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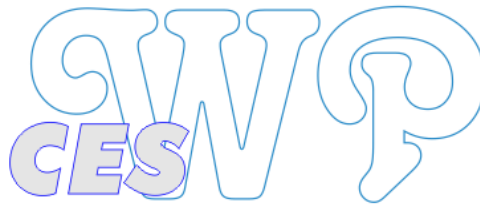
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The next Multiannual Financial Framework and the strategic challenges and risks to the European Union's fundamental objectives and values

Dencho GEORGIEV*

Abstract

The central challenge for the Union's future is the overcoming of economic, social and territorial inequalities among its Member States. With the next MFF, there is an opportunity to make the Union's system of 'own resources' less regressive and more equitable. Progressivity in the financing of EU policies with redistributive effects could be introduced by combining progressive coefficients, national co-financing, and other automatic progressive stabilizers. This would ensure that solidarity becomes a matter of the rule of law and not of governance through conditionalities and fines. Unless the EU undertakes an effective reform of the financing of its redistributive policies to ensure that progressivity and solidarity in the EU become a matter of the rule of law, the Union will bear less and less resemblance to a democracy and will increasingly look like an empire with an economically stronger and more rapidly developing 'core' and an economically weaker 'periphery' in the East and the South, lagging behind the 'core'.

Keywords: Multiannual Financial Framework, EU solidarity, rule of law, cohesion policy, progressivity

Introduction

The way forward for the European Union (EU), its resilience and its capacity to face strategic challenges and risks will depend to a decisive degree on its ability to preserve the objectives and values on which it is based.

Presenting its package of legislative proposals for the next EU long-term budget – the Multiannual Financial Framework (MFF) for 2021-2027, the European Commission pointed out that there is an opportunity to unite around a clear vision for the future of Europe, that choices on the MFF 'will shape the Union for decades to come', and that a more united, stronger and more democratic Europe needs a new, modern budget (European Commission, 2018a).

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This paper will examine the Commission's proposal for the MFF from the point of view of the Union's fundamental objectives, such as economic, social and territorial cohesion between the Member States, and values, such as equality, democracy, the rule of law and solidarity, and will explore how to achieve a better future for Europe and how to transform the EU from an instrument of divergence into a 'machine of cohesion' and of convergence between its Member States by ensuring compliance with these legally binding fundamental objectives and values, which constitute the core of the social contract between the peoples of the EU, enshrined in the Treaties¹.

The central challenge for the Union's future is the overcoming of economic, social and territorial inequalities among its Member States. After Brexit, with the next MFF, there is an opportunity to undertake a reform of the Union's financial system by introducing progressivity to bring it into conformity with the fundamental objective of cohesion and with the underlying values of equality, solidarity, democracy and the rule of law. On the revenue side – the EU's system of 'own resources' – progressivity could be introduced for the Member States' contributions based on Gross National Income (GNI) with a coefficient which would reflect the percentage of deviation of the respective Member State from the EU average GNI per capita. On the side of expenditure, progressivity in the financing of EU policies with redistributive effects could be introduced by combining progressive coefficients, national co-financing, and other automatic progressive stabilizers. It will be argued in the paper that this would ensure that solidarity becomes a matter of the rule of law and not of governance through conditionalities and fines. Unless the EU undertakes an effective reform of the financing of its redistributive policies to ensure that progressivity and solidarity in the EU become a matter of the rule of law, the Union will bear less and less resemblance to a democracy and will increasingly look like an empire with an economically stronger and more rapidly developing 'core' and an economically weaker 'periphery' in the East and the South, lagging behind the 'core'.

1. The strategic challenges and the fundamental objectives and values of the European Union

The increase in *inequality* has been described as 'one of the *central* problems, facing the advanced world today' (Stiglitz, 2016, p. 260 – *emphasis mine*). It has been recognized as the major negative consequence of globalization (See also: Stiglitz, 2012; Piketty, 2014) and also of the

¹ Consolidated versions of the *Treaty on the European Union* (TEU) and the *Treaty on the Functioning of the European Union* (TFEU) in: OJ C 202, 07.06.2016.

economic crisis which recently hit the EU – a negative consequence which has not been overcome by economic growth after the crisis. Inequality is a central and therefore strategic challenge for the Union's future, relating to its fundamental values and aims (See also: Georgiev, 2017 and 2016, pp. 68-95). It concerns most directly the values of equality, solidarity and democracy in Article 2 TEU and the aims of economic, social and territorial cohesion among Member States in Article 3 TEU and Article 174 TFEU. According to Article 9 TEU equality is also the fundamental principle of democracy.

What was the EU's response to the economic crisis, what were the proposals for the Union's future and can these proposals ensure real convergence and effective cohesion among Member States?

Following the Greek debt crisis, the European Commission's vision on completing Europe's Economic and Monetary Union, as expressed in the Five Presidents' Report (European Commission, 2015), explicitly excludes 'permanent transfers between countries'. Such an attitude – in line with neo-liberal economic thinking which rejects redistribution for the overcoming of economic and social inequalities – is not compatible with the fundamental objective of cohesion between the Member States and constitutes a major risk for the future of the EU. The Treaty on the Functioning of the EU in its Article 175 does provide for the financing of economic, social and territorial cohesion through its Structural Funds, the European Investment Bank and its other existing financial instruments. Moreover, Article 175 TFEU explicitly requires that the internal market and all the policies and actions financed by the Union 'shall contribute' to the achievement of the objectives of economic, social and territorial cohesion.

