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WINTER MESSAGE

The world today is at a serious crossroad. The global pandemic, the geopolitical tension – especially the Russian-Ukrainian war, as well as the Israeli-Palestinian conflict, the growing number of the EU sanctions against Russia – which basically ruin the individual countries in Europe -, the uncontrolled migration, rapid inflation, have exacerbated challenges to global security, food security and global trade. The US's strategic goal is to weaken Europe as well and to improve America's global positions. American shale gas has been sold to Europe four times more expensive, all by the Russians. Beside this is create environmental damages due to sea shipment. From then on, Russian raw material exports turned to the East. Russian gas is thus often processed and returned to Europe at a higher price.

The war in Ukraine adds major uncertainties to FDI to and from Russia and affects it negatively in the short and long run. The degree of hit depends on the exact contents of sanctions and countersanctions, which are in constant evolution and not fixed yet. The paradox of this war is that, if the intention of the planners was to make Russia more powerful, the effect was already opposite and was (and is) worsening over time. Observers may wonder what went wrong with the planning of the economic consequences

The war in the Middle East has been going on for four months. The number of Palestinian dead in Gaza is around 30,000, and the number of wounded is two and a half times that number. The number of fallen Israeli soldiers is approaching thousand. Israel controls the 14 kilometer long land border between Gaza and Egypt. The only solution should be creation of two states according to the UN resolution in 1947. Unfortunately the Israeli prime minister rejects this solution, therefore the number of dead is increasing day by day.

The current situation is not favorable for businesses and for revitalizing the economy. In Dubai, on the COP 21 the Holy Father expressed his doubts about climate change in our world.

Dr Ayman El Tarabisy, President of the International Council for Small Business (ICSB) takes into account the global challenges and directions in the world-wide entrepreneurship and practice, proudly unveils its annual Top Ten Trends for 2024 for Micro-, Small- and Medium-sized Enterprises (MSMEs).

We draw the attention of our distinguished readers, that on May 9-10, the 10th annual EU-Startups Summit! will be hosted in Malta. It will be showcasing many of Europe's hottest startups and coming together to learn from some of the most successful European entrepreneurs of our time.

Dr. Antal Szabó
Scientific Director of ERENET

PAPERS

Supreme Pontiff Francis

Holy Father

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LAUDATE DEUM OF THE HOLY FATHER TO ALL PEOPLE OF GOOD WILL ON THE CLIMATE CRISIS

Key words: global climate crisis, Laudato Si, Paris agreement, technocratic paradigm of the environmental decay

JEL Classification: R11, Q01, Q54

1. “Praise God for all his creatures”. This was the message that Saint Francis of Assisi proclaimed by his life, his canticles and all his actions. In this way, he accepted the invitation of the biblical Psalms and reflected the sensitivity of Jesus before the creatures of his Father: “Consider the lilies of the field, how they grow; they neither toil nor spin, yet I tell you, even Solomon in all his glory was not clothed like one of these” (Mt 6:28-29). “Are not five sparrows sold for two pennies? Yet not one of them is forgotten in God’s sight” (Lk 12:6). How can we not admire this tenderness of Jesus for all the beings that accompany us along the way!

2. Eight years have passed since I published the Encyclical Letter *Laudato Si’*, when I wanted to share with all of you, my brothers and sisters of our suffering planet, my heartfelt concerns about the care of our common home. Yet, with the passage of time, I have realized that our responses have not been adequate, while the world in which we live is collapsing and may be nearing the breaking point. In addition to this possibility, it is indubitable that the impact of climate change will increasingly prejudice the lives and families of many persons. We will feel its effects in the areas of healthcare, sources of employment, access to resources, housing, forced migrations, etc.

3. This is a global social issue and one intimately related to the dignity of human life. The Bishops of the United States have expressed very well this social meaning of our concern about climate change, which goes beyond a merely ecological approach, because “our care for one another and our care for the earth are intimately bound together. Climate change is one of the principal challenges facing society and the global community. The effects of climate change are borne by the most vulnerable people, whether at home or around the world”.^[1] In a few words, the Bishops assembled for the Synod for Amazonia said the same thing: “Attacks on nature have consequences for people’s lives”.^[2] And to express bluntly that this is no longer a secondary or ideological question, but a drama that harms us all, the African bishops stated that climate change makes manifest “a tragic and striking example of structural sin”.^[3]

4. The reflection and information that we can gather from these past eight years allow us to clarify and complete what we were able to state some time ago. For this reason, and because the situation is now even more pressing, I have wished to share these pages with you.

1. The Global Climate Crisis

5. Despite all attempts to deny, conceal, gloss over or relativize the issue, the signs of climate change are here and increasingly evident. No one can ignore the fact that in recent years we have witnessed extreme weather phenomena, frequent periods of unusual heat, drought and other cries of protest on the part of the earth that

are only a few palpable expressions of a silent disease that affects everyone. Admittedly, not every concrete catastrophe ought to be attributed to global climate change. Nonetheless, it is verifiable that specific climate changes provoked by humanity are notably heightening the probability of extreme phenomena that are increasingly frequent and intense. For this reason, we know that every time the global temperature increases by 0.5°C, the intensity and frequency of great rains and floods increase in some areas and severe droughts in others, extreme heat waves in some places and heavy snowfall in others.^[4] If up to now we could have heat waves several times a year, what will happen if the global temperature increases by 1.5°C, which we are approaching? Those heat waves will be much more frequent and with greater intensity. If it should rise above 2 degrees, the icecaps of Greenland and a large part of Antarctica ^[5] will melt completely, with immensely grave consequences for everyone.

Resistance and confusion

6. In recent years, some have chosen to deride these facts. They bring up allegedly solid scientific data, like the fact that the planet has always had, and will have, periods of cooling and warming. They forget to mention another relevant datum: that what we are presently experiencing is an unusual acceleration of warming, at such a speed that it will take only one generation – not centuries or millennia – in order to verify it. The rise in the sea level and the melting of glaciers can be easily perceived by an individual in his or her lifetime, and probably in a few years many populations will have to move their homes because of these facts.

7. In order to ridicule those who speak of global warming, it is pointed out that intermittent periods of extreme cold regularly occur. One fails to mention that this and other extraordinary symptoms are nothing but diverse alternative expressions of the same cause: the global imbalance that is provoking the warming of the planet. Droughts and floods, the dried-up lakes, communities swept away by seaquakes and flooding ultimately have the same origin. At the same time, if we speak of a global phenomenon, we cannot confuse this with sporadic events explained in good part by local factors.

8. Lack of information leads to confusion between large-scale climate projections that involve long periods of time – we are talking about decades at least – with weather forecasts that at most can cover a few weeks. When we speak of climate change, we are referring to a global reality – and constant local variations – that persists for several decades.

9. In an attempt to simplify reality, there are those who would place responsibility on the poor, since they have many children, and even attempt to resolve the problem by mutilating women in less developed countries. As usual, it would seem that everything is the fault of the poor. Yet the reality is that a low, richer percentage of the planet contaminates more than the poorest 50% of the total world population, and that per capita emissions of the richer countries are much greater than those of the poorer ones. ^[6] How can we forget that Africa, home to more than half of the world's poorest people, is responsible for a minimal portion of historic emissions?

10. It is often heard also that efforts to mitigate climate change by reducing the use of fossil fuels and developing cleaner energy sources will lead to a reduction in the number of jobs. What is happening is that millions of people are losing their jobs due to different effects of climate change: rising sea levels, droughts and other phenomena affecting the planet have left many people adrift. Conversely, the transition to renewable forms of energy, properly managed, as well as efforts to adapt to the damage caused by climate change, are capable of generating countless jobs in different sectors. This demands that politicians and business leaders should even now be concerning themselves with it.

Human causes

11. It is no longer possible to doubt the human – “anthropic” – origin of climate change. Let us see why. The concentration of greenhouse gases in the atmosphere, which causes global warming, was stable until the nineteenth century, below 300 parts per million in volume. But in the middle of that century, in conjunction with industrial development, emissions began to increase. In the past fifty years, this increase has accelerated significantly, as the Mauna Loa observatory, which has taken daily measurements of carbon dioxide since 1958, has confirmed. While I was writing *Landato Si*, they hit a historic high – 400 parts per million – until arriving at 423 parts per million in June 2023. [7] More than 42% of total net emissions since the year 1850 were produced after 1990. [8]

12. At the same time, we have confirmed that in the last fifty years the temperature has risen at an unprecedented speed, greater than any time over the past two thousand years. In this period, the trend was a warming of 0.15C per decade, double that of the last 150 years. From 1850 on, the global temperature has risen by 1.1C, with even greater impact on the polar regions. At this rate, it is possible that in just ten years we will reach the recommended maximum global ceiling of 1.5°C. [9] This increase has not occurred on the earth’s surface alone but also several kilometres higher in the atmosphere, on the surface of the oceans and even in their depths for hundreds of metres. Thus the acidification of the seas increased and their oxygen levels were reduced. The glaciers are receding, the snow cover is diminishing and the sea level is constantly rising. [10]

13. It is not possible to conceal the correlation of these global climate phenomena and the accelerated increase in greenhouse gas emissions, particularly since the mid-twentieth century. The overwhelming majority of scientists specializing in the climate support this correlation, and only a very small percentage of them seek to deny the evidence. Regrettably, the climate crisis is not exactly a matter that interests the great economic powers, whose concern is with the greatest profit possible at minimal cost and in the shortest amount of time.

14. I feel obliged to make these clarifications, which may appear obvious, because of certain dismissive and scarcely reasonable opinions that I encounter, even within the Catholic Church. Yet we can no longer doubt that the reason for the unusual rapidity of these dangerous changes is a fact that cannot be concealed: the enormous novelties that have to do with unchecked human intervention on nature in the past two centuries. Events of natural origin that usually cause warming, such as volcanic eruptions and others, are insufficient to explain the proportion and speed of the changes of recent decades. [11] The change in average surface temperatures cannot be explained except as the result of the increase of greenhouse gases.

Damages and risks

15. Some effects of the climate crisis are already irreversible, at least for several hundred years, such as the increase in the global temperature of the oceans, their acidification and the decrease of oxygen. Ocean waters have a thermal inertia and centuries are needed to normalize their temperature and salinity, which affects the survival of many species. This is one of the many signs that the other creatures of this world have stopped being our companions along the way and have become instead our victims.

16. The same can be said about the decrease in the continental ice sheets. The melting of the poles will not be able to be reversed for hundreds of years. As for the climate, there are factors that have persisted for long periods of time, independent of the events that may have triggered them. For this reason, we are now unable to halt the enormous damage we have caused. We barely have time to prevent even more tragic damage.

17. Certain apocalyptic diagnoses may well appear scarcely reasonable or insufficiently grounded. This should not lead us to ignore the real possibility that we are approaching a critical point. Small changes can cause greater ones, unforeseen and perhaps already irreversible, due to factors of inertia. This would end up precipitating a cascade of events having a snowball effect. In such cases, it is always too late, since no

intervention will be able to halt a process once begun. There is no turning back. We cannot state with certainty that all this is going to happen, based on present conditions. But it is certain that it continues to be a possibility, if we take into account phenomena already in motion that “sensitize” the climate, like the reduction of ice sheets, changes in ocean currents, deforestation in tropical rainforests and the melting of permafrost in Russia, etc. [12]

18. Consequently, a broader perspective is urgently needed, one that can enable us to esteem the marvels of progress, but also to pay serious attention to other effects that were probably unimaginable a century ago. What is being asked of us is nothing other than a certain responsibility for the legacy we will leave behind, once we pass from this world.

19. Finally, we can add that the Covid-19 pandemic brought out the close relation of human life with that of other living beings and with the natural environment. But in a special way, it confirmed that what happens in one part of the world has repercussions on the entire planet. This allows me to reiterate two convictions that I repeat over and over again: “Everything is connected” and “No one is saved alone”.

2. A Growing Technocratic Paradigm

20. In *Laudato Si'*, I offered a brief resumé of the technocratic paradigm underlying the current process of environmental decay. It is “a certain way of understanding human life and activity [that] has gone awry, to the serious detriment of the world around us”. [13] Deep down, it consists in thinking “as if reality, goodness and truth automatically flow from technological and economic power as such”. [14] As a logical consequence, it then becomes easy “to accept the idea of infinite or unlimited growth, which proves so attractive to economists, financiers and experts in technology”. [15]

21. In recent years, we have been able to confirm this diagnosis, even as we have witnessed a new advance of the above paradigm. Artificial intelligence and the latest technological innovations start with the notion of a human being with no limits, whose abilities and possibilities can be infinitely expanded thanks to technology. In this way, the technocratic paradigm monstrously feeds upon itself.

22. Without a doubt, the natural resources required by technology, such as lithium, silicon and so many others, are not unlimited, yet the greater problem is the ideology underlying an obsession: to increase human power beyond anything imaginable, before which nonhuman reality is a mere resource at its disposal. Everything that exists ceases to be a gift for which we should be thankful, esteem and cherish, and instead becomes a slave, prey to any whim of the human mind and its capacities.

23. It is chilling to realize that the capacities expanded by technology “have given those with the knowledge and especially the economic resources to use them, an impressive dominance over the whole of humanity and the entire world. Never has humanity had such power over itself, yet nothing ensures that it will be used wisely, particularly when we consider how it is currently being used... In whose hands does all this power lie, or will it eventually end up? It is extremely risky for a small part of humanity to have it”. [16]

Rethinking our use of power

24. Not every increase in power represents progress for humanity. We need only think of the “admirable” technologies that were employed to decimate populations, drop atomic bombs and annihilate ethnic groups. There were historical moments where our admiration at progress blinded us to the horror of its consequences. But that risk is always present, because “our immense technological development has not been accompanied by a development in human responsibility, values and conscience... We stand naked and exposed in the face of our ever-increasing power, lacking the wherewithal to control it. We have certain superficial mechanisms, but we cannot claim to have a sound ethics, a culture and spirituality genuinely capable of setting limits and

teaching clear-minded self-restraint”. [17] It is not strange that so great a power in such hands is capable of destroying life, while the mentality proper to the technocratic paradigm blinds us and does not permit us to see this extremely grave problem of present-day humanity.

25. Contrary to this technocratic paradigm, we say that the world that surrounds us is not an object of exploitation, unbridled use and unlimited ambition. Nor can we claim that nature is a mere “setting” in which we develop our lives and our projects. For “we are part of nature, included in it and thus in constant interaction with it”, [18] and thus “we [do] not look at the world from without but from within”. [19]

26. This itself excludes the idea that the human being is extraneous, a foreign element capable only of harming the environment. Human beings must be recognized as a part of nature. Human life, intelligence and freedom are elements of the nature that enriches our planet, part of its internal workings and its equilibrium.

27. For this reason, a healthy ecology is also the result of interaction between human beings and the environment, as occurs in the indigenous cultures and has occurred for centuries in different regions of the earth. Human groupings have often “created” an environment, [20] reshaping it in some way without destroying it or endangering it. The great present-day problem is that the technocratic paradigm has destroyed that healthy and harmonious relationship. In any event, the indispensable need to move beyond that paradigm, so damaging and destructive, will not be found in a denial of the human being, but include the interaction of natural systems “with social systems”. [21]

28. We need to rethink among other things the question of human power, its meaning and its limits. For our power has frenetically increased in a few decades. We have made impressive and awesome technological advances, and we have not realized that at the same time we have turned into highly dangerous beings, capable of threatening the lives of many beings and our own survival. Today it is worth repeating the ironic comment of Solovyov about an “age which was so advanced as to be actually the last one”. [22] We need lucidity and honesty in order to recognize in time that our power and the progress we are producing are turning against us. [23]

The ethical goad

29. The ethical decadence of real power is disguised thanks to marketing and false information, useful tools in the hands of those with greater resources to employ them to shape public opinion. With the help of these means, whenever plans are made to undertake a project involving significant changes in the environment or high levels of contamination, one raises the hopes of the people of that area by speaking of the local progress that it will be able to generate or of the potential for economic growth, employment and human promotion that it would mean for their children. Yet in reality there does not seem to be any true interest in the future of these people, since they are not clearly told that the project will result in the clearing of their lands, a decline in the quality of their lives, a desolate and less habitable landscape lacking in life, the joy of community and hope for the future; in addition to the global damage that eventually compromises many other people as well.

