatively short period of time.

The **revised enlargement methodology**² should be applied rigorously during accession negotiations with Serbia and Montenegro to make the process more dynamic. Reforms, especially those focusing on independent judicial systems, impartial public administrations, the fight against corruption on all governmental levels and upholding fundamental rights are primarily in the interest of the candidate countries. They not only need to be adopted as law, but a solid track record of their consistent and continuous application must have been established by the time of EU accession. Objective criteria should be the leading principle on the **opening of negotiations** and the adoption of the negotiation box for other candidate countries that fulfil the criteria, such as North Macedonia or Albania.

We support the early accession concept of the EU that aims at aligning and harmonising rules in the Western Balkan countries with **EU norms and standards prior to their formal accession**. Eurochambres supports proposals aiming at better information sharing with Western Balkans partners of different EU technical committees and Commission working groups, in particular dealing

with economic, financial and standardization issues. This concept might in the future entail perspectives towards selected privileged access to the European Single Market or parts of it in accordance with the adaptation of EU rules or other facilitations, such as lower roaming fees. The EU has a positive track record of facilitations ahead of the previous rounds of enlargement in 1995, 2004, 2007 and 2013 which could serve as blueprints.

The Western Balkans is an important partner region for the EU. Therefore, we should not wait for EU accession to support these countries through financial support and knowledge sharing. Eurochambres suggests in particular:

- ❖ **Dissemination of knowledge on digitalisation, EU law and vocational training for SMEs through regional partners**, such as the Western Balkans 6 Chamber Investment Forum and local chambers. In recent years, some substantial improvements in the digitalisation of companies, chamber support for SMEs, and support in complying with EU standards in environmental and consumer protection or in vocational training have been implemented through these associations.
- ❖ The EU should offer future Member States from the Western Balkans **privileged partnerships in key strategic areas**, such as cyber security, combat against organised crime, security of energy supplies and migration. This helps to promote the EU as a strategic partner and is at the benefit of all EU partners.
- ❖ The deliverables defined in the **Berlin Process** can facilitate trade with the Western Balkans considerably. Eurochambres fully support the Western Balkans - EU Green lanes initiative launched jointly by the Transport Community and CEFTA Secretariats with the goal to facilitate the flow of essential goods and the roadmap aiming at the reduction of roaming fees between the EU and the Western Balkans countries.
- ❖ Until all Western Balkan countries join the EU and become part of its Single Market, the **“Common Regional Market in the Western Balkans”** may help to reduce unnecessary administrative burdens, border controls and foster trade within the region. The EU should support these efforts as preparation for the European Single Market.
- ❖ Provide additional support for a timely implementation of the **Green Agenda** for the Western Balkans in order to meet the Sofia Commitments and establish a solid foundation for achieving climate neutrality by 2050. This includes mainstreaming the green and low-carbon transition of the economy.
- ❖ The **permanent business dialogue** between the EU and the Western Balkans 6 Chamber Investment Forum is an important means to engage the business community in the enlargement process and helps to identify problems in trade rapidly and to suggest concrete solutions.
- ❖ The EU should increase its **pre-accession support** for future Western Balkans member states, rigorously conditional to improvements in their individual reform processes. Besides support for institution building, this should encompass key infrastructure projects, innovation capacities and anticipate structural investments that the European Regional Development Fund covers for full members. We fully support the measures foreseen in the Economic and Investment Plan.

A reliable enlargement strategy of the European Union increases the acceptance of key structural reforms in Western Balkans countries. The economic benefits for the citizens in the region resulting from these reforms and the reliability of institutions in Western Balkan countries go hand in hand. It is now time to deliver.

CONSERVATIVE POLITICAL ACTION CONFERENCE – CPAC – BUDAPEST



The Conservative Political Action Conference (CPAC), a rallying event of the US Republican party, was held in Budapest’s Várkert Bazár on 20-21 May, with the Hungarian Prime Minister Viktor Orbán as a keynote speaker.

The event’s headline topics will include “**God, homeland, family** ... expressing the set of values currently under a comprehensive attack in the West,” **Miklós Szánthó**, the director of the Hungarian Center for Fundamental Rights said.

According to Wikipedia, the **CPAC** is an annual political conference attended by conservative activists and elected officials from across the United States and beyond. CPAC is hosted by the American Conservative Union (ACU). The first CPAC took place in 1974.

Dan Schneider, the Head of the American Conservative Union highlighted that CPACs were organized for the first time overseas six years ago. Since then, it has already been hosted in Asia, Australia, South and North America and next year the conference will be held for the first time in Europe. According to the executive director, Hungary and in particular Budapest, will be an excellent location because they are not only preserving the past but also trying new things. The ACU insisted on its position that it will only grant the right to organize a conference to a country that is committed to national sovereignty and the preservation of traditional values.

Hundreds of participants from several countries, including **Santiago Abascal Conde**, the head of the Spanish right-wing VOX party, and **Eduardo Bolsonaro**, the son of Brazilian President Jair Bolsonaro, are planning to attend, he said. US senators and house representatives, “prominent members of the US intelligentsia, heads of European research institutes and journalists” have also been invited, he said.

One of the most influential people on the American political right, *Fox News* host **Tucker Carlson**, could not be present at the Conservative Political Action Conference (CPAC) in Budapest, so he sent a video message to the conference participants. Carlson said in the video that Hungary is “a free and decent and beautiful country that cares about its people, their families, physical landscape. A great place.” He also added that he wishes he was there.

The Guardian highlighted Viktor Orbán as following: “I see the great European population exchange as a suicidal attempt to replace the lack of European, Christian children with adults from other civilizations – migrants,” Orbán declared in a speech to mark the start of his fourth term in office. Echoing another popular theme on the American right, he argued that another form of cultural suicide was “gender madness”, a reference to the spread of LGBTQ+ rights in the west. (See <https://www.theguardian.com/world/2022/may/18/cpac-conference-budapest-hungary-viktor-orban-speaker>)



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