Although the Commission's White Paper on the Future of Europe (European Commission, 2017) starts with the famous reference to solidarity in the Schuman Declaration², neither the White Paper nor its reflection papers propose concrete ideas on setting up effective mechanisms for real economic and social convergence and genuine solidarity among all Member States. The scenarios proposed envisage instead the possibility of a multispeed Europe with 'coalitions of the willing' consisting of certain Member States only – those that 'want more and do more'. Even at first glance it is quite obvious that such a scenario cannot guarantee the reduction and elimination of economic and social imbalances and inequalities among *all* Member States and cannot be the starting point of a targeted reform of EU's economic policies so as to bring these policies in compliance with the fundamental values of equality and solidarity and fulfil the Union's objectives of convergence and of economic, social and territorial cohesion.

² 'L'Europe ne se fera pas d'un coup, ni dans une construction d'ensemble: elle se fera par des réalisations concrètes, créant d'abord une solidarité de fait' (Déclaration Schuman, 9 mai 1950).

What was proposed for the euro area specifically was, *inter alia*, tax harmonization and new agreed social standards. But harmonization of corporate taxation cannot lead to reducing the economic inequalities between Member States because it would deprive the less advanced ones of the possibility to attract investment by offering tax incentives whereas imposing high social standards could lead to rising costs of production and a decrease in their competitiveness. The result would be lower growth in the Member States with a lower level of development and less real convergence and less cohesion in the euro area and in the EU as a whole. One could strongly doubt that aligning Member States' business taxation frameworks with the proposed Common Consolidated Corporate Tax Base, as envisaged by the reflection paper on the EMU, would 'help to drive convergence by facilitating cross-border trade and investment'. The proposal for a separate euro area budget with a stabilization function but without transfers in the form of automatic progressive stabilizers could have an even stronger negative effect on real economic convergence in the EU as a whole. Even its effect on convergence between euro area members only is doubtful, given the experience so far, with the euro serving as a factor of divergence rather than of convergence. Divergence and inequalities are generated, as a result of the EU's economic and monetary policies and the internal market, not only within the euro area but also between Member States in the whole of the EU. Therefore, measures of solidarity to reduce and eliminate economic and social disparities and inequalities need to be taken in the whole of the EU. This is true not only of economic or monetary policies but also of all other internal and external policies of the Union, especially the ones with significant distributive effects, including those funded entirely or partially from the EU budget. And, as Article 326 TFEU stipulates that enhanced cooperation 'shall not undermine the internal market or economic, social and territorial cohesion', the 'coalitions of the willing', as envisaged in the White Paper, may be in breach of EU primary law and the fundamental values of equality and solidarity.

The main flaw of the scenarios of the White Paper and the reflection papers of the Commission was that they ignored the centrality of inequality and divergence as fundamental problems of the EU and that, by diverting attention to the external challenges facing the Union, they disregarded the potential role that strategies for the effective reduction and elimination of inequalities between Member States can play for the solution of these problems and challenges.

This flaw also persists in the package of legislative proposals of the Commission for the new MFF. The Commission's proposal on the system of 'own resources' (European Commission, 2018b) does not aim at reducing the regressive (Monti *et al.*, 2016, p. 8) and unequitable character of the Union's revenues system. Rather than proposing to eliminate the regressive elements of the 'own resources' system (such as the reductions or ceilings of the GNI- and VAT-based contributions by

Member States) and to abolish the VAT-based contribution by Member States, it intends to reinstate the reductions (due to expire in 2020) for some Member States with a high GNI per capita and introduce a revised version of the VAT-based contribution. In addition, the Commission proposes new categories of own resources with the intention of reducing the share of GNI-based contributions by Member States, which are admittedly (Monti *et al.*, 2016, pp. 7, 12, 37) the most equitable own resource of the EU revenues system. Thus the proposals would make the system of EU revenues more regressive and less fair.

On the expenditure side, regarding the financing of the various sectoral policies, such as the common agricultural policy, regional policy, etc., it seems that the Commission, here too, has not been guided by the objectives of cohesion, by the fundamental values of equality and solidarity and by the Treaty requirement of Article 175 TFEU that all policies and actions ‘shall contribute’ to the achievement of cohesion, but by an attempt to ensure ‘*juste retour*’ and to avoid ‘permanent fiscal transfers’.³ These are considerations which are not based on the EU Treaties, i.e. on the existing ‘social contract’ between the peoples of the EU, which are not compatible with the Union’s fundamental objectives and values and which constitute a major risk and threat for the future of this social contract.

2. The next MFF and the rule of law

The package of legislative proposals for the next MFF of the European Commission includes a proposal for a regulation ‘on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States’ (European Commission, 2018c).

The Treaties on the European Union give no substantive definition of the concept of the ‘rule of law’⁴. So, it might be appropriate to use the definition of ‘rule of law’ in the regulation proposed by the Commission for the next MFF. According to its Article 2(a), for the purposes of the proposal rule of law ‘refers to the Union value enshrined in Article 2 of the Treaty on European Union which includes the principles of legality, implying a transparent, accountable, democratic and pluralistic

³ It is rather disappointing that some of the visions for the future of the EU presented on the occasion of the elections for the European Parliament in 2019, including some supported by prominent contemporary intellectuals who declare themselves ‘pro-European’, in reality fail to comply with the values and objectives of the EU. Thomas Piketty, for example, who in his outstanding work on capitalism in the 21st century (Piketty, 2014) has shown the role that ‘modern redistribution’ can play for the reduction of economic and social inequalities, proposes a new Treaty (of the Eurogroup and ‘those who want to advance’) with progressive taxation but without any ‘financial transfers’, i.e. without redistribution and cohesion among Member States and without the prospect for real equality among *all* citizens and *all* peoples of the EU.