30. One need but think of the momentary excitement raised by the money received in exchange for the deposit of nuclear waste in a certain place. The house that one could have bought with that money has turned into a grave due to the diseases that were then unleashed. And I am not saying this, moved by a overflowing imagination, but on the basis of something we have seen. It could be said that this is an extreme example, but in these cases there is no room for speaking of “lesser” damages, for it is precisely the amassing of damages considered tolerable that has brought us to the situation in which we now find ourselves.

31. This situation has to do not only with physics or biology, but also with the economy and the way we conceive it. The mentality of maximum gain at minimal cost, disguised in terms of reasonableness, progress and illusory promises, makes impossible any sincere concern for our common home and any real

preoccupation about assisting the poor and the needy discarded by our society. In recent years, we can note that, astounded and excited by the promises of any number of false prophets, the poor themselves at times fall prey to the illusion of a world that is not being built for them.

32. Mistaken notions also develop about the concept of “meritocracy”, which becomes seen as a “merited” human power to which everything must be submitted, under the rule of those born with greater possibilities and advantages. A healthy approach to the value of hard work, the development of one’s native abilities and a praiseworthy spirit of initiative is one thing, but if one does not seek a genuine equality of opportunity, “meritocracy” can easily become a screen that further consolidates the privileges of a few with great power. In this perverse logic, why should they care about the damage done to our common home, if they feel securely shielded by the financial resources that they have earned by their abilities and effort?

33. In conscience, and with an eye to the children who will pay for the harm done by their actions, the question of meaning inevitably arises: “What is the meaning of my life? What is the meaning of my time on this earth? And what is the ultimate meaning of all my work and effort?”

3. The Weakness of International Politics

34. Although “our own days seem to be showing signs of a certain regression... each new generation must take up the struggles and attainments of past generations, while setting its sights even higher. This is the path. Goodness, together with love, justice and solidarity, are not achieved once and for all; they have to be realized each day”.^[24] For there to be solid and lasting advances, I would insist that, “preference should be given to multilateral agreements between States”.^[25]

35. It is not helpful to confuse multilateralism with a world authority concentrated in one person or in an elite with excessive power: “When we talk about the possibility of some form of world authority regulated by law, we need not necessarily think of a personal authority”.^[26] We are speaking above all of “more effective world organizations, equipped with the power to provide for the global common good, the elimination of hunger and poverty and the sure defence of fundamental human rights”.^[27] The issue is that they must be endowed with real authority, in such a way as to “provide for” the attainment of certain essential goals. In this way, there could come about a multilateralism that is not dependent on changing political conditions or the interests of a certain few, and possesses a stable efficacy.

36. It continues to be regrettable that global crises are being squandered when they could be the occasions to bring about beneficial changes.^[28] This is what happened in the 2007-2008 financial crisis and again in the Covid-19 crisis. For “the actual strategies developed worldwide in the wake of [those crises] fostered greater individualism, less integration and increased freedom for the truly powerful, who always find a way to escape unscathed”.^[29]

Reconfiguring multilateralism

37. More than saving the old multilateralism, it appears that the current challenge is to reconfigure and recreate it, taking into account the new world situation. I invite you to recognize that “many groups and organizations within civil society help to compensate for the shortcomings of the international community, its lack of coordination in complex situations, and its lack of attention to fundamental human rights”.^[30] For example, the Ottawa Process against the use, production and manufacture of antipersonnel mines is one example that shows how civil society with its organizations is capable of creating effective dynamics that the United Nations cannot. In this way, the principle of subsidiarity is applied also to the global-local relationship.

38. In the medium-term, globalization favours spontaneous cultural interchanges, greater mutual knowledge and processes of integration of peoples, which end up provoking a multilateralism “from below” and not

simply one determined by the elites of power. The demands that rise up from below throughout the world, where activists from very different countries help and support one another, can end up pressuring the sources of power. It is to be hoped that this will happen with respect to the climate crisis. For this reason, I reiterate that “unless citizens control political power – national, regional and municipal – it will not be possible to control damage to the environment”. [31]

39. Postmodern culture has generated a *new sensitivity* towards the more vulnerable and less powerful. This is connected with my insistence in the Encyclical Letter *Fratelli Tutti* on the primacy of the human person and the defence of his or her dignity beyond every circumstance. It is another way of encouraging multilateralism for the sake of resolving the real problems of humanity, securing before all else respect for the dignity of persons, in such a way that ethics will prevail over local or contingent interests.

40. It is not a matter of replacing politics, but of recognizing that the emerging forces are becoming increasingly relevant and are in fact capable of obtaining important results in the resolution of concrete problems, as some of them demonstrated during the pandemic. The very fact that answers to problems can come from any country, however little, ends up presenting multilateralism as an inevitable process.

41. The old diplomacy, also in crisis, continues to show its importance and necessity. Still, it has not succeeded in generating a model of multilateral diplomacy capable of responding to the new configuration of the world; yet should it be able to reconfigure itself, it must be part of the solution, because the experience of centuries cannot be cast aside either.

42. Our world has become so multipolar and at the same time so complex that a different framework for effective cooperation is required. It is not enough to think only of balances of power but also of the need to provide a response to new problems and to react with global mechanisms to the environmental, public health, cultural and social challenges, especially in order to consolidate respect for the most elementary human rights, social rights and the protection of our common home. It is a matter of establishing global and effective rules that can permit “providing for” this global safeguarding.

43. All this presupposes the development of a new procedure for decision-making and legitimizing those decisions, since the one put in place several decades ago is not sufficient nor does it appear effective. In this framework, there would necessarily be required spaces for conversation, consultation, arbitration, conflict resolution and supervision, and, in the end, a sort of increased “democratization” in the global context, so that the various situations can be expressed and included. It is no longer helpful for us to support institutions in order to preserve the rights of the more powerful without caring for those of all.

4. Climate Conferences: Progress and Failures

44. For several decades now, representatives of more than 190 countries have met periodically to address the issue of climate change. The 1992 Rio de Janeiro Conference led to the adoption of the United Nations Framework Convention on Climate Change (UNFCCC), a treaty that took effect when the necessary ratification on the part of the signatories concluded in 1994. These States meet annually in the Conference of the Parties (COP), the highest decision-making body. Some of these Conferences were failures, like that of Copenhagen (2009), while others made it possible to take important steps forward, like COP3 in Kyoto (1997). Its significant Protocol set the goal of reducing overall greenhouse gas emissions by 5% with respect to 1990. The deadline was the year 2012, but this, clearly, was not achieved.

45. All parties also committed themselves to implementing programmes of adaptation in order to reduce the effects of climate change now taking place. Provisions were also made for aid to cover the costs of the measures in developing countries. The Protocol actually took effect in 2005.

46. Afterwards, it was proposed to create a mechanism regarding the loss and damage caused by climate change, which recognizes as those chiefly responsible the richer countries and seeks to compensate for the loss and damage that climate change produces in the more vulnerable countries. It was not yet a matter of financing the “adaptation” of those countries, but of compensating them for damage already incurred. This question was the subject of important discussions at various Conferences.

47. COP21 in Paris (2015) represented another significant moment, since it generated an agreement that involved everyone. It can be considered as a new beginning, given the failure to meet the goals previously set. The agreement took effect on 4 November 2016. Albeit a binding agreement, not all its dispositions are obligations in the strict sense, and some of them leave ample room for discretion. In any case, properly speaking, there are no provisions for sanctions in the case of unfulfilled commitments, nor effective instruments to ensure their fulfilment. It also provides for a certain flexibility in the case of developing countries.

48. The Paris Agreement presents a broad and ambitious objective: to keep the increase of average global temperatures to under 2°C with respect to preindustrial levels, and with the aim of decreasing them to 1.5° C. Work is still under way to consolidate concrete procedures for monitoring and to facilitate general criteria for comparing the objectives of the different countries. This makes it difficult to achieve a more objective (quantitative) evaluation of the real results.

49. Following several Conferences with scarce results, and the disappointment of COP25 in Madrid (2019), it was hoped that this inertia would be reversed at COP26 in Glasgow (2021). In effect, its result was to relaunch the Paris Agreement, put on hold by the overall effects of the pandemic. Furthermore, there was an abundance of “recommendations” whose actual effect was hardly foreseeable. Proposals tending to ensure a rapid and effective transition to alternative and less polluting forms of energy made no progress.

50. COP27 in Sharm El Sheikh (2022) was from the outset threatened by the situation created by the invasion of Ukraine, which caused a significant economic and energy crisis. Carbon use increased and everyone sought to have sufficient supplies. Developing countries regarded access to energy and prospects for development as an urgent priority. There was an evident openness to recognizing the fact that combustible fuels still provide 80% of the world’s energy, and that their use continues to increase.

51. This Conference in Egypt was one more example of the difficulty of negotiations. It could be said that at least it marked a step forward in consolidating a system for financing “loss and damage” in countries most affected by climate disasters. This would seem to give a new voice and a greater role to developing countries. Yet here too, many points remained imprecise, above all the concrete responsibility of the countries that have to contribute.

52. Today we can continue to state that, “the accords have been poorly implemented, due to lack of suitable mechanisms for oversight, periodic review and penalties in cases of noncompliance. The principles which they proclaimed still await an efficient and flexible means of practical implementation” [32] Also, that “international negotiations cannot make significant progress due to positions taken by countries which place their national interests above the global common good. Those who will have to suffer the consequences of what we are trying to hide will not forget this failure of conscience and responsibility”. [33]

5. What to Expect from COP28 in Dubai?

53. The United Arab Emirates will host the next Conference of the Parties (COP28). It is a country of the Persian Gulf known as a great exporter of fossil fuels, although it has made significant investments in renewable energy sources. Meanwhile, gas and oil companies are planning new projects there, with the aim of

further increasing their production. To say that there is nothing to hope for would be suicidal, for it would mean exposing all humanity, especially the poorest, to the worst impacts of climate change.

54. If we are confident in the capacity of human beings to transcend their petty interests and to think in bigger terms, we can keep hoping that COP28 will allow for a decisive acceleration of energy transition, with effective commitments subject to ongoing monitoring. This Conference can represent a change of direction, showing that everything done since 1992 was in fact serious and worth the effort, or else it will be a great disappointment and jeopardize whatever good has been achieved thus far.

55. Despite the many negotiations and agreements, global emissions continue to increase. Certainly, it could be said that, without those agreements, they would have increased even more. Still, in other themes related to the environment, when there was a will, very significant results were obtained, as was the case with the protection of the ozone layer. Yet, the necessary transition towards clean energy sources such as wind and solar energy, and the abandonment of fossil fuels, is not progressing at the necessary speed. Consequently, whatever is being done risks being seen only as a ploy to distract attention.

56. We must move beyond the mentality of appearing to be concerned but not having the courage needed to produce substantial changes. We know that at this pace in just a few years we will surpass the maximum recommended limit of 1.5° C and shortly thereafter even reach 3°C, with a high risk of arriving at a critical point. Even if we do not reach this point of no return, it is certain that the consequences would be disastrous and precipitous measures would have to be taken, at enormous cost and with grave and intolerable economic and social effects. Although the measures that we can take now are costly, the cost will be all the more burdensome the longer we wait.

57. I consider it essential to insist that “to seek only a technical remedy to each environmental problem which comes up is to separate what is in reality interconnected and to mask the true and deepest problems of the global system”. [34] It is true that efforts at adaptation are needed in the face of evils that are irreversible in the short term. Also some interventions and technological advances that make it possible to absorb or capture gas emissions have proved promising. Nonetheless, we risk remaining trapped in the mindset of pasting and papering over cracks, while beneath the surface there is a continuing deterioration to which we continue to contribute. To suppose that all problems in the future will be able to be solved by new technical interventions is a form of homicidal pragmatism, like pushing a snowball down a hill.

58. Once and for all, let us put an end to the irresponsible derision that would present this issue as something purely ecological, “green”, romantic, frequently subject to ridicule by economic interests. Let us finally admit that it is a human and social problem on any number of levels. For this reason, it calls for involvement on the part of all. In Conferences on the climate, the actions of groups negatively portrayed as “radicalized” tend to attract attention. But in reality they are filling a space left empty by society as a whole, which ought to exercise a healthy “pressure”, since every family ought to realize that the future of their children is at stake.

59. If there is sincere interest in making COP28 a historic event that honours and ennobles us as human beings, then one can only hope for binding forms of energy transition that meet three conditions: that they be efficient, obligatory and readily monitored. This, in order to achieve the beginning of a new process marked by three requirements: that it be drastic, intense and count on the commitment of all. That is not what has happened so far, and only a process of this sort can enable international politics to recover its credibility, since only in this concrete manner will it be possible to reduce significantly carbon dioxide levels and to prevent even greater evils over time.

60. May those taking part in the Conference be strategists capable of considering the common good and the future of their children, more than the short-term interests of certain countries or businesses. In this way, may

they demonstrate the nobility of politics and not its shame. To the powerful, I can only repeat this question: “What would induce anyone, at this stage, to hold on to power, only to be remembered for their inability to take action when it was urgent and necessary to do so?” [35]

6. Spiritual Motivations

61. I cannot fail in this regard to remind the Catholic faithful of the motivations born of their faith. I encourage my brothers and sisters of other religions to do the same, since we know that authentic faith not only gives strength to the human heart, but also transforms life, transfigures our goals and sheds light on our relationship to others and with creation as a whole.

In the light of faith

62. The Bible tells us: “God saw everything that he had made, and indeed, it was very good” (*Gen* 1:31). His is “the earth with all that is in it” (*Deut* 10:14). For this reason, he tells us that, “the land shall not be sold in perpetuity, for the land is mine; with me you are but aliens and tenants” (*Lev*25:23). Hence, “responsibility for God’s earth means that human beings, endowed with intelligence, must respect the laws of nature and the delicate equilibria existing between the creatures of this world”. [36]

63. At the same time, “the universe as a whole, in all its manifold relationships, shows forth the inexhaustible richness of God”. Hence, to be wise, “we need to grasp the variety of things in their multiple relationships”. [37] Along this path of wisdom, it is not a matter of indifference to us that so many species are disappearing and that the climate crisis endangers the life of many other beings.

64. Jesus “was able to invite others to be attentive to the beauty that there is in the world because he himself was in constant touch with nature, lending it an attraction full of fondness and wonder. As he made his way throughout the land, he often stopped to contemplate the beauty sown by his Father, and invited his disciples to perceive a divine message in things”. [38]

65. Hence, “the creatures of this world no longer appear to us under merely natural guise, because the risen One is mysteriously holding them to himself and directing them towards fullness as their end. The very flowers of the field and the birds which his human eyes contemplated and admired are now imbued with his radiant presence”. [39] If “the universe unfolds in God, who fills it completely... there is a mystical meaning to be found in a leaf, in a mountain trail, in a dewdrop, in a poor person’s face”. [40] The world sings of an infinite Love: how can we fail to care for it?

Journeying in communion and commitment

66. God has united us to all his creatures. Nonetheless, the technocratic paradigm can isolate us from the world that surrounds us and deceive us by making us forget that the entire world is a “contact zone”. [41]

67. The Judaeo-Christian vision of the cosmos defends the unique and central value of the human being amid the marvellous concert of all God’s creatures, but today we see ourselves forced to realize that it is only possible to sustain a “situated anthropocentrism”. To recognize, in other words, that human life is incomprehensible and unsustainable without other creatures. For “as part of the universe... all of us are linked by unseen bonds and together form a kind of universal family, a sublime communion which fills us with a sacred, affectionate and humble respect”. [42]

68. This is not a product of our own will; its origin lies elsewhere, in the depths of our being, since “God has joined us so closely to the world around us that we can feel the desertification of the soil almost as a physical ailment, and the extinction of a species as a painful disfigurement”. [43] Let us stop thinking, then, of human

beings as autonomous, omnipotent and limitless, and begin to think of ourselves differently, in a humbler but more fruitful way.

69. I ask everyone to accompany this pilgrimage of reconciliation with the world that is our home and to help make it more beautiful, because that commitment has to do with our personal dignity and highest values. At the same time, I cannot deny that it is necessary to be honest and recognize that the most effective solutions will not come from individual efforts alone, but above all from major political decisions on the national and international level.

70. Nonetheless, every little bit helps, and avoiding an increase of a tenth of a degree in the global temperature would already suffice to alleviate some suffering for many people. Yet what is important is something less quantitative: the need to realize that there are no lasting changes without cultural changes, without a maturing of lifestyles and convictions within societies, and there are no cultural changes without personal changes.