⁴ Article 2 TEU (in other languages: ‘Rechtsstaatlichkeit’, ‘l’État de droit’, ‘pravova darzhava’).

process for enacting laws; legal certainty; prohibition of arbitrariness of the executive powers; effective judicial protection by independent courts, including of fundamental rights; separation of powers and equality before the law’.

Certainly, the central idea of the rule of law is about subordinating power to rules and principles, about placing power – executive, administrative, but also legislative or any other – not simply under another superior power but under ‘higher’ rules and principles. In a democracy such ‘higher’ law would have to be made democratically, i.e. it needs to comply with the will of those whom it affects (government by the people) and be in the interest of all (government for the people)⁵, ensuring their equality. If power is subordinated not to superior rules, principles or values, but just to another discretionary superior power, we can hardly speak of rule of law, and if this superior power does not express the will and the interests of the people(s), then such a structure cannot be described as a democracy – it would be more appropriately described as an empire⁶, with a central power dominating politically and economically over a lagging periphery.

Article 2 TEU stipulates that ‘[t]he Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights’ and that ‘[t]hese values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail’. It seems obvious that these values are meant to serve as higher ‘constitutional’ law with which the acts of the legislative and executive powers of the EU, including the financing of its policies, are to comply.

To be able to say, however, that compliance with these values in the EU is ensured as a matter of the rule of law, it would be necessary to place them explicitly at the top of the hierarchy of EU law and to provide for a legal mechanism to protect them, so that the acts of EU institutions can be

⁵ Following Abraham Lincoln's famous expression in his Gettysburg address (‘government of the people, by the people, for the people’). See: Scharpf, F. (1999, p.6 ff.).

⁶ Coughlan (2015) describes the EU as an imperial arrangement ‘where different countries are ruled by a centralized bureaucracy in a far-away imperial capital’ (p.6), which ‘is far from the “partnership of equals” its official statements claim it to be. In power-political terms the EU is an entity that is divided into three groups of States. The big States, primarily Germany and France, take the strategic policy decisions, interacting with Britain, Italy, Spain and Poland. Then come the smaller creditor countries of the Eurozone – Austria, Finland and Benelux. They tend to support Germany as the biggest creditor country. Then come the debtor countries of the EU periphery as well as the former communist countries. Their relation with Brussels and Berlin is virtually a neo-colonial one’ (p.13). He adds that ‘there is no sense among voters of a common or collective European “We”, comparable to an American “We” or to any national State “We”, which would make citizens in the richer Eurozone countries willing to pay higher taxes to finance resource transfers to poorer countries in the name of a cross-EU or pan-Eurozone solidarity’ (p.45).

In his turn, Streeck (2013, p.202) describes the EU as an expanding market-economic ‘Imperium’. For a different approach, see: Zielonka J. (2006, 2014), who claims that – after the French and Dutch referenda marked the death of the idea of a European state – the EU ‘is on its way to becoming a kind of neo-medieval empire with a polycentric system of government, multiple and overlapping jurisdictions, striking cultural and economic heterogeneity, fuzzy borders, and divided sovereignty’ (2006, p.v). He sees the future of European integration as such an empire, ‘with less or no EU’ (2014, p. x).

reviewed for compliance with EU values, e.g. under Article 263 TFEU. Such a legal mechanism has not been provided for in the Treaties. One possibility of overcoming the lack of status of the values in the hierarchy of EU law, without changing the Treaties, would be if the Court of Justice of the EU were to proclaim the values enumerated in Article 2 TEU to be part of the general principles of law of the EU, alongside with fundamental rights, 'as they result from the constitutional traditions common to the Member States' (Article 6.3 TEU). When assuming that the values enumerated in Article 2 TEU are part of the general principles of EU law, it would also be logical to assume that the aims and objectives stated in Article 3 TEU and elsewhere in the Treaties, insofar as they are based on and pursue these values⁷, are also placed at the top of the hierarchy of EU law, together with its values.

What is provided for in the Treaties as protection of the values of the EU is the procedure in Article 7 TEU for cases of 'clear risk of a serious breach' and of a 'serious and persistent breach by a Member State of the values referred to in Article 2'. However, this mechanism, whose nature is political rather than legal, has itself major deficits with respect to the rule of law and democratic legitimacy.

One such deficit is that, although it appears to be about breaches of the values in the EU, the procedure actually concerns only breaches by the Member States. It does not concern the EU itself which, compared to Member States, has major inbuilt deficits of democratic legitimacy and of the rule of law⁸. This hypocrisy is aggravated by the fact that the EU is the very reason for major deficits of democratic legitimacy and of the rule of law in the domestic political systems because it enables the executive bodies of the Member States, acting collectively, to circumvent the democratic control exercised by their national parliaments domestically (Georgiev, 1987, pp. 169–182). Another deficit of the rule of law underlying the procedure of Article 7 is that it is political bodies – the Council and the European Council ('on a proposal by one third of the Member States or by the Commission and after obtaining the consent of the European Parliament') – and not an independent judicial body (e.g. the Court of Justice of the EU) that determine the existence or risk of breaches of the values. And a third deficit of the rule of law of the procedure of Article 7 is that it is not clear on what basis the meaning of the values is to be interpreted. There are no definitions of the values in the Treaties, thus there is a risk that determinations on breaches could be arbitrary or politically biased.

These deficits of '*Rechtsstaatlichkeit*' of the procedure are partially offset by the fact that it is very difficult to implement, as it requires a majority of four fifths in the Council and unanimity in the European Council. However, it still serves as a rather powerful instrument of political pressure by the Commission and groups of influential Member States on other Member States.

⁷ According to Article 3.1 TEU '[t]he Union's aim is to promote its values and the well-being of its peoples'.

⁸ Such as deficits of accountability and representation (Weiler, 2014; Georgiev, 2016, p.68-95).

The regulation proposed by the European Commission (2018c) for the next MFF envisages introducing a procedure whereby the Commission would be able, if ‘it has reasonable grounds to believe’ that there are ‘generalised deficiencies as regards the rule of law’ in a Member State, to adopt measures, including suspension of payments to Members States, reduction of funding, prohibition to conclude new commitments. These measures ‘shall be deemed to have been adopted by the Council unless it decides, by qualified majority, to reject [them] within one month of [their] adoption by the Commission’. The proposal, which is obviously meant to overcome the ‘inefficiency’ of the mechanism for protecting the values of the EU in Article 7 TEU, in fact aggravates the deficiencies of the procedure in terms of the rule of law (Georgiev, 2019) – the value which it claims to protect.

A major deficiency with respect to the rule of law which would result from the Commission proposal is that the Commission, an executive body of the EU, not accountable democratically to any national body, and with a deficit of democratic legitimacy in the EU, would be given the power to pass judgements, without being a court, about any ‘widespread or recurrent practice or omission, or measure’ of any national public authority, even of democratically elected national legislations. Thus, the Commission would be in a position to exert political pressure and interfere in national legislation and decision making, i.e. in the domestic democratic political process, on matters beyond EU competencies.

If adopted, this proposal would enhance the already immense discretionary power of direct governance of the Commission. As it is not about placing power under superior rules, principles or values, it can hardly be claimed that it is about protecting the rule of law of the EU itself. It is about placing the power of Member States under the power of the Commission and enhancing this power to new proportions and thus, rather than protecting the rule of law of the EU, the proposal would result in its erosion. If the proposal is adopted, the EU would be taking a step further away from democracy and a step closer to becoming an ‘empire’.

3. The proposed new MFF and democratic legitimacy

Will the next MFF contribute to achieve ‘a more democratic Europe’, as promised? Will it, in particular, help to overcome the democratic deficits of the EU? Trying to answer this question, we can turn to the distinction between the two aspects of the democratic legitimacy of the EU: ‘input

legitimacy' (government by the people), on the one hand, and 'output legitimacy' (government for the people), on the other hand.⁹

The deficit of 'input' legitimacy of the EU can be seen in the insufficiency of the two 'primordial features of any functioning democracy [...] – the grand principles of accountability and representation' (Weiler, 2012, p.140). In the next MFF, an increase of the already 'immense power of direct governance' of the Commission (Weiler, 2014, p.26), the executive body of the EU, with its deficits of accountability and representativeness, especially in the field of finances, would result in erosion of the rule of law of the EU and would also further undermine the democratic 'input' legitimacy of the EU and make the Union not more, but less democratic.

From the point of view of democratic 'output' legitimacy, the question is whether the next MFF will be in the interest of all, whether it will promote the well-being of all its peoples, as required by Article 3.1 TEU, and all citizens in the Union and whether it will achieve more equality (which, apart from being one of the values of the EU, is also its fundamental democratic principle, as proclaimed in Article 9 TEU) and whether, accordingly, it will contribute to the achievement of the objectives of economic, social and territorial cohesion and solidarity among Member States (Article 3 TEU) and help to reduce the 'disparities between the levels of development of the various regions' as required by Article 174 TFEU.

It is important to bear in mind that the promotion of economic, social and territorial cohesion and solidarity among Member States in Article 3 TEU is an aim of the Union itself, as a whole, not merely of its cohesion policy but of all its 'policies and actions'. This is explicitly stated in Article 175 TFEU which stipulates that 'the formulation and implementation of the Union's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement'. Thus from Article 175 TFEU it follows that, in order to reduce the disparities between the levels of development of the various regions, funding to Member States with a low GNI per capita, and to beneficiaries from such Member States, in *all* policy areas and actions should be higher than that for Member States with a high GNI per capita. If we want to have more democracy and more '*Rechtsstaatlichkeit*', it should also be clear and transparent on what basis this funding would be determined (following what rules or principles) and *how much* higher or lower respectively it would be.

⁹ According to Scharpf's widely accepted formulation, democratic 'input legitimacy' refers to the will of the people and to 'government by the people' whereas democratic 'output legitimacy' refers to the conformity of the outcome with the interests of the people and to 'government for the people'. (Scharpf, 1999, p. 6 ff).

If Member States want to bring more rule of law in the Union's finances, they would have to introduce more rules and principles into its budget and its policies and leave fewer possibilities for arbitrary political decisions by the executive bodies and fewer possibilities for *ad hoc* decision making and for political pressure and bargaining. If they want to make the EU more democratic, they would need to reform the finances of the EU, especially the financing of the various policies of the EU, so as to bring them also in conformity with the value of equality as a fundamental principle of democracy and with legally binding objectives, such as economic, social and territorial cohesion and solidarity between the Member States.