71. Efforts by households to reduce pollution and waste, and to consume with prudence, are creating a new culture. The mere fact that personal, family and community habits are changing is contributing to greater concern about the unfulfilled responsibilities of the political sectors and indignation at the lack of interest shown by the powerful. Let us realize, then, that even though this does not immediately produce a notable effect from the quantitative standpoint, we are helping to bring about large processes of transformation rising from deep within society.

72. If we consider that emissions per individual in the United States are about two times greater than those of individuals living in China, and about seven times greater than the average of the poorest countries, [44] we can state that a broad change in the irresponsible lifestyle connected with the Western model would have a significant long-term impact. As a result, along with indispensable political decisions, we would be making progress along the way to genuine care for one another.

73. “Praise God” is the title of this letter. For when human beings claim to take God’s place, they become their own worst enemies.

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**MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES
ESTABLISHED AS THE CORE ENGINE FOR GROWTH AND OPTIMISM
THROUGHOUT THE GLOBAL ECONOMY ¹**

ANNEX

The International Council for Small Business (ICSB) takes into account the global challenges and directions in the world-wide entrepreneurship and practice, proudly unveils its yearly Top Ten Trends for 2024 for Micro-, Small- and Medium-sized Enterprises (MSMEs). These trends encapsulate enduring principles and groundbreaking concepts defining the coming year's business environment. They are the collective wisdom of thought leaders, entrepreneurs, and researchers who have dedicated themselves to exploring the intricacies of business in an era of unprecedented change.

Keywords: ICSB, MSMEs, Trends for MSMEs in 2024

JEL Classification: L1, M1

The future of business is an ever-evolving tapestry of innovation, entrepreneurship, and adaptation. As we gaze toward the horizon of 2024, the International Council for Small Business (ICSB) invites you to journey into the dynamic landscape of micro, small, and medium-sized enterprises (MSMEs) worldwide. These trends we present to you are not merely conjecture; they result from rigorous analysis, forecasting, and an unwavering commitment to understanding the forces that shape the business world.

These trends offer more than a glimpse into the future; they serve as beacons guiding MSMEs through the intricate currents of the global marketplace. They are a road map pointing to opportunities for growth, innovation, and resilience. They reflect the challenges faced and the strategies that small and medium-sized enterprises will employ on their journey towards prosperity

Top Ten Trends for MSMEs in 2024:

1. MSMEs Forming Collaborative Alliances
2. Peace for Economic Development and Prosperity
3. Artificial Intelligence and GEN AI
4. Agribusiness and Agtech for MSMEs
5. Delivery Economy meets MSMEs
6. Circular Economy Business Models
7. The Development of Womenpreneurs

¹ See at <https://mail.google.com/mail/u/0/#inbox/FMfcgzGwJSFkbgqmgLwcXjnkwbTVBmJM>

8. The Evolution of Womenpreneurs Humane Entrepreneurship: Coaching and Mentoring of Employees
9. Tourism and Sports for MSMEs Development and Growth
10. Access to sustainable finance

1. MSMEs FORMING COLLABORATIVE ALLIANCES

The foremost trend for 2024 reshapes the landscape of MSNEs, spotlighting the formation of Collaborative Alliance – an old concept infused with new vitality. It emerges as the No.1 Trend for MSMEs; offering a transformative path forward for several compelling reasons, Businesses recognize unity's undeniable strength in a volatile era marked by economic uncertainties and disruptions. Like Davids facing Goliath-size challenges. MSMEs are now uniting as millions Davids, pooling their resources, expertise, and market insight to form a formidable force. This collective strength empowers them to negotiate better terms, access untapped markets and navigate market fluctuations with greater resilience than they could achieve as solitary entities.

Collaborative Alliances go beyond resource consolidation; they nurture a culture of innovation and cross-pollination of ideas. Within these alliances, members bring complementary expertise to the table, fueling collective problem-solving and a perpetual quest for improvement. This collaborative ethos not only optimizes resource allocation and trims operational costs but also enhances the individual resilience of businesses in the face of unpredictable challenges. These alliances wield substantial influence by uniting their voices in advocacy for favorable policies and regulations, actively shaping the business environment to serve their collective interests. In essence, Collaborative Alliances represent the evolution of MSMEs, empowering them to thrive, innovate, and navigate the intricacies of today's dynamic business world with the strength derived from unity.

2. PEACE FOR ECONOMIC DEVELOPMENT AND PROSPERITY

Amidst the ongoing challenges, including recent Gaza war, it is crucial to emphasize the importance of fostering Peace for Economic Development and Prosperity – our second trends for 2024. Russian Ukrainian entrepreneurs acutely feel the impact of a wartime economy and small business owners exacerbating the global struggles with soaring natural gas prices and supply shortages like wheat.

In 2016, the International Council for Small Business led by Dr Avman El Tarabishy provided idea of a **United Nations Day for MSMEs**. The vision was to dedicate a day where nations, stakeholders and companies of all size could celebrate the significance of MSME as the fundamental building blocks of contemporary society. The proposal underscored that once conflict cease, Micro-, small- and medium-sized enterprises play a pivotal role in economic reconstruction. MSMEs Day commemorated on 27 June, was symbolic chosen, signifying the day after the initial signing of the UN Charter on 26 June 1945. It serves as a poignant reminder to nations worldwide that MSMEs are essential for solving global challenges and indicative of peace society.

In time of conflict, the path to prosperity may seem uncertain, but amidst the challenges there is hope. The global community stands together to champion humanity, and businesses are pivoting their creative solutions to aid those affected by conflict – collective effort that embodies the right way forward.

3. ARTIFICIAL INTELLIGENCE AND GEN AI

2024, Artificial Intelligence (AI) will become the No.3 trends, significantly altering the business landscape. AI's transformative influence reaches across industries, reshaping operation, decision-making processes, and customer interaction. For MSMEs, AI represents a powerful tool for data-driven insights, supply chain optimization, and personalized customer engagement, allowing them to compete globally.

One of the most remarkable developments linked to AI is the emergence of GEN AI, a new generation of workers who have grown up in an AI-integrated world. GEN AI possesses a natural fluency with technology and AI-driven tools, making them adaptable contributors to various industries. Their ability to harness AI's capabilities for innovation highlights the need for MSMEs to invest in AI education and upskilling initiatives, capitalizing on GEN AI's potential to drive growth and competitiveness. As industries evolve and adapt to AI, the dynamic synergy between human workers and intelligent machines become pivotal, setting the stage for future where AI and GEN AI redefine business rules and shape the destiny of MSMEs globally.

4. AGRIBUSINESS AND AGTECH FOR MSMEs

In 2024, Agribusiness and Agtech are some of the top trends for MSMEs in Africa. Agriculture continues to be a cornerstone of the African economy. and MSMEs are recognizing and capitalizing on the immense opportunities within the agribusiness sector. With a growing global demand for sustainable and traceable food production, the agricultural landscape in Africa is ripe for innovation and expansion.

One of the key drivers of this trend is the rapid advancement of agricultural technology, commonly called Agtech. MSMEs leverage Agtech solutions such as precision farming techniques, which optimize crop yields through data-driven insights and innovative farming practices. Furthermore, e-commerce platforms dedicated to farm produce connect local farmers with broader markets, reduce intermediaries, and increase profitability. Additionally, blockchain technology is harnessed for supply chain transparency, ensuring the traceability and authenticity of agricultural products from farm to table.

These innovative developments are transforming the agribusiness landscape and empowering MSMEs to play a pivotal role in addressing Africa's food security, economic growth, and sustainability challenges. In 2024, the synergy between Agribusiness and Agtech propels MSMEs toward greater efficiency, market access, and environmental stewardship, making it trend to watch and embrace for sustainable and profitable growth.

5. DELIVERY ECONOMY MEETS MSMEs

In 2024, the „Delivery Economy” stands out as a game-changing trend of micro- small and medium-sized enterprises (MSMEs). This trend reflects a significant shift in consumer preferences, where virtually everything is delivered directly to the customers's doorstep. With an emphasis on convenience, speed and proximity, the Delivery Economy is transforming traditional business models and presenting unprecedented opportunities for MSMEs.

In this dynamic landscape. MSMEs are like boats, agile and nimble, while big businesses are like massive ships. The agility of MSMEs enables them to adapt swiftly to the demands of delivery economy. They can provide personalized, rapid and seamless delivery experiences, meeting the expectations of consumers who prioritize speed and convenience. This adaptability positions MSMEs to navigate and thrive in the fast-paced waters of this trends, capturing new markets and fostering customers loyalty

In 2024, the Delivery Economy is not merely a trend but a strategy imperative for MSMEs. Those who invest in efficient delivery mechanisms and tailor their offerings to meet the demand for immediate access are poised to outmaneuver more prominent competitors. Like boats on the open sea, MSMEs can harness their agility to compete effectively and maintain competitiveness in an environment where speed and proximity are paramount.

6. CIRCULAR ECONOMY BUSINESS MODELS

In 2024, Circular Economy Business Models will emerge as a top trend for MSMEs, underlining a growing commitment to sustainability and waste reduction. MSMEs increasingly recognize the importance of aligning their operations with circular economy principles. This trend involves reimagining traditional linear supply chains and product lifecycles to create a more sustainable and environmentally responsible approach.

One significant aspect of this trend is product design for recyclability, where MSMEs prioritize creating products that can be easily disassembled and recycled, minimizing waste and environmental impact. Additionally, MSMEs are exploring refurbishment and resale programs, extending the lifespan of products and reducing the need for new manufacturing. Collaborations and partnerships (trend No. 1) with other businesses to reuse and recycle materials are gaining prominence as MSMEs seek innovative ways to reduce their ecological footprint and contribute to a more circular and eco-conscious economy. In 2024, Circular Economy Business Models are not only environmentally responsible but also present opportunities for cost saving, enhanced brand reputation, and greater market competitiveness, making them a crucial trend for MSMEs to embrace.

7. THE EVOLUTION OF WOMENPRENEURS

Empowering women and youth in MSMEs continue to be a prominent trend in 2024. This movement began in 2023, when the ICSB championed the theme of supporting women and youth entrepreneurship and resilient supply chains. Initially met with skepticism, this theme gained profound relevance following Claudia Goldin's Nobel Prize for her groundbreaking research on gender income disparities, especially in the wake of childbirth.

ICSB's vision to empower women in entrepreneurship gains momentum, with greater recognition of their pivotal role in entrepreneurial ecosystems. Claudia Goldin's Nobel Prize underscores the urgency of addressing gender disparities in the labour market, aligning seamlessly with ICSB's mission. The journey toward empowering women and youth in the MSMEs sector drives economic progress, societal advancement, and a brighter global future. It calls for collective efforts from international organizations, policymakers and individuals to ensure sustainable and inclusive development worldwide.

8. HUMANE ENTREPRENEURSHIP: COACHING AND MENTORING OF EMPLOYEES

In 2024, Human Entrepreneurship takes its place as the No.8 trend for MSMEs, following its recognition as No.4 in 2023. This trend reflects a growing awareness of the pivotal role of coaching and mentoring in nurturing employees' potential within these businesses.

Human Entrepreneurship emphasizes fostering a supportive and empathetic workplace culture. MSMEs recognize that their most valuable assets are their employees, and investing in their growth and well-being is a strategic imperative. Coaching and mentoring programs are gaining prominence as practical tools to unlock the full potential of the staff members, enhance their skill sets, and nurture their career development.

By prioritizing Human Entrepreneurship, MSMEs create a more inclusive and productive work environment and foster employee loyalty and commitment. This trend aligns with a broader shift towards valuing the human aspect of business, ultimately contributing to sustained growth and success in competitive business landscape in 2024.

9. TOURISM AND SPORTS FOR MSMEs DEVELOPMENT AND GROWTH

MSMEs are increasingly capitalizing on the opportunities the tourism and sports sectors presented. Tourism, in particular, offers a wealth of possibilities for local businesses, from hospitality and travel services to unique experiences and cultural offerings. MSMEs are tapping into this potential by providing tailored services that cater to travelers' evolving need and preferences.

On the other hand, sport encompass a wide range of opportunities, from sport-related products and services to event management and athletic-training. MSMEs are finding innovative ways to engage with the sports industry, capitalizing on sports enthusiasts' and athletes' passion and enthusiasm.

In 2024, Tourism and Sports for Development and Growth represent avenues for MSMEs to expand their reach, foster local economic development, and contribute to the vitality of their communities. By aligning with these sectors, business can tap into the immense potential for revenue generation, job creation and cultural enrichment.

10. ACCESS TO SUSTAINABLE FINANCE

In 2024, „Access to Sustainable Finance” emerges as a critical trend, offering a beacon of hope to MSMEs navigating the complexity of an eco-conscious economy. This trend marks a significant shift in the financial ecosystem as forward-thinking solutions and providers emerge to bridge the gap, offering MSMEs vital access to sustainable finance. This isn't about providing funds; it's about fueling sustainable growth and ethical business practices, enabling MSMEs to leverage green opportunities and thrive in a rapidly evolving economic landscape.

High global interest rates and environmental concerns have presented dual challenges for MSMEs seeking growth while aspiring to sustainability. Innovative financial solutions and providers are now dismantling these obstacles. They empower MSMEs by offering green and flexible financing options that align with their sustainable goals and growth trajectories. This trend cultivates resilience and responsible among MSMEs, allowing them to swiftly adapt to market shifts and environmental mandate while capitalizing on eco-friendly opportunities.

In 2024, Access to Sustainable Finance is more than a lifeline, it's a catalyst for sustainable innovation and ethical growth. With this targeted access to capital, MSMEs are equipped to face that challenges of high-interest rate and environmental responsibilities. This trend is unlocking the potential of these enterprises,

enabling them to pursue sustainable expansion, green innovation, and market diversification, all while contributing to a healthier, more sustainable global economy.

File: <https://mail.google.com/mail/u/0/#inbox/FMfcgzGwJSFkbgqmgLwcXjnkwbTVBmJM>

Dr. Ayman El Tarabishy, President & CEO of ICSB and Deputy-Chair at GW School of Business, launched the inaugural plenary session of the SME World Forum Research Day at the esteemed ADA University in Baku, Azerbaijan on 15 November 2023, with a groundbreaking proposal. He introduced a revolutionary concept, marking the next evolution from the historic Silk Road to what he termed **“The Entrepreneurship Road.”** Dr. El Tarabishy emphasized the significance of honoring our past while boldly stepping into the future. He passionately argued that the Entrepreneurship Road represents this new journey, leading us toward uncharted territories and exciting possibilities.

THE EVOLUTION OF BAKU: EMBRACING GLOBAL CHANGES

Baku, a city steeped in history and once a crucial node on the ancient Silk Road, is transforming remarkably. It’s emerging as a guiding light on the newly minted “Entrepreneurship Road.” This metamorphosis represents far more than a mere renaming; it’s a deep-rooted shift in perspective, aligning with the ever-evolving global landscape and the myriad of opportunities it presents.

Where the Silk Road was synonymous with trade and the intertwining of diverse cultures, the Entrepreneurship Road encapsulates a more contemporary ethos. It embodies the dynamic and innovative spirit of today’s youth, poised to tackle the unique challenges of our planet. This new path reflects a world where entrepreneurial endeavors are not just about economic gains but also about addressing environmental concerns, social inequalities, and the sustainability of our world.

The Entrepreneurship Road, therefore, is not just a route but a journey towards a more resilient and equitable future. It’s a call to action for the young and old alike to innovate, collaborate, and create solutions for a better world. In Baku, this road is taking shape through initiatives that merge tradition with technology heritage with modernity, creating a model for cities worldwide to follow. With its focus on sustainable development and inclusive growth, this road is paving the way for future generations to thrive.

File: <https://icsb.org/newsilkroad/>

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THE IMPORTANCE OF ENTREPRENEURSHIP TO YOUTH IN UNDERDEVELOPED REGIONS

ABSTRACT

Youth (15-24) face employment problems everywhere, especially in underdeveloped areas. In Europe about 17% are unemployed but in Eastern Europe this number is much higher at about 35%. One solution is entrepreneurship training and government supported programs, but these are few and far between. Added to this is the most essential need to have experienced mentors, access to capital and a proven market. In a perfect society there would be better communication and collaboration between schools, industry, and NGOs to educate on skills needed, advise on curriculum and mentorship on how to scale the new start-up.

Keywords: youth unemployment, mentorship, industry collaboration and curriculum change.

JEL Classification: L26, O11, O12

INTRODUCTION.

The article looks at the problems related to youth unemployment and entrepreneurship in East Europe as a region needing a boost in economic activity. We look at the general problems which young people face in the labor market in economically underdeveloped regions, and overview various methods of alleviating their problems and improving their lives and livelihood.