4. Progressivity as a way forward to promote the fundamental values and objectives of the EU

A reform of the finances of the EU ought to ensure that those who benefit more from the Internal Market and its policies also contribute more financially and that more cohesion assistance is directed to those who need it more. Redistribution at the level of the EU and through the EU budget is the key to tackling economic inequalities between Member States and achieving a level playing field for all. Central to reducing inequalities in the EU and making it more democratic by means of more solidarity and more rule of law would be to transform the EU's own budgetary system, which is now regressive (Monti *et al.*, 2016, p.8), into a *progressive* one. As Galbraith (1996, p. 65) points out, 'For a good society, a more equitable distribution of income must be a fundamental tenet of modern public policy and to this end progressive taxation is central'.

Introducing progressive taxation in the EU by obliging Member States to harmonize their national tax laws is, as noted above, not desirable at this stage as it would be counter-productive. It would have negative consequences for the competitiveness of the economically less advanced Member States and would not lead to more investment, economic growth and accelerated economic, territorial and social cohesion but, on the contrary, to further legal consolidation of the economic inequalities between and within Member States. As long as the EU is composed of separate economies that are in competition with each other and there is no common EU social system based on genuine solidarity and as long as each Member State is responsible for its own taxation and budget, the introduction or not of progressive national taxation, as well as national internal distribution and redistribution and social policies, should remain the competence of each Member State. Unless the EU builds a common social system based on solidarity and funded at the EU level, it will not have sufficient democratic legitimacy to impose social standards on Member States and to intervene in domestic redistribution matters, including in taxation and in social legislation.

The overcoming of inequalities between Member States will result in reducing the economic and social inequalities within Member States, not *vice versa*, and will lead to sustained economic growth through the increase of demand and consumption and thus boost the wellbeing of the citizens of the Union as a whole.

The EU can bring more justice to its redistributive system, its policies and its budget not by harmonizing Member States' tax laws but by introducing progressivity in the Union's own finances. For a reform of the EU's own revenues and of the EU distributive policies to be effective, it needs to be comprehensive so as to fulfil the condition of Article 175 TFEU which requires the internal market and *all* of the Union's policies and actions to contribute to the achievement of the objectives of economic, social and territorial cohesion.

Such a comprehensive reform, necessary to effectively achieve the objectives of cohesion and of democratization, is not envisaged in the package of legislative proposals of the Commission for the MFF 2021-2027. The package consists of different proposals for legislative acts on the financing of the various policies, which will be adopted separately, most often with the ordinary legislative procedure which requires a qualified majority vote in the Council. So, if the Member States interested in a comprehensive reform manage to organize themselves as a sufficiently numerous group¹⁰, they could try to introduce separate elements of progressivity in the financing of the various policies.

What could those elements of progressivity be in the various policy areas?

On the *revenue* side, in the Union's system of 'own resources', progressivity could be introduced for the Member States' contributions based on Gross National Income (GNI) with a coefficient which would reflect the percentage of deviation of the respective Member State from the EU average GNI per capita. It would also be important to eliminate all other regressive elements of the present own resources system, such as the VAT-based contribution by Member States.

In the present system (Council Decision 2014/335/EU, Euratom) the main regressive elements are the permanent correction mechanism in favour of the United Kingdom and the temporary (2014-2020) reductions in the GNI- and VAT-based contributions of some Member States with high GNI per capita. These reductions will expire before the next MFF. For the next MFF the Commission proposes (2018b), however, to reinstall the reductions in the annual GNI-based contributions for 2021-2025 for the Member States which have them now. In addition, the Commission proposes three new 'own resources' (based on a common consolidated tax base, on the EU emissions trading system

¹⁰ The Council, under Article 241 TFEU, 'acting by a simple majority, may request the Commission to undertake any studies [which it] considers desirable for the attainment of the common objectives, and to submit to it any appropriate proposals'.

and on plastic packaging) the principal purpose of which is to replace part of the GNI-based contributions of Member States. As has been noted above, reducing the share of the GNI-based contributions would not make the system less regressive and more equitable.

A decision on the Union's 'own resources' would require unanimity in the Council and a strong resistance could be expected to the introduction of a progressive coefficient and to the elimination of VAT-based contributions. On the other hand, unanimity is a guarantee against attempts, such as those of the Commission, to make the EU's revenue system more regressive. Therefore, Member States which are interested in making the EU's own resources system more equitable should not hesitate to oppose any such attempts.

Also, on the *revenue* side, when concluding free trade agreements with third countries whose GNI per capita is above the EU average (including agreements under Article 50 TEU on withdrawal from the Union), arrangements should be made for contributions to the EU budget by such countries, as is the practice with other European non-EU Members.

On the *expenditure* side, i.e. regarding the financing of EU policies, various instruments could be used to introduce progressivity, including coefficients based on the deviation from the EU average GNI per capita, national co-financing, other 'progressive automatic stabilizers' (Stiglitz, 2016, p. 247). For the majority of policies and programmes, most suitable would be a combination of EU funding and national co-financing, respectively increasing and decreasing proportionally to the deviation of the given Member State from the EU average GNI per capita. The aim would be to offset the unfair regressive character of the own resources system whereby Member States with lower GNI per capita contribute to policies more beneficial to Member States with higher GNI per capita.