The first part overviews the various challenges to youth employment and the limits of youth entrepreneurship in general. The second part looks at certain direct problems that young people face daily which prevents them from achieving their potential. The third part overviews potential solutions and provides several examples where private businesses and NGOs in partnership managed to support and help young people start and develop their businesses through various programs.

1 THE PROBLEM OF YOUTH UNEMPLOYMENT IN GENERAL.

Youth entrepreneurship is a vehicle for enhancing the employability and social mobility of young people, allowing also for social transformation. In eastern Europe young entrepreneurs have a disadvantage in practical entrepreneurial education and economic standing compared to those in OECD countries, having fewer resources, skills and experience that lead to barriers for accessing finance. Youth entrepreneurship programs have been shown to be effective for improving labor market outcomes and should be strengthened. Youth entrepreneurship is an important tool for both improving the material conditions of young people but

also for creating long term benefits for the life prospects of the individuals involved, leading to an increase of human capital and employment in the long run.²

Youth encounter various challenges that hinder their development and access to opportunities. Limited access to quality entrepreneurial education, healthcare, and a mismatch between formal education and the skills demanded by employers are major barriers for young people seeking to enter the job market. Most available jobs for youth are informal, characterized by low wages, precarious conditions, and a lack of social protection. The absence of decent employment opportunities and limited prospects for economic growth perpetuate the cycle of poverty and exclusion.³

Young people who start new enterprises are creating jobs for themselves and reaching their personal goals. However, lack of experience and resources mean that a high percentage of these efforts fail during the first few months of operation. To reduce the failure rate of youth enterprises and address critical issues during the start-up process, the public and private sectors are increasing their efforts to support young people by providing training, technical assistance, and small credits. To support these efforts, the InterAmerican Development Bank has carried out various studies to gain a better understanding of entrepreneurship, and undertaken projects that seek new models to encourage entrepreneurship.⁴ These efforts should also be applied in eastern Europe.

Even though the eastern countries are not homogeneous, they have a lot in common with respect to the rest of the world in social, cultural, institutional and production structure. They are generally characterized by economic volatility and social corruption at the same time, there are not many policies and programs for employment protection, which results in a high level of informality, or a "shadow" economy.

Youth Entrepreneurship does not only contribute to a more prosperous society, but to a more peaceful one. Economic opportunities are an important component of an ecosystem in society which can prevent the outbreak of violent conflict and proactively foster peaceful societies, as the availability of equal economic opportunities can contribute to preventing conflict and sustaining peace. Innovative entrepreneurship, as defined above, is a cornerstone to the development of a vibrant local private sector.

The UN 2030 Agenda for Sustainable Development, states that Entrepreneurship is critical to achieving Sustainable Development Goals related to decent work and economic growth and can also catalyze progress toward the twin goals of prosperity and peace. A generation of young people without the hope of a stable job is a burden for the whole of society. Poor employment in youth harms the job prospects of young people later in life. There are more young people in the world than ever before, and youth unemployment is a global problem. Solving youth unemployment is one of the goals of the UN millennium development goals, and the UN has helped establish the global Youth Employment Network.

Due to decades of socialist governments, many countries are skeptical of privatization, neo-liberalism, and free-market capitalism. Socialist and authoritarian governments provide a barrier to entry into business, add bureaucracy and central management, and we have a recipe for more corruption, disadvantaging young people

² OECD L.A. economic outlook: https://read.oecd-ilibrary.org/development/latin-american-economic-outlook-2017/youth-entrepreneurship-in-latin-america-and-the-caribbean_leo-2017-9-en#page24

³ <https://iyfglobal.org/blog/empowering-youth-employment-through-nearshoring-latin-america#:~:>

text=According%20to%20the%20International%20Labour,development%20and%20access%20to%20opportunities.

⁴ Juan J. Llisterri, Hugo Kantis, Pablo Angelelli, Luis Tejerina : Is Youth Entrepreneurship a Necessity or an Opportunity? A First Exploration of Household and New Enterprise Surveys in Latin America : <https://www.findevgateway.org/sites/default/files/publications/files/mfg-en-paper-is-youth-entrepreneurship-a-necessity-or-an-opportunity-a-first-exploration-of-household-and-new-enterprise-surveys-in-latin-america-may-2005.pdf>

and preventing the free market which are imperative for entrepreneurial growth. These socialist actions are prohibitive costs of formalizing a business leading to many small businesses to operate in the informal sector.

2 DIRECT PROBLEMS FACED BY YOUTH.

The International Labor Organization (ILO) has identified various negative trends in the global employment of youth. After the covid pandemic the situation became even worse and the inequalities in local societies were exacerbated. The head of a local ILO office emphasized that temporary, part-time, or unprotected jobs in informal conditions, which young people tend to have, are the great catalysts to the deterioration of the economy. The unemployment rate of young people is double the general rate in society, and those employed are mostly engaged in precarious and low-income work without protection or rights. The lack of decent work opportunities discourages and frustrates young people, which can have an impact on governance and affect the social development of all regions.

A new report of the ILO stated that young people face an uncertain future in the labor market because of automation, the narrow focus of much vocational training and the lack of jobs to match their qualifications. The number of young people currently not in employment, education, or training (NEET) is rising, and young women are more than twice as likely as their male counterparts to be affected. There are currently around 1.3 billion young people globally, of whom 267 million are classified as NEET.

The head of the ILO employment policy department explained that too many young people around the world are becoming detached from education and the labor market, which can damage their long-term prospects, as well as ultimately undermine the social and economic development of their countries, and not enough jobs are being created for these young people, thus wasting their talents.⁵

The World Bank emphasized that human capital—the knowledge, skills, and health that people accumulate over their lives—is key to unlocking a young person’s potential and enabling countries to achieve a resilient recovery and strong future growth.⁶ Most young entrepreneurs are self-employed and only a few employ other people in their endeavors. They are highly vulnerable to business failure, most likely because of their lack of education, practical entrepreneurial skills, social capital, and resources.

A combination of factors makes the job market difficult for young people - they have access to fewer and poor paid jobs, have a lot of competition due to population growth, immigration and undertaking education incurs an added cost. Young people in less developed countries often have a lot of potential but mismatched skills and lack real world skills in the industries they are interested in, leading to low level positions and a waste of their talents, which is heightened by the lack of training programs aimed at overcoming this problem and teaching entrepreneurial skills. Educational systems in these countries usually don’t teach practical entrepreneurial skills, have high dropout rates, and are not adjusted to the economy, with limited access to mentorships and networks.

3 ATTEMPTS TO SOLVE THE PROBLEM.

To help alleviate this difficult problem several private organizations have been formed to support young people, and several businesses and business-related organizations are attempting to help. The role of private

⁵ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_737053/lang--en/index.htm

⁶ <https://www.worldbank.org/en/news/press-release/2023/02/16/durante-la-pandemia-america-latina-y-el-caribe-experimento-una-fuerte-caida-del-empleo-juvenil-nuevo-informe-global>

businesses and organizations, and the openness of the market is vital for youth entrepreneurship as it offers young people an open path into starting a business in a fair environment. In some eastern European countries, the public's loss of confidence in authoritarian populists gives free-market democrats a chance to prove that economic and political freedom represent the only path to prosperity. However, policymakers also must address the systemic barriers to equitable growth, including corruption and bureaucracy.

Innovation and education are fundamental building blocks of economic empowerment, wealth creation, and social mobility. East Europe has fallen far behind on these two important and interconnected fronts. To address these, policymakers must encourage students to remain in school, increase the quality of education, and foster private-sector economic growth to offer gainful employment to graduates, as a precondition of youth entrepreneurship.⁷

Targeting small businesses and local young people can help economically develop a whole community, and there are new initiatives which provide holistic community-based small businesses with legal support and mentoring. The mentoring strategies are focused on developing skills and social networks, for the small businesses to be successful as they are a great driver of general employment in the entire community.

Youth entrepreneurship programs give a chance to young people who are otherwise disadvantaged in the job market due to their limited skills and education, allows them to rely on themselves for employment instead of trying to find a job in a crowded market. This way these young people bring their assets into the labor market, such as their enthusiasm and practical digital know-how.⁸

It is important to provide young would-be entrepreneurs with the mentoring and business skills that would help them, and to allow them access to financial support and information, to equip them for the difficult tasks ahead.⁹ The increase in the variety of companies due to the creation of new firms contributes to competition. The increase in competition - when it takes the form of introducing new methods and ideas - creates opportunities in the form of niches or innovative applications of those ideas. As a result, entrepreneurship has an important role in economic growth.¹⁰

The World Bank itself is attempting to provide help at an intergovernmental level and is working closely with governments to protect and invest in people as they cope with and recover from the pandemic. The World Bank's pandemic response financing reached USD72.8 billion between April 2020 and June 2022, including USD37.6 billion and USD35.1 billion in IBRD and IDA commitments, respectively. During the same period, its financing in human development reached USD47.5 billion, supporting 300 projects in low- and middle-income countries.¹¹

The ILO used a macro-econometric model to quantify the economic and employment impacts of several policy measures for promoting inclusive and sustainable green, digital and care transitions. The "green policy scenario" encompasses measures designed to pave the way towards a net zero economy by 2050 or 2060, the "digital policy scenario" aims at providing universal (90%) internet broadband coverage. The results show that

⁷ The Free-Market Moment: Making Grassroots Capitalism Succeed Where Populism Has Failed, R. Noriega, A. Martinez –Fernandez, the American Enterprise Institute

⁸ Expanding Opportunities for Low-Income Youth: Making Space for Youth Entrepreneurship Legal Services, D.R. Gilmore, *Journal of Affordable Housing & Community Development Law*, Vol. 18, No. 3 (Spring 2009)

⁹ Understanding youth entrepreneurship: Building paths for youth entrepreneurship, Overseas Development institute, 2015

¹⁰ Entrepreneurship and socioeconomic indicators in Latin America, J. Amoros, F. Borazz, L. Veiga, *Latin American Research Review*, Vol. 51, No. 4 (2016)

¹¹ <https://www.worldbank.org/en/news/press-release/2023/02/16/durante-la-pandemia-america-latina-y-el-caribe-experimento-una-fuerte-caida-del-empleo-juvenil-nuevo-informe-global>

the eastern Europe has great potential to create jobs through facilitating a transition towards more sustainable green, digital and care economies. These measures will support the employment of young people while also fulfilling other useful goals.¹²

According to a 2017 briefing from the Brookings Institution, demand for jobs cannot be sustainably addressed through public sector hiring, while a recent survey found that more than 80% of youth in the middle east thought that starting a business is a good career choice. Despite this entrepreneurial enthusiasm, the reality is that many countries lack the environment and incentives for entrepreneurial activity to thrive, and the Institute for Economics and Peace explains that the main reasons are a lack of proper education and support.¹³

Another positive trend is the practice of ‘nearshoring’, a different take on ‘offshoring’, and eastern Europe has seen a surge in employment opportunities in the sector of Information and Communication Technology especially. Major companies from North America have become very interested in using the human resources of young and talented people while being cost effective and as the region boasts a pool of experienced professionals which are more than eager for an opportunity.

There also are programs to support young entrepreneurs, and programs to foster youth entrepreneurship in Europe and these have become increasingly popular. But youth have a role to play in sourcing and implementing these programs. Such programs to increase the employability and income of low-income unemployed, underemployed, or self-employed, and typically include motivational activities and short training courses to help young people get a job or start a microenterprise. Sometimes these initiatives also facilitate access to microcredit or small grants. Youth must ‘seek, find and act’. Do not wait for others to do this for you.

Entrepreneurship is less common among young persons than in the adult population, and entrepreneurship by necessity is more widespread. The best solution is to encourage technical and professional schools to join with private sector organizations (both educational agencies and private firms) and NGOs to develop programs to support young entrepreneurs.¹⁴

CONCLUSION

We can therefore conclude that youth unemployment everywhere is a widespread and multifaceted problem which requires both local and international solutions. We find that the best solution in both the short and long run is for businesses and NGO-s to support young entrepreneurs to reduce unemployment by providing them with mentoring and added education which would allow them to grow their own businesses, rather than rely on the current job market. At the same time, it is important to improve the local educational and legal-political climate and allow for businesses to operate in a free market environment.

Another important task is to connect educational institutions with business networks for them to understand what skills are needed and what opportunities are present in the contemporary market. We have provided several examples where the partnership between business and the local labor markets yielded positive results, showing that private business and independent organizations can provide the means to fill the gap in the education and financing which young people in developing countries need. Young people require only the opportunity to thrive, inspiration and they will take it and grow both their businesses and local communities. Private businesses, governments at all levels and organizations can facilitate this opportunity to mutual benefit.

¹² https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/briefingnote/wcms_853323.pdf

¹³ Entrepreneurship for Sustaining Peace, Y. Mahmoud, A. Makoond, A. Naik, International Peace Institute, 2017

¹⁴ Ibid: Is youth entrepreneurship a necessity or an opportunity

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**WAR, SANCTIONS, AND FOREIGN DIRECT INVESTMENT TO AND FROM
RUSSIA¹⁵****ANNEX**

Russia's full-fledged war on Ukraine, which started in February 2022, added major uncertainties to foreign direct investment (FDI) to and from Russia and affected it negatively in the short, medium, and long run. The degree of the hit would depend on the exact contents of sanctions and countersanctions in constant development. However, the severe consequences of some of them were already visible early on, adding to the financial strain caused by the war. FDI to and from Russia fell drastically in 2022 and, depending on the length and depth of the conflict, would remain sluggish in the subsequent years if no exit strategy is found to stop the conflict and its eventual escalation. This article concludes that the fall in FDI would, in the end, hurt the economic capacities of Russia, already affected by a previous round of sanctions imposed in 2014. If it works, decoupling the Russian economy from FDI partners by applying sanctions would be effective only partially and at a relatively high cost. That, in turn, could thwart the very economic fundamentals of the war effort.

Keywords: FDI, Russia, sanctions, Russia-Ukraine War.

JEL Classification: E65, F21, N44

Background

On the morning of February 22, 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 friendlier towards the policies of President Putin. With these steps, hostilities in Eastern Ukraine, which originated in March 2014, reached a new level, and 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 it would last, and how it would end. We do not even know if it would spill over to other countries or not.

On the first days of the conflict, the initial response of the international community was relatively limited, mostly a continuation of the countermeasures adopted in 2014 when Russia annexed Crimea. After the large-scale invasion, the reaction became more robust. At this point in time, new sanctions are adopted against Russia and Russian interests every day, and more and more countries join them. The list includes mostly the countries that are members of, or are linked to, the North Atlantic Treaty Organisation (NATO) and the European Union (EU), covering most of the European continent, North America, parts of Latin America, Australia, and New Zealand. African and Asian countries and territories seem to have taken a more neutral

¹⁵ UDC 339.545:339.727.24(470), Biblid 0543-3657, 74 (2023), Vol. LXXIV, no. 1189, pp. 133–153, Original scientific paper Received: 07/08/2023 Accepted: 10/10/2023
doi: https://doi.org/10.18485/iipe_mp.2023.74.1189.6 CC BY-SA 4.0

stance so far, with some exceptions (e.g., the Republic of Korea, Singapore, and the Taiwan Province of China). The list of countries applying sanctions includes surprises such as traditionally neutral Switzerland, which aligned itself with 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, which 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 recognised borders. The new Resolution was adopted by a large majority—the vote of 141 of the 181 countries present—reinforcing Russia’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 and 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 the 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 Russia, 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 Russia become non-accessible due to their freezing (see also below).

Due to the status of Russia 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 for Russia, sanctions deserve particular attention. It is to be stressed that the ones that would bind all United Nations members are excluded as Russia 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 to their own free will. However, no third country would be obliged to join them, and Russia adopted its own countermeasures to counterbalance them (e.g., exchange controls on export proceeds, but also mandatory surrender of assets in case of divestment from Russia).