Cohesion funding from the EU budget, for example, should be available only to Member States with a per-capita GNI of less than 90 % of the Union average, as required by Protocol (No 28) on economic, social and territorial cohesion. For regional aid, national co-financing could be set at a very low level for Member States with a GNI per capita below a threshold (e.g. of 75 % of the EU average) and could increase progressively to a very high level (e.g. up to 99% of the respective amount of the total financing) for Member States with a GNI per capita above another threshold (of e.g. 110% of the EU average GNI per capita).

Similarly, the financing of the EU Common Agricultural Policy, which still accounts for a large part of EU expenditure, could be made to comply with the requirements of Article 175 TFEU by introducing national co-financing¹¹ only for Member States with GNI per capita above the 90%

¹¹ National co-financing was allowed for the new Member States in order to complement the lower agricultural subsidies they received from the EU budget during the first ten years of their membership.

cohesion threshold and below some other threshold, e.g. 110% of the EU average GNI per capita. Member States with a still higher GNI per capita, who would not receive any EU funding, could be allowed to give subsidies from their national budgets up to levels which would not undermine the competitiveness¹² of farmers receiving EU aid in other Member States.

EU cohesion funding could be made available not only for infrastructure and environmental projects, but also – and above all – for investment in, and development of, production capacities for goods and services with high added value, and for the creation of local jobs in the most underdeveloped regions. Such aid is particularly effective as it ultimately makes itself unnecessary.

On investment, for programmes like the ‘Juncker Plan’, funding from the EU budget could be reserved for projects in the economically less advanced Member States only and the amounts from the EU budget available to each Member State could reflect its deviation from the EU average GNI per capita and could be fixed in advance in the MFF so as not to depend on discretionary decisions by the Commission or other bodies. The European Investment Bank (EIB) and other EU financial facilities could give preferential loans and guarantees for projects for developing less developed regions (which is the EIB's first task under Article 309 (a) TFEU), ensuring a fair distribution between the Member States.

EU funding for social programmes could be made available only for Member States with a GNI per capita less than the EU average (or a certain percentage of the EU average) and the amounts allotted to Member States would reflect their deviation from the EU average.

A comprehensive reform, aimed at adjusting the financing of the Union's policies to its fundamental values and objectives, should also include an adjustment of its competition policy. It could be decided, for instance by using the procedure in Article 107.3(e) TFEU, that any aid granted to the economy of any Member State with a GNI per capita less than a certain percentage of the EU average (e.g. 75% or 90%) shall be compatible with the internal market.

Generally, in a comprehensive reform of the Union's finances of *all* policies and programmes, fair distribution of EU funding could be ensured by using clear, fair and transparent formulae analogous to the ones mentioned, which could be applied automatically as ‘progressive automatic stabilizers’, rather than based on case-by-case discretionary decisions by EU bodies or reached through political bargaining between Member States. In order to comply with the value of the rule of law, there should be no discretionary decisions by the Commission or by other bodies on the distribution of funding between the Member States. The allocations of EU funding between the

¹² For that it would be necessary to have identical maximum direct subsidies per hectare in all Member States.

Member States (or beneficiaries from the Member States) should be fixed in advance, both for the various programmes and overall, for the whole MFF, and there should be no ‘flexibility’ to move funding between Member States. Funding not used by a Member State should not be returned to the EU budget but should remain available to the respective Member State in the next budgetary period and for other policies or programmes.

In the debate on the financing of policies related to migration – a politically controversial matter – there is the perverse view on solidarity as a ‘two-way street’, implying that Eastern and Central European Member States, who receive cohesion money, should in exchange pay in case they refuse to host migrants (Euractiv, 2018). It would be difficult to make an assessment what a fair system of financing migration would be without taking into account all elements of that system, in particular which Member States should be responsible for hosting migrants. Now it is the first Member State where the migrant entered EU territory, but in most cases, this is not necessarily the country where the migrant wants to go and it is proposed that this be changed. Compulsory resettlement cannot be described as fair either to migrants or to Member States who do not want to host migrants. *Prima facie* it would appear that in a system with a freedom of movement of people, such as the EU claims to have, EU money should go with the migrant freely moving in the EU. With an overall regressive EU financial system this would, however, mean that poorer Member States would be paying to richer Member States to host migrants, who – at least theoretically – would, in the long term, help to boost the economies of these richer countries. Such a system would, therefore, be highly unfair to the poorer Member States. In this situation the new MFF could envisage, on the one hand, to discontinue payments of EU funds related to hosting migrants to Member States with a per-capita GNI higher than the EU average (or higher than a threshold related to the EU average – e.g. the cohesion threshold of 90%). On the other hand, it could be made financially attractive for Member States below that threshold to host migrants – if they are willing to do so – by giving them much more than they would actually spend on each migrant, in order to strengthen the social security systems for their own citizens.

A separate EU budget for the euro area, as advocated by some (Habermas *et al.*, 2018), especially one ‘focused mainly on investment and convergence’, that provides solidarity and automatic and discretionary stabilizers not within the EU as a whole, but for the euro area only (Rios, 2018), would of course lead to further deepening of the divergence with those countries outside the euro area which need it most. Since burdens, disadvantages and inequalities do not arise uniquely as a result of the functioning of the euro area itself, but within the internal market as a whole, having a separate budget for the euro area, especially for investment, would be in breach of fundamental values and objectives of the EU such as solidarity and cohesion.