This analysis attempts to ask what the potential impact of sanctions and countersanctions on foreign direct investment (FDI) inflows to and outflows from the Russian Federation would be, taking into consideration the limitations and inconveniences. Sanctions do not fully stop economic links; rather, they result in higher costs and less ease in doing business. It is also evident from the lessons of the ones imposed after the annexation of Crimea in 2014 that they have hurt not only Russia but also the issuing countries. Paradoxically, the winners have been the “free rider” countries. It is also to be noted that Russia has managed to somewhat increase 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 the period 2009–2013, that difference was 1.1%. In the period 2014–2018, it more than doubled to 2.4% (Table 1). Sanctions and countersanctions also resulted in a declining share of Russia in world inward FDI from 2.5% in the period 2009–2013 to 1.4% in the period 2014–2018, and also in world outward FDI from 3.2% to 2.8% (Table 2). It is to be added that Russia 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 Russia and in the world, 2009–2018 (in percent)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Russia	-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

Table 2. Share of Russia in global FDI inflows and outflows, 2009–2018 (in percent)

Source: the author's calculations ; based on United Nations data

	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

The effects of sanctions and countersanctions add 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 to 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 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 effect was a drop in GDP in 2022 (materialised at 2.1%), which further accentuated the effect of falling behind other leading countries in the world. The IMF estimated that the Russian GDP in 2021 was about USD1.7 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, it was 11th in the world ranking, behind the Republic of Korea. And if the slowdown continues beyond 2023, it will soon fall behind that of other nations, namely Brazil, Australia, Spain, and Mexico, in that order. In other terms, the war accentuates 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 risked drying up for the Russian leadership in the worst moment.

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Types of sanctions and their potential impact on FDI: the hypothesis

This study has only one hypothesis: that sanctions have a negative impact on both inward and outward FDI in Russia. Within that single hypothesis, we can formulate subsidiary hypotheses related to the different types of sanctions, knowing that the attribution of effects to individual sanctions is not necessarily available.

Prohibition of trade and establishment of 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, not if they do business in Russia but in the separatist Ukrainian zones only. However, past experience shows that “American firm” may mean any company with a substantial presence in the United States independently of its ownership structure, to prevent the discrimination of corporations that are domiciled in the country and to preclude the temptation for re-domiciliation to escape the constraints. It is also unclear 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, is 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 Russia 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 Russia.

Subsidiary Hypothesis 1: For all these reasons, the prohibition to do business with the Donbas is expected to have a negative impact on both Russian FDI inflows and outflows.

Stopping or rolling back 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, which was suspended by the German authorities.¹⁶ Although in each case, the economies of the partner countries may be hurt as much as those of Russia, other projects may suffer the same fate.

¹⁶ “Nord Stream 2 pipeline firm gets 6-month stay of bankruptcy”, AP, 12/28/2022.

Subsidiary Hypothesis 2: Stopping or rolling back projects in Russia has a major negative impact on inward FDI flows.

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 would be accepted by the partners and what the real impact on the Russian economy would be. It should 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, Russia can try to use them to develop its own semiconductor industry (Russia 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. It should be noted that such a measure would prompt the Russian authorities to seek local solutions (import substitution) to replace them.

Subsidiary Hypothesis 3: The impact of the export ban is negative on both inflows and outflows; its extent is uncertain.

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 it. 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. Subsidiary Hypothesis 3: The impact of sanctions against Russian individuals has a negative impact on outward FDI.

Freezing of Russian banking assets abroad. This is a very severe measure, affecting both inward and outward FDI. It should 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), so 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 in 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 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).¹⁷ It should be noted that already in November 2021, the bank had initiated the sale 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 the whole network. Other Russian banks may face the same fate if sanctions last for a long time. On the other hand, this freezing of assets means the impossibility of financing the transactions of Russian multinationals abroad. It also has an impact on access to finance for foreign investors located in Russia. The country may be prompted to apply restrictive measures to stop the outflow of resources, including an obligation to surrender export receipts or a prohibition on the repatriation of profits. These circumstances could make the lives of foreign investors close to impossible.

¹⁷ Tom Sims, Alexandra Schwarz-Goerlich & Daria Sito-Sucic, “Russia’s Sberbank in Europe faces closure after savers demand money”, *Reuters*, 02/28/2022.

Subsidiary Hypothesis 4: The freezing of Russian banking assets abroad has a major negative effect on both inward and outward FDI.

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 costlier and more cumbersome. Alternatives do exist on paper, such as using China's Cross-Border Interbank Payment System (CIPS). However, developing this alternative may not be 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 Russia, 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. Subsidiary Hypothesis 5: The exclusion from SWIFT creates major inconveniences, hurting both inward and outward FDI significantly.

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 Russia and the rest of the world and can act as a major disincentive to FDI. It should be noted that these sanctions are not fully "waterproof". 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. While the limitations imposed on scientific cooperation may seem more symbolic, so could the measures affecting arts, culture, and sports. In those areas, it is mostly the international reputation of Russia that is hit, though one should not underestimate the business side of these activities either. Subsidiary Hypothesis 6: Sectoral sanctions can have a major impact on FDI in the target activities.

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 Russia, 2022 and beyond

Source: the author's collection of information

Measure	Expected impact on FDI
Trade and investment ban on Donbas	Major
Stopping/rolling back business projects with Russia	Depends on the size of the project stopped
Export ban on or control of strategic inputs	Uncertain extent
Sanctions against Russian individuals linked with the recognition of the breakaway "republics" and the movement /deployment of Russian troops	Major at the level of the firms that they are linked with
Freezing of Russian banking assets and exclusion from SWIFT	Very major
Sectoral sanctions	The ban on Russian vessels and aircraft may have major impact

The situation at the war and the Western sanctions all indicate that Russia is probably heading towards one of the most severe crises in its history, destabilising the war effort itself. Such a crisis could also hamper the attempts by Russian businesses to build local capacities to counteract the sanctions. It is also to be noted that relying on foreign partners such as China and India to mitigate or avoid the effects of the sanctions can also have side effects. These countries cooperate with the Russian Federation under sanctions out of self-interest. Their governments made it clear that cooperating with Russia does not mean recognising the separatist republics of the Donbas or accepting the Russian invasion. There may also be 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 Russia perceived as its zone of influence in the past (e.g., in Central Asia).

The “haemorrhage” started almost instantly. FDI was reacting immediately. As mentioned above, Sberbank Europe was the early bird in a potentially long flow of Russian bankruptcies abroad.¹⁸ Another case of instant bankruptcy was that of the Switzerland-based Nord Stream 2 holding company, which was expected to manage the construction of the gas pipeline but was stopped by the German authorities.¹⁹

Selected lessons from past sanctions applied against Russia ²⁰

As a consequence of the 2022 war in Ukraine, Russia has become the target of the largest number of sanctions in the world: nearly 12,000 measures were in place in early August 2022.²¹ Many of these measures directly restrict the scope for reciprocal direct investment, particularly in the financial and technology sectors. The Russian authorities have responded to these sanctions with countermeasures. For firms that carry out activities on both sides of the division line, it has become arduous to comply with the contradictory requirements of the two parties. Many of them have responded by reducing, suspending, or eliminating their business deals on the other side.²²

The sanctions applied against Russia in 2022 are partly the continuation of the measures applied against Russian firms and individuals after the annexation of Crimea in 2014. This way, lessons can be drawn from the past, too.

In the most recent study prepared before the outbreak of the 2022 war, an analysis of the impact of political factors on Russian MNEs’ strategic choices to divest their foreign operations found that firms operating in countries that did not join the economic sanctions against Russia were less inclined to divest their

¹⁸ “Russia’s Sberbank in Europe faces closure after savers demand money”.

¹⁹ “Nord Stream 2 pipeline firm gets 6-month stay of bankruptcy”.

²⁰ This section sums up the main findings of Kálmán Kalotay & Csaba Weiner, “The Impact of Sanctions on Russian Business Abroad and Hungarian Business in Russia: Parallel Stories of Adjustment”, In: Lourdes Casanova & Anne Miroux (eds), *Emerging Market Multinationals Report 2022: Reinventing Global Value Chains*, Cornell SC Johnson College of Business, Ithaca, NY, 2022, 92–100, on past experience with sanctions in Russia.

²¹ “Russia sanctions dashboard”, Castellum.AI, <https://www.castellum.ai/russia-sanctions-dashboard>, 08/09/2023.

²² Kalman Kalotay, “The War in Ukraine Deals a Blow to Russia’s Foreign Direct Investment Links”, *Challenges*, No. 238, 2022, 1–17.

subsidiaries than those in countries that supported sanctions.²³ The article emphasised the political dimension of the foreign market exit, a factor largely confirmed by the events after February 24, 2022.

The first studies on the post-February-2022 situation indicate that Russian businesses react to this new situation by using defensive strategies to minimise their losses, mostly through reverse internationalisation.²⁴ They are in line with the most recent international business literature on sanctions.²⁵

As non-military coercive measures (coined as “jus ad vim”, i.e., the right to use force short of war), they have the potential to disrupt the international business environment, especially the institutional environment, and change the rules of the game.²⁶ From the point of view of internationalisation theories, sanctions challenge the assumptions about international business, including the institution-, resource-, and knowledge-based view, the resource dependency theory, and the behavioural theories of the firm.

Literature on the choices of Russian businesses facing sanctions from Western governments usually highlights four main options: (1) withdraw, which means losing a strategic market, probably without having a chance to return but retaining strong ties at home; (2) distancing from Russian government policy, which may reduce exposure to sanctions but risks retaliation from the home government; (3) maintaining course while retaining strong ties to Russia, which likely results in challenges to the legitimacy of the firm; and (4) transferring the business to a friendly partner not targeted by sanctions, which creates opportunities to reduce the cost of exit.²⁷ In the case of Russian business abroad, they have attempted, with varying success, most of these options.

The impact of sanctions on large Russian MNEs and their adjustment²⁸

The bulk of Russia’s outward FDI is carried out by a handful of large MNEs. Almost all of these firms and/or their executives and owners fell under sanctions, with an immediate negative impact not only on MNEs’ operations but also on Russia’s foreign economic links. The total foreign assets of the 20 largest MNEs were valued at USD 108 billion at the end of 2019 (Table 4), compared with a total outward FDI stock of USD 407 billion in the same year.²⁹ The majority of these MNEs are natural-resource-based firms, with oil and gas companies occupying the top three posts. Their strategies are related to the control of their value chains, typically upstream at home and in developing countries and downstream in developed countries. Certain firms are actively involved in FDI transiting through other countries or leaving the country and coming back (called “round-tripping”). Some (e.g., VEON, NLMK, and Evraz) have undertaken “corporate inversion”, and now have their official headquarters registered abroad, while Russian individuals remain the main shareholders.

²³ Andrey Panibratov & Ajai Gaur, “Political drivers of international divestments of Russian MNEs”, *BRICS Journal of Economics*, Vol. 3, No. 1, 2022, 5–25

²⁴ Kálmán Kalotay & Csaba Weiner, “The Impact of Sanctions on Russian Business Abroad and Hungarian Business in Russia: Parallel Stories of Adjustment”.

²⁵ Klaus E. Meyer, Tony Fang, Andrei Y. Panibratov, Mike W. Peng & Ajai Gaur, “International business under sanctions”, *Journal of World Business*, Vol. 58, No. 2, 2023, 101426.

²⁶ “Jus ad vim” is to be contrasted with two basic concepts of just wars: “jus ad bellum” (the right to wage a war) and “jus in bello” (regulating) the conduct of parties engaged in an armed conflict. Michael Walzer, *Just and Unjust Wars*, Basic Books, New York, 1977; Klaus E. Meyer, Tony Fang, Andrei Y. Panibratov, Mike W. Peng & Ajai Gaur, “International business under sanctions”.

²⁷ Ibid

²⁸ This section is adapted partly from: Kálmán Kalotay & Csaba Weiner, “The Impact of Sanctions on Russian Business Abroad and Hungarian Business in Russia: Parallel Stories of Adjustment”.

²⁹ “Balance of payments of the Russian Federation (standard components)”, Central Bank of Russia (CBR), https://www.cbr.ru/vfs/eng/statistics/credit_statistics/bop/bal_of_payments_standart_e.xlsx, 10/07/2023. Year 2019 is the latest year for which the list of the largest

State-owned MNEs make up more than one- third of the list.³⁰ Together, these firms account for almost half of the assets of the top 20 group. However, the impact of the Russian government does not stop there. The privately owned MNEs are also under state influence; the government has an informal say in their major strategic decisions.³¹

Table 4. Most of the 20 largest Russian non-financial MNEs are affected by sanctions (Firms ranked by foreign assets at the end of 2019, USD billion and %

Note: Firms shown in bold are under sanctions.

Rank	Company	Industry	Long-term foreign assets (USD billion)		Total foreign assets (USD billion)		Share of foreign assets in total assets (%)	
			2018	2019	2018	2019	2018	2019
1	Lukoil	Oil and gas	18.4	21.3	24.8	28.8	30	30
2	Gazprom	Oil and gas	14.8	15.6	18.5	18.9	6	5
3	Rosneft	Oil and gas	8.3	11.1	10.8	13.6	6	7
4	VEON	Telecom	6.2	6.8	8.0	8.0	56	50
5	Rusal	Metallurgy	3.7	4.2	5.4	6.5	34	36
6	Sovcomflot	Transport	5.6	5.5	6.0	6.1	84	83
7	Atomenergoprom	Nuclear energy	3.8	4.1	5.7	5.5	12	10
8	Russian Railways	Transport	1.7	2.0	3.1	3.3	4	4
9	Evraz	Metallurgy	2.1	1.9	3.7	3.2	40	32
10	NLMK	Metallurgy	1.4	1.3	2.9	2.5	29	24
11	EuroChem	Chemicals	1.4	1.4	1.7	1.8	18	15
12	NordGold	Metallurgy	1.3	1.3	1.6	1.7	64	61
13	Russneft	Oil and gas	1.2	1.6	1.4	1.7	37	36
14	VSMPO-Avisma	Metallurgy	0.1	0.2	1.2	1.4	25	25
15	Zarubezhneft	Oil and gas	0.5	0.6	1.0	1.2	37	35
16	MegaFon	Telecom.	0.2	0.5	0.2	1.0	3	9
17	TMK	Metallurgy	0.9	0.3	1.9	0.8	38	15
18	Norilsk Nickel	Mining	0.5	0.4	0.7	0.7	4	3

³⁰ Atomenergoprom, Gazprom, Rosneft, Russian Railways, Sovcomflot, VSMPO-Avisma (with only a minority blocking share of the state), and Zarubezhneft.

³¹ Andrei Panibratov, “The influence of the state on expanding Russian MNEs: Advantage or handicap?”, Russia/NIS Center, <https://www.ifri.org/sites/default/files/atoms/files/ifriandreypanibratovrussiancompagniesengdecember2013.pdf>, 03/22/2023.

19	MMK	Metallurgy	0.3	0.3	0.5	0.5	7	6
20	AFK Sistema	Holding	0.9	0.3	1.6	0.5	8	2
Total of the top 20			73.1	80.7	100.8	107.6		

Source: the authors' compilation. ³²

At the level of individual firms, the haemorrhage started early. As mentioned above, Sberbank Europe was the first in a potentially long flow of Russian bankruptcies abroad. Another case of instant bankruptcy was that of the Switzerland-based Nord Stream 2 holding company, which was in charge of a trans-Baltic Sea gas pipeline between Russia and Germany, mentioned above.

Some Russian MNEs also face difficulties in financing their overseas operations. In the first half of 2022, Severstal and Evraz, two large Russian integrated iron and steel producers, defaulted on their international bond payments, despite the availability of sufficient funds to pay them. The reason for this paradox was that these MNEs' foreign bankers refused to process the payments on the grounds that the principal owners were oligarchs put on the sanctions list. In March 2022, Severstal, owned by the Russian oligarch Alexei Mordashov's Severgroup, failed to make a US\$ 12.6 million interest disbursement to holders of bonds worth US\$ 800 million after its banker, Citigroup, froze those payments. ³³ Also in March 2022, Evraz, partly owned by another Russian oligarch, Roman Abramovich, was blocked by its banker, the New York affiliate of Société Générale, from paying the US\$ 18.9 million coupons on its US\$ 700 million bond, partly due to UK sanctions against the oligarch. ³⁴ The UK justified its sanctions by the fact that Evraz produces 28% of all Russian railway wheels and 97% of the country's rail tracks, which were "of vital significance as Russia uses rail to move key military supplies and troops to the frontline in Ukraine". ³⁵ As a side effect, the financial difficulties of Evraz affected its North American operations. The first layoffs were reported in Canada in May and June 2022, though this scaling back did not apparently affect the firm's large plant in Pueblo, Colorado. ³⁶

Some Russian firms have designed strategies to bypass sanctions, with varying success. The state-owned shipping company Sovcomflot avoided the seizure of its assets by selling off at least a dozen tankers (of a fleet of 121 vessels). Some transactions took place "through a web of shell companies, shielding the vessels' ultimate owners from the risk of penalties".³⁷ Another part of the strategy consisted of transferring selected corporate headquarter functions to Dubai in the United Arab Emirates. This partial "corporate inversion", following the footsteps of other firms (see the discussion on Table 4), allowed Sovcomflot to obtain safety certification from India for over 80 vessels managed from its Dubai Centre. ³⁸ In another case, in March 2022, the Russian gas giant Gazprom terminated its participation in the Germany-based Gazprom Germania and transferred its shares and company assets held in Europe to a former Gazprom unit controlled, through voting rights, by a hitherto unknown Russian firm—to no avail. ³⁹ In April 2022, Gazprom

³² Based on: Alexey V. Kuznetsov, "Direct Investment from Russia Abroad: Changes since 2018", *Herald of the Russian Academy of Sciences*, Vol. 91, 700–707

³³ Alistair MacDonald, "How a Russian Steel Giant Was Unplugged From the Western Economy", *Wall Street Journal*, 03/25/2022.