Conclusion

If the EU does not undertake an effective reform of its redistributive policies to ensure that progressivity and solidarity in the EU become a matter of the rule of law, to replace governance through conditionalities and fines, in the foreseeable future the Union will bear less and less resemblance to a democracy and will increasingly look like an empire with an economically stronger and more rapidly developing 'core' and an economically weaker 'periphery' in the East and the South, lagging behind the 'core'. The challenge for the future of the EU is to succeed in reforming the system of the financing of its policies, so that they comply with the values of democracy, equality, the rule of law and solidarity and with the objectives of economic, social and territorial cohesion among Member States.

Although such a reform of the EU's finances would boost the wellbeing of the citizens of the Union as a whole and would, therefore, be in the interest of all, immediate political support for such a reform – in the course of adoption of the legislative proposals for the MFF 2021-2027 package – in the Council is not likely. Therefore, what is needed is collective action by the Member States most immediately interested in such a reform. It would take the ability of these countries to join efforts and organize as a group and act collectively at all levels – at the level of the European Council, in the different Council formats and in the European Parliament – in order to defend their interests in the course of the adoption of the legislative acts for the next MFF.

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Contemporary patterns of transatlantic trade cooperation in a post-Brexit European Union (dis)order

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Abstract

This paper aims to examine the debate surrounding negotiations of the Transatlantic Trade and Investment Partnership (TTIP). The EU and US began negotiations for this comprehensive commercial agreement in July 2013 and have still not reached consensus. This article aims to assess the possibility of resuming talks on this sensitive topic in light of the current administration in the White House, or of the European Union potentially shifting its attention to other global partners, in a period when it is visibly undergoing a number of internal crises.

Keywords: transatlantic alliance, TTIP, Brexit, trade wars, emerging powers

Introduction

The United States (U.S.) and the European Union (EU) represent the two most important commercial partners at the global level. However, this relationship should not be taken for granted, considering President Donald Trump's strategy to put "America first" by imposing new rules on European partners and recalculating traditional US commercial agreements worldwide.

A new type of warfare, the *trade war*, addresses the battles into which the US is entering by provoking its allies in the name of American national security interests and running the risk of reversing trends in global economy. The U.S. withdrawal from the Trans-Pacific Agreement and the Paris Climate Accords, as well as the renewed version of NAFTA, the USMCA, has made Europeans wonder about future transatlantic trade prospects.

Although potentially benefiting millions of consumers by facilitating trade conditions through the removal of technical and non-tariff barriers and the harmonization of legislative regulations and standards, TTIP has been long contested by lobbyists in the NGO sector for the compromises it would entail in the process of reaching an agreement. According to the Investor State Dispute Settlement

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(ISDS) clause, the risk of contamination with genetically modified organisms, toxic chemicals exposure, and lower American standards for specific products or the lack of transparency regarding the talks were all considered to be sensitive issues. Stop TTIP, Women In Europe For A Common Future, Les Amis de la Terre, Romania Alive Society, War on Want, Keep Ireland Fracking Free are just some of the combative NGOs, which will be further cited by briefly introducing their credos and specific claims regarding the TTIP debate.

This paper aims to give a response to the following particular issue: *Learning lessons from the TTIP experience, what are the perspectives for Brussels and Washington to reach a satisfactory trade agreement in the near future, given the deepening trade war between the two blocs?*

The methodology used to examine the research topic implies qualitative instruments, supported by secondary data analysis of information in articles, studies, books and relevant opinions on the subject. Qualitatively speaking, interventions and discourses of relevant political leaders on both sides of the Atlantic will be subject to comparison and analysis, in order to draw a complex picture of the topic. This aims to unveil a number of points of agreement and disagreement and to provide a balanced set of conclusions.

1. Current state of affairs

The transatlantic alliance is known worldwide as a strong pillar of cooperation, promoting an enduring example of cross-border solidarity, while still operating under the aegis of liberal values.

The *Transatlantic Declaration on EC–US Relations* (1990) offered a long-term perspective on this partnership, acknowledging the essential transatlantic solidarity necessary to achieve long-lasting peace and liberty, develop prosperous, free market economies and reconstruct a post-war divided continent.

Regarding economic cooperation, the United States and the former European Community have acknowledged the necessity to intensify multilateral commercial relations, encouraging transparency, the progress of market liberalization, the implementation of GATT and OECD principles in exchanging goods and services. Moreover, as provided by the Declaration, it was encouraged dialogue on non-tariff barriers for industrial and agriculture commerce, services, competition policy, transport, telecommunications, standards, high technology etc.

In parallel, as the common enemy represented by the Soviet Union no longer posed a threat in international affairs, debating around American disengagement as “a power in Europe” started to

take shape. With the occasion of the 1991 Summit in the city of Rome, President George Bush emphasized that:

our premise is that the American role in the defense and affairs of Europe will not be made superfluous by European unity. If our premise is wrong, if, my friends, your ultimate aim is to provide independently for your own defense, the time to tell us is today (Bush, 1991).

But NATO in particular and the general commitment for the transatlantic interdependence have survived the test of time. Even so, no one ignores the particular interests of each of the two blocs for their individual evolution on the world scene.

Under President Donald Trump, the concept of transatlantic strategic partnership has shifted into a very interesting and debatable paradigm. Different strategic fields of cooperation are endangered as the U.S. President started to practice isolationist and protectionist policies in American foreign relations with the European Union (EU) member states.