³⁴ "Evraz says bond payment blocked over Abramovich sanctions", *Financial Times*, 03/21/2022.

³⁵ Jacqueline Holman & Ekaterina Bouckley, "UK sanctions Russian steelmaker Evraz", *Commodity Insights*, 05/05/2022.

³⁶ Daniella Ponticelli, "170 Regina Evraz steel mill workers laid off since May, company says more expected", *CBC News*, 06/18/2022; Casey Tolan & Audrey Ash, "This Colorado steel mill 'built the American west,' but its ownership has ties to Russia", *CNN*, 04/04/2022.

³⁷ "Russia's Sovcomflot sells tankers as sanctions loom—WSJ", *The Moscow Times*, 05/13/2022.

³⁸ "Russia's Oil Tankers Receive Safety Cover From India Via Dubai Firm", *Marine Insight*, 06/24/2022.

³⁹ Gazprom Germania was renamed SEFE Securing Energy for Europe in June 2022.

Germania was brought under the control of the German energy regulator, Bundesnetzagentur. In retaliation, in May 2022, Russia imposed sanctions against the former Gazprom Germania units.⁴⁰

Another response of Russian firms to sanctions has consisted of the use of the Swiss trading platform, which traditionally manages the bulk of Russian commodity transactions. Though Switzerland decided to apply the same sanctions as the EU, Switzerland-based MNEs continued some deals in Russian coal, and so did some large Russian coal producers maintaining subsidiaries in the country (including SUEK and Evraz; Atkins, 2022). There were also questions raised about the eventual indirect imports of Russian gold via the U.K. and Dubai, though the adoption of the EU's July 2022 ban on both direct and indirect imports of gold closed, in principle, this loophole on sanctions.⁴¹

Corporate exodus from Russia

In Russia, one of the mainstays of inward FDI, the oil and gas sector already experienced the first attempts to leave the country some days after the outbreak of the war. First, BP announced on February 27, 2022, that it would sell its 20 percent stake in Russian state-owned oil giant Rosneft. The next day, Shell expressed its wish to exit its joint ventures with 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 Russia or stopping sales to the Russian market. To some degree, this was a change in corporate philosophies. In the past, business kept more distance from politics, only complying with the sanctions dictated by public authorities. Let us highlight some examples drawn from a collection of information by Yale University, confirmed by corporate and press reports:⁴²

- 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, and DHL suspending services to and from Russia),⁴³
- *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),⁴⁴
- *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,

⁴⁰ In September 2022, Germany also placed the local units of Russian state-owned oil firm Rosneft under fiduciary management.

⁴¹ Dominique Soguel, "Swiss gold imports come under scrutiny as G7 targets Russia", *SWI swissinfo.ch*, 06/27/2022.

⁴² The usual disclaimer applies to the eventual inaccuracies of corporate and press reports. "Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain", Chief Executive Leadership Institute, <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>, 08/17/2023.

⁴³ Gregor Gowans, "Daimler ends Kamaz cooperation as Volvo Trucks halts production in Russia", *Trans.Info*, 02/28/2022; "Msc Temporarily Halts Bookings to/from Russia", MSC, <https://www.msc.com/en/newsroom/customer-advisories/2022/march/msc-temporarily-halts-bookings-tofrom-russia>, 06/18/2023; "Ocean Network Express halts Russia bookings; Maersk may follow", Ship Technology, <https://www.ship-technology.com/news/ocean-network-express-russia-bookings/>, 08/18/2023.

⁴⁴ Sarah Butler, "Disney suspends Russian operations in response to Ukraine invasion", *The Guardian*, 03/10/2022.

Volvo and General Motors stopping exporting to Russia),⁴⁵

-*financial services* (HSBC, Société Générale, and Shinhan Bank of the Republic of Korea severing ties with Russian banks; Visa and Mastercard excluding Russian financial institutions from their networks),⁴⁶

-*the entertainment industry* (Spotify with its closure of its Moscow office, Stonemaier Games with its exclusion of Russian partners, Disney, Warner Bros., Sony Music, Netflix).⁴⁷

In most cases, the severing of these links affects trade, with the possibility of a reversal of decisions if the situation changes. However, the suspension of participation in 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, the Russian authorities attempted to declare a ban on departures. The problem was the effectiveness of such measures if companies prefer leaving behind their assets while still stopping operations. Moreover, such a ban could risk prompting a series of investor–state disputes by foreign companies. The Russian authorities, if condemned, may risk being ordered extremely high amounts of damages, further reducing the country’s financial resources.

It is also to be stressed that announcements about departure from Russia do not necessarily mean abandoning that market. For example, in the case of Apple, it was reported that, despite its official announcement of stopping selling its products there, the parallel imports of iPhones (via intermediaries) jumped to 1.1 million devices (+15 percent) in the first half of 2023 year-on- year. Parallel imports are also common in the case of consumer goods, such as Zara dresses and Nike sneakers, though they do not re-establish the FDI links that were broken with the abandonment of direct selling.⁴⁸

As for Raiffeisen Bank Austria, in 2023 it successfully delayed quitting Russia despite pressures. There may be other corporate players who try to postpone their departure for as long as possible.⁴⁹

A plunge in Russia’s FDI inflows and outflows as a consequence

As a result of the above-mentioned trends, the 2022 war in Ukraine increased uncertainties about FDI to and from Russia and was expected to affect it negatively in the short, medium, and long run. In 2022, both inflows and outflows declined sharply and turned largely negative due to divestments (Figure 1). Both dropped more than in the year of the COVID- 19 pandemic (2020), though in that year, during weeks, the country came to a complete halt. It should be noted that, via the above-mentioned phenomenon of round-tripping, outflows usually move together with inflows and vice versa. It should be highlighted here, too, that

⁴⁵ “Ford Issues Statement On Suspension of Russian Joint Venture and Assistance for Ukrainian Refugees”, Ford, <https://media.ford.com/content/fordmedia/fna/us/en/news/2022/03/01/ford-russia-ukraine-statement.html>, 08/19/2023; Gabrielle Coppola & David Welch, “GM, Harley-Davidson Halt Shipments to Russia as Sanctions Bite”, *Bloomberg*, 03/01/2022.

⁴⁶ “MasterCard statement on suspension of Russian operations”, MasterCard, <https://www.mastercard.com/news/press/2022/march/mastercard-statement-on-suspension-of-russian-operations>, 08/20/2023.

⁴⁷ ³³ “Spotify closes its office in Russia in response to attack on Ukraine”, *Reuters*, 03/02/2022.

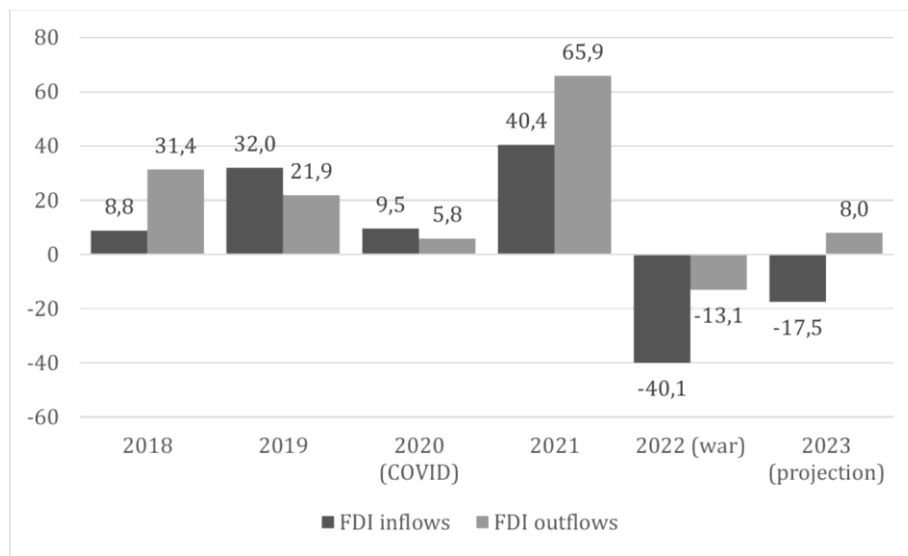
⁴⁸ Nicolas Camut, “Russians Can Buy Zara Dresses and Nike Sneakers Again”, *Politico*, 11/29/2022.

⁴⁹ John O’Donnell & Alexandra Schwarz-Goerlich, “Exclusive: Raiffeisen delays quitting Russia as Austria defends ties”, *Reuters*, 08/13/2023.

inflows reacted more sharply than outflows, with Russian MNEs attempting to keep some operations at least in “neutral” countries without applying sanctions against them (such as China and India).

A projection for 2023 is based on data available for January, while June indicates that FDI inflows are foreseen to remain largely negative over the year and outflows could become slightly positive, though of this value (around USD 8 billion). These data confirm largely our hypothesis about the decline of inward FDI, at least in the short and medium run, due to the war and the sanctions. It seems that the replacement of the lost FDI links with the “West” by FDI links with neutral countries, such as other BRICs, especially China and India, would be an arduous and very time-consuming process, if it works at all. One should not lose sight of the fact that the sectoral composition and technology content of these new links are very different from those registered in FDI with the EU or the United States. In this respect, the efforts of the Russian government in those frameworks that are still available may not suffice to cover the losses in FDI, a phenomenon in which there is much less room for domestic alternatives than in measures towards self-sufficiency.

Figure 1. The drop of Russia’s FDI inflows and outflows in 2022 (2018–2023 flows in USD billion)



Note: Projections for 2023 are based on data available for January till June.

Source: Authors’ compilation based on data from CBR (2023).⁵⁰

As highlighted at the outset, there is a need now to attribute the effects to different types of sanctions that this article could not fully address. Such an exercise could help us solidify the subsidiary hypotheses that we have raised, which can, for the moment, be confirmed only indirectly. That may be the task of additional studies that will pick up the analysis from this article.

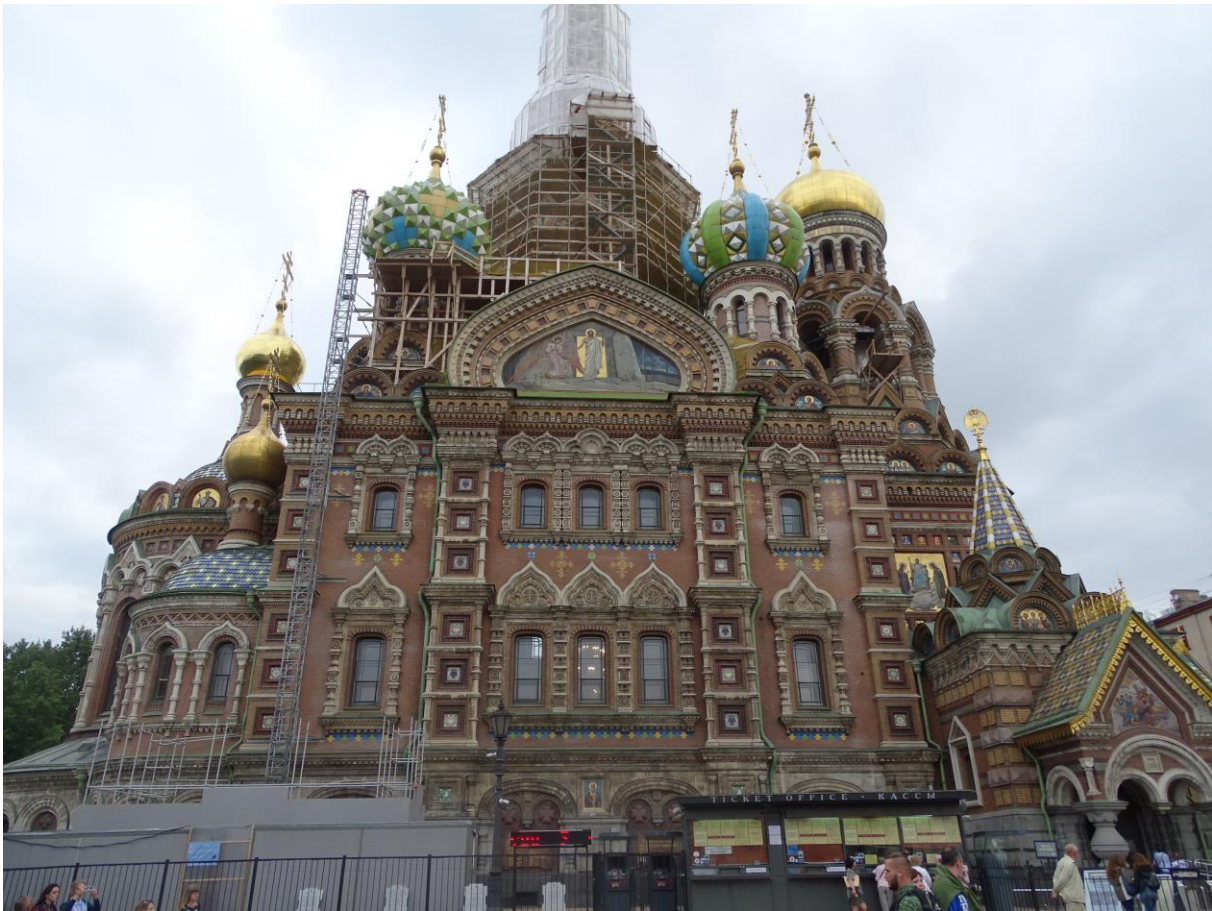
Conclusion

In conclusion, the war in Ukraine adds major uncertainties to FDI to and from Russia and affects it negatively in the short, medium, and long run. The degree of hit depends on the exact contents of sanctions and countersanctions, which are in constant evolution and not fixed yet. The paradox of this war is that, if the intention of the planners was to make Russia more powerful, the effect was already opposite and was (and is) worsening over time. Observers may wonder what went wrong with the planning of the economic

⁵⁰ “Balance of payments of the Russian Federation (standard components)”.

consequences. The inputs used did not reflect the realities of the outside world correctly. Perhaps realities had been replaced by a wishful image of a weak, divided, and paralysed international community. Sadly enough, one cannot avoid a feeling of déjà vu, as the lessons of European history more than eight decades ago seemed to be by and large forgotten or ignored by today's planners of the economic consequences of war.

Right now, the biggest question for the Russian authorities would be how to get out of an impasse that hurts all people in the world, in Ukraine, Russia, and other countries 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.



St. Petersburg: Church of Savior on Blood

Photos © by Antal Szabó

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Email: caushie07@gmail.com and <https://www.linkedin.com/in/caushie>**UNLEASHING SUSTAINABLE ENTREPRENEURSHIP: ENTERPRISE ECOSYSTEM FOR INCLUSIVE GROWTH AND FORMALIZATION****ANNEX**

Indian entrepreneurial ecosystem and policy framework evolved over the years as one with potential to facilitate new venture creation at ease. The current ecosystem and regulatory framework is much more entrepreneur and small business friendly. Enterprise ecosystem and entrepreneurship approach has to focus on nurturing economic & business who take the economy & society in the path of a sustainable future, while contributing to Global Sustainability Objectives and to be attuned to facilitate the formalization of informal sector enterprises, ease of doing business for micro and small enterprises.

This chapter is an attempt to look at key aspects of Indian entrepreneurial system, its evolution and as well as some of the challenges, entrepreneurship policies and approaches, startup ecosystem, training and skill development challenges and addresses focal areas in the formalization of informal sector enterprises into formal enterprise space and how they can potentially contribute in attaining sustainable development goals (SDGs).

Keywords: Small and Micro Enterprises, Enterprise Ecosystem; Startup ecosystem, Informal Sector Enterprises, Reforms to facilitate enterprise formalization, Skill development, Sustainable Development Goals: SDG-8, SDG-8.3, SDG12 SDG-4

JEL Code: L 53, L26, J24, O17

INTRODUCTION

The legacy of Indian entrepreneurial ecosystem dates back to the Indus Valley of 3300 BC, with a robust trade history and entrepreneurial culture. Trade and business ties have existed with different parts of the world at various points in time since then. The presence on global trading routes such as the Silk Route and maritime spice trade is well documented (Chakraborti, 1966; ITPC, 2023). In the modern era, particularly since the British rule and more prominently in the post-1991 era, Indian enterprise ecosystem has emerged much stronger. India possesses a rich entrepreneurial culture deeply rooted in its cottage industries, traditional village enterprises, and agricultural sector. Unfortunately, during the British Raj, India's entrepreneurial foundation was severely undermined. However, the freedom movement sparked a renewed focus on revitalizing the village economy and nurturing entrepreneurship, symbolized by the emphasis on the Charkha and self-reliance. Post-independence, economic policies predominantly prioritized public sector undertakings, resulting in strict government control and excessive regulations. This era, often referred to as the "License and Permit Raj" was marked by extensive inspections, licenses, and permits for almost every aspect of business operations. Today, the entrepreneurial ecosystem in India is the third largest and the fastest growing in the world. Global Entrepreneurship Monitor(GEM) ranks India fourth among 51 countries in terms of quality entrepreneurship ecosystem (GEM, 2023). Economist Intelligence Unit's, business environment rankings

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positions India at the 10th position as per its report for 2023(EIU, 2023)⁵¹. However, there are significant challenges that need attention: formalization of vast informal micro enterprises into the formal enterprise space; digital transformation drive at MSMEs enterprise space; enabling MSMEs to e-commerce; empowering MSMEs for international trade participation and enhanced support and policies to promote quicker transition of informal enterprise to formalization. This is an attempt to look at some of these aspects of Indian enterprise ecosystem, *entrepreneurship policies and approaches, startup ecosystem, training and skill development challenges and addresses, focal areas in the formalization of informal sector enterprises into formal enterprise space*, and key challenges for SMEs in terms of digital adoption and transformation making them contribute in attaining sustainable development goals (SDGs).

ENTREPRENEURSHIP AND STARTUP ECOSYSTEM

The objective of an effective enterprise eco-system and entrepreneurship policy is the creation of a conducive climate nurturing entrepreneurship. Central to this objective is the establishment of a comprehensive framework designed to equip, encourage, and educate prospective entrepreneurs with the requisite proficiencies to initiate and effectively steer their ventures (UNCTAD, 2012; CIPE, 2014). Entrepreneurial ecosystem help describe the conditions that bring people 'together, foster economic prosperity towards wealth creation' by way of entrepreneurship, innovation and new venture creation Mazzarol(2014).

Elements of Entrepreneurship ecosystem



Adapted from Mazzar (Mazzarol, 2014)ol 2014

Evolution of India's enterprise ecosystem: India's entrepreneurial eco-system, evolved over several centuries (Tripathi, 1971). Traders, handicraftsmen, potters, handloom & silk makers-weavers, leather, agro-focused international trade & manufacturing, a variety of artisan entrepreneurs, diamond and precious stone businessmen and many others formed its entrepreneurial and business tradition⁵² (Roy, 2003). Village focused enterprise eco-system could cater to the needs of its members, within the then social order. However, during colonial rule, it declined with increased international exposure and colonization. Strengthening of village economy was considered part of gaining economic independence and was one of the agenda of freedom movement (GHITRA, 1949; Govindu, 2019)⁵³.

Features of traditional enterprise eco-system:

⁵¹ Business setting up processes are 80 percent faster and smoother says, **Rajan Sudesh Ratna, Sr Economic Affairs Officer at UN ESCAP.**

⁵² Brassware, leather, carpets, silk, textiles, cotton and silk textiles, metal and precious stones, diamond/gold and spices all were part of export basket.

⁵³ Gandhi identified the collapse of textile economy as fundamental to the economic devastation caused by East India Company and the British Raj. He directed the Congress to include constructive work to village industries.

- Production for the need of the region/village
- Sustainable use of resources
- Principle of conservation in the use of products & manufacturing
- Role of castes/communities in manufacturing and delivery of various services
- Cottage/home based manufacturing
- Labor intensive techniques
- Finance by rural money lenders
- Caste and community in determining enterprise focus

Enterprise development policy and approach in the post independent India: Mixed economic system during the post-independence era, resulted in the emergence of public sector units along with the private sector. Enterprise policy was embedded in the industrial policy resolutions (Industrial policy resolution , 1948). After the adoption of the constitution, the Industrial Policy was comprehensively revised and adopted in 1956. To meet new challenges, from time to time, it was modified through statements in 1973, 1977 and 1980 (DC SSI, n.d.), which outlined the approach to industrial growth and development⁵⁴. In 1991 the government adopted economic reforms and a new industrial policy (GoI, 1991), which accorded enhance priority for small enterprises, easing of regulatory burden and creating a single window approach to licenses, permits and clearances emerged as important policy focus, which led to the way towards an entrepreneurial ecosystem that promotes a favorable entrepreneurship culture (Panagariya, 2004; Koshy, December 2019).

Industrial development and Entrepreneurship policies in the post-independent pre-liberalized era: some highlights

1948 : April 6	Industrial Policy Resolution New Delhi,	<ul style="list-style-type: none"> • Development of Small and COTTAGE SECTOR emphasized • Highlighted cottage and small industries have a role in the national economy. • Small&cottage sector work to complement LSEs • Recommendation to set up Cottage Industries Board as well as Cottage and Small Industries Directorate
1956	Khadi and Village Industries Commission (KVIC)	<ul style="list-style-type: none"> • Khadi and Village Industries Commission Act of 1956' • Promotion of khadi and village industries with other agencies engaged in rural development.
1956: April 30	Industrial Policy Resolution	<ul style="list-style-type: none"> • Stress on cottage and village and small scale industries as they provide immediate large scale employment; • Approach of restricting the volume of production in the large scale sector by differential taxation or by direct subsidies. • Focus on developing self-supporting SSI/cottage sector and they are integrated with that or large-scale industry. • Focus on technique of production and technological up gradation
1977: December 27	Industrial Policy Statement	<ul style="list-style-type: none"> • emphasis on decentralization and on the role of small-scale, tiny and cottage industries
1980, July	Industrial Policy Statement	<ul style="list-style-type: none"> • focus on promotion of competition in the domestic market, technological up gradation and modernization

⁵⁴ It emphasized the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution.

KEY POLICY DEVELOPMENTS & MILESTONES IN THE POST LIBERALIZATION ERA (POST 1991)

1990	INDUSTRIAL POLICY 1990	Changes in procedures for industrial approvals (key points on entrepreneurship) <ul style="list-style-type: none"> • Promotion of entrepreneurship through campaigns in rural areas • Training of women and youth under the Entrepreneurial Development Program(EDPs) • Special cell to assist women entrepreneurs • Focus on addressing red tape and bureaucratic interference • Simplification of procedure • Support to artisans by expanding the scope of Khadi and Village Industries Commission
1990 April	SIDBI- setting up	<ul style="list-style-type: none"> • Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, presently acts as the key Financial Institution for the Promotion, Financing, and Development of the Micro, Small and Medium Enterprise (MSME) sector
1991- July 24	Statement of Industrial policy	<ul style="list-style-type: none"> • Encouragement to entrepreneurship • development of indigenous technology through investment in research and development • bringing in new technology • dismantling/cutting down market regulatory system
1999: October	New ministry creation for SSI sector	Ministry of Small-Scale Industries & Agro and Rural Industries
2000 August	Policy Package	Comprehensive Policy Package for the Small Scale and Tiny Sector For more: https://www.dcmsme.gov.in/sido/policypkg.htm
2001	Support for Incubation Centres in Sunrise Industries for the benefit of the Small Scale Sector.	<ul style="list-style-type: none"> • Bio-technology • Information Technology • Tele-communications • Electronics • Non-Conventional Energy Sources
2006	MSME Development Act	<ul style="list-style-type: none"> • Concept of Enterprise • Both service and manufacturing enterprises being recognized • More impetus and focus for Entrepreneurship and new venture creation • Revised definition
2013	New Companies Act	<ul style="list-style-type: none"> • For the first time ever, the concept of “start-up” has been introduced in the company law. • http://www.mca.gov.in/MinistryV2/companiesact2013.html
2015	MUDRA Bank	Access to finance for startup businesses, micro enterprises
2015	Skill Development and Entrepreneurship Policy	Creates an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link skilling with demand centres.
2016	Startup Mission	to build a strong eco-system for nurturing innovation and startups in the country
2017	Goods & Services Tax(GST)	GST has turned all 36 states and union territories of India into one common market.

Indian Startup ecosystem: an overview

India has made significant progress in strengthening its entrepreneurial and startup ecosystem.⁵⁵ Institutions, entrepreneurship cells to create awareness in colleges, supporting mechanisms, incubators, funding programs that make credit easier for startups are all part of the ecosystem today (Rao, 2017). “As per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognised as ‘startups’ under Startup India initiative by the Department for Promotion of Industry and Internal Trade (DPIIT)”. Since the launch of Startup India initiative in 2016, DPIIT has recognised 92,683 entities as startups as on 28th February 2023. (MoCI, GOI, 2023). “The presence of start-ups in India is widespread, covering 56 industry sectors with 13% in IT services, 9% in healthcare and life sciences, 7% in education, 5% in professional and commercial services, 5% in agriculture and 5% in food and beverages” (EY, 2023).

Promotional activities and entrepreneurship & startup initiatives could be seen both at regional level as well as at national level. Registered startups could avail tax benefits for a specified period, helping them save on initial operational costs as well as support for research and development leading to innovation.

- *Startup India*: At the national level, the Start-up India initiative of the Government of India envisages building a robust Start-up ecosystem in the country for nurturing innovation and providing opportunities to budding entrepreneurs.⁵⁶ Launched in 2016, this initiative aimed to foster innovation and promote entrepreneurship in India. It provided various benefits to startups, such as tax exemptions, fast-track patent examination, and funding support through the Fund of Funds scheme. At the state level, state governments have startup promotional programmes, which include state level startup missions, seed capital provision within incubators/accelerators, regional network of angels and individuals.
- *Ranking of states*: States are ranked on various parameters, in order to encourage them to create a conducive business climate for startups, innovations and a culture of entrepreneurship to take shape within their jurisdictions.
- *Business incubators and accelerators*: Business incubators are another aspect of the startup programme. There are many incubators of different varieties in India. ⁵⁷Number of tech-startup up emerged out of educational institutions. Incubation programmes such as Atal Incubation Centers (AICs); ASPIRE: Livelihood business incubators, incubators under TIDE Scheme of the ministry of electronics and information technology are few examples in this context. (Startupindia, n.d.) Atal Innovation Mission, was launched to promote innovation and entrepreneurship among school and college students to nurture innovation and startup ideas.
- *Access to Funding*: The government supported startups by creating funds such as the India Aspiration Fund and the Fund of Funds for Startups. Angel investors, who provides capital in the form of debt or equity, are an important source funding. There are a number of angel networks and venture funds in India, where their portfolio of investments focus on certain sectors like IT, AI, Robotics, FMCG and high-technology intensive sectors.

REFORMING ENTERPRISE ECOSYSTEM FOR INFORMAL SECTOR ENTERPRISES AND SMES

⁵⁵ For the first time ever, the concept of “start-up” has been introduced in the company law by the MCA. There are also few operational and compliance relaxations for a “start-up company”. As per this definition, a start-up company means a private company incorporated under the Companies Act, 2013 and recognized as a “start-up” in accordance with the notification issued by the Department of Industrial Policy and Promotion.

The MCA has not only defined “start-up” through an executive order under the Companies Act, 2013, but has also given few operational and compliance relaxations for a “start-up company”.

⁵⁶ <https://www.startupindia.gov.in/> is the Startup India portal, which is according to them is the “largest online entrepreneurship platform allows startups to network, access free tools & resources and participate in programs & challenges.”

⁵⁷ A list of incubators could be found < <https://www.indianweb2.com/complete-list-incubators-india/>>

A vast majority of micro enterprises operate without the required legal and regulatory approvals, notwithstanding crucial role that they play in job creation, poverty alleviation, exports and regional economic development. 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 can attain access to many government schemes. The opportunity that it opens for them to participate in public biddings is yet another aspect.

There are a number of challenges that this sector, particularly unincorporated enterprises, informal units 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 labour standards, technology, managerial and accounting practices are all other issues involved in the transition.⁵⁸ SMEs and informal players need to embrace digital transformation to stay competitive in the Fourth Industrial Revolution. This involves adopting digital technologies and tools such as cloud computing, data analytics, artificial intelligence, and the Internet of Things (IoT) to streamline operations, improve efficiency, and enhance customer experiences. Embracing e-commerce and online platforms can also help SMEs reach new markets and customers. 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.⁵⁹ (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.⁶⁰ (EU Parliament , 2018)

INFORMAL TO FORMAL ENTERPRISES: REFORM AREAS IN ENTERPRISE ECOSYSTEM

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 	

⁵⁸ 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.

⁵⁹ 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.

⁶⁰ 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.

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Local and neighbourhood markets and limited market • Global market reach out potential • customers 	
Enhanced procurement by Global Value Chains	<ul style="list-style-type: none"> • INTEGRATING SMEs INTO GLOBAL VALUE CHAINS • Addressing labour standards • Address Child labor, Forced labor • Green technology 	

HUMAN CAPITAL: DIGITAL TRANSFORMATION, ENTERPRISE MANAGEMENT AND INDUSTRY 4.0 AND BEYOND

Human capital endowment is critical for enterprises of all kinds, including informal entities, in their quest for competitiveness, agility and innovativeness. Globally, SMEs are in the forefront in adopting advanced technologies: from digital tools, additive manufacturing or 3D printing to robotics and Augmented Reality (AR) to Artificial Intelligence (AI).

To operate in a seamless manner, enterprises should have a well-focused human capital development strategy and value addition capabilities in order to adapt to the rapidly changing market conditions. Skill requirements are varied and fast growing within the rapidly evolving enterprise-technology landscape. With increased internet penetration facilitating enhanced market outreach and the proliferation of global online communities, marketing digitally and delivering products and services, both physical and knowledge-data driven, have emerged as viable options for small enterprises. With improved focus on training and the creation of more skilled professionals in these areas, reaching out at a global scale is becoming much easier.

While SMEs produce unique products of extremely high quality, they lack marketing expertise. Skill development in areas such digital marketing, social media marketing, e-commerce and facilitating larger digital transformation is needed in order to ensure business continuity. With enhanced automation happening across all manufacturing industry segments, it's critical that SMEs are equipped for Industry 4.0. This calls for preparing workers with appropriate training for re-deployment into the new emerging environment, armed with skills in complex areas like cloud computing, big data, artificial intelligence, robotics, additive manufacturing etc, which are all part of Industry 4.0 and Digital Transformation.

There is also a need for executive development programmes in the area of marketing, finance & accounting, IT & data management, market intelligence and general management. It is also important for MSMEs to be compliant with global value chain requirements, green technology and green enterprises practices.

A major chunk of SME population comprises micro units and informal enterprises. These include cottage-units, artisan ventures, handicraftsmen, weavers, rural-industries, building & construction materials, food processing, and similar rural-entrepreneurs. There are millions of entities in the waste management sector, in fact, 80 percent or more waste management and recycling entities are informal units.

Training and upskilling is critical for informal sector enterprises in their transition to formal enterprises. Their transition is key to availing opportunities that the global market offers. Targeted educational programmes may encourage reluctant informal entrepreneurs to move to formal enterprise ecosystems & frameworks. The challenges of formalization of the informal sector can be certainly addressed by education, training and skill development.

TOWARDS AN ENTERPRISE ECOSYSTEM THAT IS ATTUNED TO SUSTAINABLE DEVELOPMENT PRINCIPLES.

SDGs provide a comprehensive framework for future economic activities and model to be focussed upon. SDGs encompasses a wide range of social, economic, and environmental objectives (Raniya Sobir, n.d.). It is important for enterprises to align their operations, products, and services with the principles and targets of the SDGs. This can be achieved by integrating sustainability into business strategies, adopting responsible practices, promoting innovation, and collaborating with stakeholders to address sustainable development challenges. In this context, its important to have futuristic enterprise & entrepreneurial approaches by supporting venture creations with these goals. Green business incubators, industrial parks, schemes and programmes to promote sustainable entrepreneurship must get priority, case of Eco-Enterprise Village is an example in this context (Koshy, 2010).

- SMEs and renewable energy industry, can play a role in achieving SDG 7 (Affordable and Clean Energy). By investing in and promoting renewable energy sources such as solar, wind, and hydroelectric power, this industry contributes to reducing greenhouse gas emissions, improving energy access, and promoting sustainable energy practices.
- SDG 2 (Zero Hunger) and SDG 12, Responsible Consumption and Production, are closely linked to the agriculture and food industry. SMEs in this sector can promote sustainable farming practices, reduce food waste, and support local and organic food production. Adopting sustainable supply chains and promoting fair trade can also contribute to SDG 8 (Decent Work and Economic Growth).
- Responsible Tourism and Hospitality Industry SDG 8; SDG 11; SDG 12: The tourism and hospitality industry can create jobs and local development, decent work and economic growth. SMEs in this sector can adopt sustainable practices, promote cultural preservation, support local communities, and minimize environmental impacts through responsible tourism initiatives.
- Circular Economy and Waste Management Industry SDG 12: (Responsible Consumption and Production is directly related to the circular economy and waste management industry. SMEs can focus on reducing waste generation, recycling and reusing materials, and promoting sustainable consumption patterns. This industry contributes to resource efficiency, waste reduction, and mitigating environmental pollution.
- Education and Skill Development Industry SDG 4; SDG8: Quality Education and decent work are central to the education and skill development industry. SMEs in this sector can provide vocational training, promote lifelong learning opportunities, and support inclusive education. By equipping individuals with skills for sustainable employment, they contribute to poverty reduction and economic empowerment.

In conclusion, the development of a robust Enterprise Ecosystem in India represents a compelling vision that intertwines multiple critical threads. By placing a strong emphasis on sustainable entrepreneurship in the enterprise ecosystem and entrepreneurship development strategies, the nation can foster businesses that are

not only financially successful but also environmentally and socially responsible. The wave of digital transformation, catalyzed by Industry 4.0 technologies, promises to amplify efficiencies, bolster competitiveness, and enable previously unimaginable growth trajectories. Moreover, the formalization of informal sector enterprises signifies a step towards enhanced economic stability, social security, and streamlined regulatory adherence. As India embarks on this transformative journey, collaboration among government bodies, private enterprises, educational institutions, and local communities will be pivotal. In essence, the convergence of sustainable entrepreneurship, digital transformation, Industry 4.0 integration, and informal sector formalization within the framework of an Enterprise Ecosystem can reshape India's economic landscape. It can drive growth that is not only robust and dynamic but also equitable and resilient. As stakeholders align their efforts and investments towards these goals, the vision of an enterprising India, deeply rooted in sustainability and progress, inches closer to reality. It is important for enterprises to align their operations, products, and services with the principles and targets of the SDGs. This can be achieved by integrating sustainability into business strategies, adopting responsible practices, promoting innovation, and collaborating with stakeholders to address sustainable development challenges.

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NEWS - EVENTS



EUROPEAN RESEARCH AND INNOVATION (R&I) DAYS 2024

The European Commission's annual flagship research and innovation event brings together policymakers, researchers, stakeholders, and the public to debate and shape the future of research and innovation in Europe and beyond through key policy debates, funding and networking opportunities, and dedicated workshops.

This fifth edition will take place during the [European Research and Innovation Week](https://research-and-innovation.ec.europa.eu/events/research-and-innovation-week_en) (https://research-and-innovation.ec.europa.eu/events/research-and-innovation-week_en) on **20 and 21 March 2024**, both in Tour and Taxis (Brussels) and online, allowing everyone to get involved from anywhere.

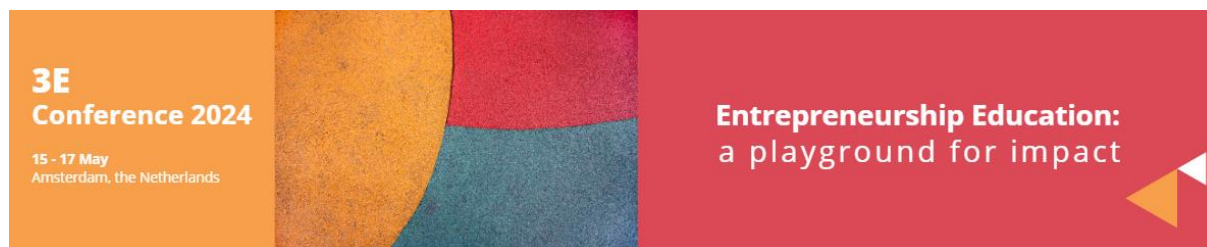
This year's EU R&I Days will give you the opportunity to debate how we can make Europe greener, fairer and more competitive under a common narrative: a **40-years journey** through the Research and Innovation Framework Programmes.

It's your chance to discover successful EU-funded research and innovation projects, experience their impact on our society and debate the importance of continued investment in research and innovation.

Join us to discuss and shape the future of research and innovation.

Stay tuned for more news by following us on Twitter @EUScienceInnov and @HorizonEU and join the conversation on #RiDaysEU.

Source: <https://projects.research-and-innovation.ec.europa.eu/en/events/upcoming-events/research-innovation-days>



**3E 2024 3E CONFERENCE – ECSB ENTREPRENEURSHIP
EDUCATION CONFERENCE ON 15-17 MAY 2024
IN AMSTERDAM, THE NETHERLANDS**

Through an innovative and non-traditional format, the 3E Conference establishes a new paradigm for entrepreneurship conferences. It offers an inclusive setting to fully collaborate with researchers, educators and policymakers to debate and exchange the best practices, the major challenges and novel advances in entrepreneurship education with a special and unique focus on Europe. Unlike more traditional academic events, this conference puts the spotlight in problems and questions; the format is ‘unplugged’ without power point presentations. Instead, engaging round table discussions are held with participants who have read papers beforehand. Further, the keynote speakers are chosen from among the best submission of the participants.

Over the past years, Entrepreneurship Education (EE) has increasingly become more mature in its theory and practice. Yet, it has not lost its playfulness and its willingness to try out new things. We believe EE can and should be seen as a playground for educators, scholars, and students; and continue to invite innovative action and experimentation. At the same time, this led to a variety of challenges and contexts for players to solve through creativity, interaction and mutual learning. That is why this edition encourages the 3E community to present novel solutions to encourage tilting EE towards social development, mental and physical wellbeing, and sustainability. We need to promote innovation, creativity as well as responsible risk-taking. And most importantly, we need to think of what we want our students to learn, what our students want to learn, and how they best learn. Therefore, we welcome contributions that present, explore and question the playfulness of EE in relation towards social and sustainable entrepreneurial initiatives.

WHO SHOULD ATTEND?

Potential participants include entrepreneurship education educators and researchers, research-based educators from primary, secondary, and higher institutions, practitioners involved in entrepreneurship support programs including trainers, policy makers and program managers, and special interest group representatives from local or international organisations.

ABOUT THE PROGRAM AND THE VENUES

The 3E Conference program will include three interactive days in the city of Amsterdam, mainly in the vicinity of the AUAS Amstel Campus. A program that will have several pre- and post-events including, welcome reception on 15 Wednesday, PDW Day (AUAS Amstel Campus), main conference (AUAS Amstel Campus), gala dinner with entertainment. As a participant, we welcome you to stay longer to enjoy the beautiful canals of the vibrant city of Amsterdam and its famous museums such as the Rijksmuseum, Stedelijk Museum and Van Gogh Museum.

Source: <https://3e2024.org/>



Since its inception in 1980 the NCSB conference has been a biannual event in the Nordic tradition characterized by an open atmosphere that encourages the exchange of ideas between researchers with research interests in the field of small business and entrepreneurship. The 2024 NCSB conference in Turku, Finland will continue this tradition and welcomes papers from all areas of the small business and entrepreneurship.

The 2024 NCSB conference will continue to feature a mix of special theme tracks, general tracks and paper development tracks. **Special theme tracks and call for papers will open in fall 2023.** The special theme tracks at the 2024 NCSB conference are:

ENTREPRENEURSHIP EDUCATION

We call upon the vibrant research community of entrepreneurship education to submit papers to this special track. In this track, we encourage submission of papers investigating the role of entrepreneurship education in theory and practice and its connection to entrepreneurship and small business research in general. A main driver is to bridge the divide between well-established fields by reconceptualizing and repositioning current understandings of what it means to educate for entrepreneurial experiences and work within action-based entrepreneurship education.

Some suggested topics: The entrepreneurship education ecosystems, case-based teaching and learning, the entrepreneurship educator role, social entrepreneurship education, contextual aspects of entrepreneurship education, the role of extra-curricular activities and incubator settings. Additional perspectives and topics are highly welcomed.

The call for papers seeks interesting, original, and/or provocative theoretical or empirical research that contribute to addressing and developing the future discussion of entrepreneurship education. We further have a focus on some additional value of participating in this track: 1) the possibility to present early-stage papers, 2) the possibility to form teams for doing cross Nordic studies, and 3) possibilities for paper development and future publication.

In this special track, we will combine paper presentation and discussion formats including a roundtable format to discuss existing research and explore new avenues and joint ideas for future research on entrepreneurship education.

Track chairs:

Michael Breum Ramsgaard, VIA University College, Denmark mibj@via.dk

Birgitte Wraae, UCL University College, Denmark biwr@ucl.dk

Lise Aaboen, NTNU Norwegian University of Science and Technology, Norway
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Claus Thrane, Aarhus University, Denmark thrane@mgmt.au.dk

GENDER AND ENTREPRENEURSHIP

Entrepreneurship is a gendered field marked with masculine symbols and values with the consequence of marginalizing women, as well as marginalizing men operating in feminine industries or sharing feminine values. This gender and entrepreneurship track seeks contributions that advance our understanding of how women, men, and non-binary entrepreneurs engage in doing or undoing gender in their entrepreneurial environments (business, incubator, network, etc.) or in their engagements with others (e.g., customers, suppliers, competitors, stakeholders). We are open to contributions that make masculinities and femininities visible in entrepreneurship as well as papers that address how gendered resources are exchanged in organizations, the household, or within the entrepreneurial family (business). The track welcomes (but is not limited to) papers that rely on gender theories, such as feminist theories, intersectionality, or queer theory. The track is open to both conceptual and empirical papers.

Track chairs:

Gry Agnete Alsos, Nord University, Norway gry.a.alsos@nord.no

Karin Berglund, Stockholm University, Sweden karin.berglund@sbs.su.se

Helle Neergaard, Aarhus University, Denmark helle.neergaard@mgmt.au.dk

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INTERNATIONAL ENTREPRENEURSHIP

The global business environment unavoidably bears the hallmark of uncertainty and various disruptions such as geo-political tensions, social and environmental challenges, and technological advancements like digitalization and rise of AI. Because these disorders spread globally, international entrepreneurial firms need to stay alert to these changes and turn them into international opportunities. Under these conditions, their responses to external business environment appear to be more complex than in domestic context because conducting business across borders adds manifold layers of market and institutional uncertainty. International entrepreneurial firms need to have higher adaptability of their business models, bigger resilience, and more intricate coordination of foreign operations and networks. This track seeks contributions that examine internationalization processes primarily as an entrepreneurial process of discovering, assessing and exploiting international business opportunities from various theoretical lenses, using a variety of methodological approaches and datasets.

Keywords: Internationalization process; International entrepreneurship; SMEs; Entrepreneurial networks; SME exporters/importers; International new ventures; Born-global firms; Born-digital firms; Business development; International business models; Opportunity discovery/ exploitation; Entrepreneurial internationalization; International venturing; Entrepreneurial alertness; International innovation; Entry modes; Exporting/Importing.

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SUSTAINABILITY IN ENTREPRENEURSHIP AND SMALL BUSINESS

Demands and wishes for sustainability come from many places. Consumers and businesses worldwide are preoccupied with taking social and environmental considerations and start-ups and existing businesses need to consider how to respond to – or perhaps lead – the sustainability agenda. Several studies show that entrepreneurship is essential for advancing sustainability on several dimensions (Cohen & Winn, 2007; Dean & McMullen, 2007; Muñoz & Cohen, 2018; Muñoz & Dimov, 2015). However, there are dilemmas and challenges and even defining or understanding what sustainability is – or should be – is not clear cut.

The track ‘Sustainability in entrepreneurship and small business’ welcomes conceptual as well as empirical contributions about sustainability in a broad sense. We look forward to constructive discussions about conceptual and theoretical issues as well as cases and quantitative studies dealing with sustainability in entrepreneurship and small business management.

Track chairs:

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VENTURE BOARDS

In this track we aim to gather scholars who share an interest in venture boards and startup governance. We invite submissions that include topics relating (but not limited) to: how the board influences firm performance, the support vs monitoring roles of the venture board, the composition and evolution of venture boards as well as the complementarity between Boards and TMT. Quantitative, qualitative, conceptual and research methodology papers are welcome. The goal of this track is to create an outlet in the Nordics for researchers focusing on this flourishing research area, as well as to encourage the translation of knowledge from and to the world of practice, where we see strong evidence of the impact that boards have on the success of new ventures.

Track chairs:

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WELL-BEING & ILL-BEING IN ENTREPRENEURSHIP

Current research shows that entrepreneurship can be fulfilling and correlate positively with wellbeing, but it can also be extremely stressful and contribute to ill-being. In this track we invite submissions that include a broad range of research on well-being and ill-being within entrepreneurs, new venture teams, entrepreneurial workers (i.e., individuals that act entrepreneurially without starting up a business) and entrepreneurial ecosystems and communities more generally. We welcome empirically rigorous papers, both quantitative and qualitative, as well as conceptual papers that reflect multiple disciplinary and methodological perspectives to address the complexity of the topic. The goal of this track is to better understand the unique individual and societal well-being and ill-being challenges as a driver or result of entrepreneurial activity, as well as the dialectic nature of well-being and ill-being in entrepreneurship to stimulate bold new research ideas and methods on this timely and important topic.

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Photo by Seilo Ristimäki

Source: <https://ncsbconference2024.org/> and <https://lnkd.in/dDemSmZg>

ORBITRUARY

IN MEMORIAM PROF TEA PETRIN

9 July 1944 – 4 April 2023



With profound sadness, I am informing the AIRnet community of the passing on April 4, 2023, of Tea Petrin, a dedicated board member of the Academic-Industry Research Network since its founding in 2010. A professor at the [University of Ljubljana](#) from 1991, Tea was also the [Slovenian Minister of Economic Affairs](#) from 2000 to 2004 and the Slovenian Ambassador to the Netherlands from 2004 to 2008.

I first met Tea when, while on sabbatical, when she was a visiting scholar at the UMass Lowell Center for Industrial Competitiveness (CIC) in 1993-1994. For many years, Tea had worked in Slovenia with CIC co-director Michael Best on enterprise restructuring projects. At the CIC, she shared with us her deep insights into enterprise dynamics, and I remained in regular communication with her over the next decade and a half.

When, after eight years of public service, Tea returned to her professorship in 2008, I was quick to get her involved in a European Commission research project. She subsequently recruited me to be a visiting professor at Ljubljana, where I taught a course on the theory of innovative enterprise from 2010 to 2017. During this time, I often stayed at her lovely

home in Ljubljana, enjoying the hospitality of Tea and her husband Aleš. Tea became one of my dearest friends.

During the pandemic, Tea and I often spoke online, and once I started travelling again about a year ago, I had the intention of paying a visit to her in Ljubljana. Unfortunately, that did not happen, as Tea succumbed to an illness with which she had been bravely struggling for many years.

William Lazonick

President, The Academic-Industry Research Network

Source: <https://theairnet.org/tea-petrin-july-9-1944-april-4-2023/>

I just received the sad news from Slovenia! Tea Petrin left this earthly world and turned to her creator in heaven

I met Tea Patrin a few times during my work as a UNECE regional consultant. We reviewed Slovenia's application and economic program several times before joining the EU. I remember her making scrambled eggs at 2a.m. on our second meeting because we were so engrossed in reviewing the Slovenian program.

Tea was a knowledgeable, broad-minded economist, but at the same time extremely modest. It was a pleasure to work with him.

Dear Tea! Rest in peace!

Antal Szabó

Scientific Director of the ERENET



The address of the ERENET Secretary sees below:

Dr. Antal Szabó, Scientific Director
Helga Matusek, Secretary

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