The EU too is confronting with many challenges from within. Populism, Euroscepticism, nationalist or protectionist tendencies, the need for a genuine reform, and the accommodation of the Brexit result are just a few of them.

Launching the idea of a future TTIP has reflected political calculations on both sides of the Atlantic on comprehensive, strategic objectives. Firstly, the potential capacity of economic recovery and growth is stimulated for both partners. Secondly, the provision of the opportunity to draw significant rules for the future global trade regime, precisely when other rounds of multilateral commercial negotiations were facing a visible stalemate (see the Doha Round at the World Trade Organization). Peterson has seen TTIP as the ultimate test for the United States and Europe to display their ability to overpass internal dysfunctionalities and left their mark on the global governance system (Peterson, 2016).

Among various conflictual interests and approaches to core issues within the larger framework of the transatlantic relations management, such as security arrangements or the new distribution of power in the global system of a currently emerging (partly illiberal) multipolar world, the economic aspects cannot be overlooked as well.

Damro called this relationship as marked by a “competitive interdependence” (2016). The United States and the European Union still represent the two largest global economies. They have a combined real gross domestic product of almost \$38 trillion, with “mutual investment stocks unequalled in the global economy”, and the two most important trading partners on the global scale.

Within the theoretical debate in international affairs, as marked between interdependence theorists like Damro, Hamilton and Quinlan and (neo) realist thinkers (Waltz, van Scherpenberg), there is question of whether transatlantic economic interdependence is guaranteeing a status quo of peace, stability and security. The former argues in favor of the interdependence-peace correlation, whereas the latter dismiss it (Waltz, 1979).

President Donald Trump suspects the allies are willing to take advantage of the US rather than to cooperate in a fair manner and repeats NATO has become an obsolete organization. In his view, each and every member country should comply to the 2% criterion in the defense budget spending, as a compulsory requirement for the Article 5 collective defense rule in the Alliance founding treaty. The Washington Post recently noted that NATO's "single greatest danger is the absence of strong, principled American presidential leadership for the first time in its history" (Burns and Lute, 2019). President Trump pioneered in labelling the EU a "foe" rather than a partner, for its own country.

This attitude has generated concern on the European continent and EU member states began to look more and more cautiously towards the U.S. "Despite our public proclamations, no reasonable person believes that Trump would sacrifice Seattle for Riga", a senior German diplomat affirmed at the Munich Security Conference in February 2019 (Hoffmann, 2019). However, official messages coming from Washington (besides what the President supports), intend to reassure Europeans that America intends to contribute to the preservation of global security and address common threats and enemies. Many of the Republican and Democratic leaders in the American Congress disagreed with the President's perspective on NATO's value and mission, and tried to safeguard the public's strong support for NATO, as mentioned in a 2018 survey by the Chicago Council on Global Affairs.

This particular case shows that political and security disincentives may also reduce economic appeal within the strategic transatlantic partnership. Additional moves on the global geopolitical chessboard found US President Donald Trump offering a new approach to Washington's attitude and openness for dialogue towards actors like Russia or North Korea, or even illiberal, populist and less democratic political leaders on the European continent. Moreover, Washington's withdrawal from several international forums and commercial agreements or the renegotiation of others has made EU member states continue to wonder about the future and real stakes of the old transatlantic partnership, on all its dimensions.

In this complex picture with mixed economic, political, strategic and ideological variables, the EU has started to give more credence to the old idea of achieving "strategic autonomy" in the world system. This could apply to both security and defense issues and trade partnership. If we consider a situation in which Brussels begins to detach slowly from its transatlantic fellows and look for

alternatives elsewhere, emerging powers in the world game of competitive advantage. Whether this new approach would make Europeans rethink the EU's mainly soft power approach remains up for debate, even as a competitive, permanent standing EU armed force seems not quite within reach in the near future. France and Germany have been the first to engage in common military and defense projects so far, with the symbolic ambition to challenge the American domination, as professor Valentin Naumescu argues (2019).

Considering the US and the EU share the largest and deepest bilateral trade and investment relationship in the world, and are both highly integrated economies, this relationship could be further improved as the Council of the European Union has recently made public its decision to open negotiations with the United States to pursue a limited agreement on the elimination of tariffs for industrial goods, excluding agricultural products. This is in response to the US announcement that it intends to withdraw from the Paris Agreement, while the EU remains willing to negotiate "deep and comprehensive free trade agreements" with parties to the treaty solely. Additionally, as the Council decision stipulates, "the negotiating directives for the Transatlantic Trade and Investment Partnership must be considered obsolete and no longer relevant", thus, any shade of optimism around a possible renewal of the talks on this ambitious transatlantic project seem difficult to image (Council of the European Union, 2019).

As new trade talks are launched, their successes are debatable, partly because the U.S. would not favor a deal excluding agricultural goods. At the same time, the EU, keen on protecting its own farmers and maintaining its food standards, would probably refuse to allow such an agreement, had the US maintain the same product standards' qualitative gap. "The United States has made it clear to the EU on many occasions that a trade agreement needs to include agriculture if the agreement is to get support in Congress," a U.S. Trade Representative affirmed (Meyer, 2019).

From the European perspective, France was particularly resisting a complex transatlantic agreement of this kind, as it has traditionally vehemently opposed the possibility to resume the TTIP negotiations as long as there is a threat, in the form of new tariff barriers, of a trade war initiated by Washington. These tariffs are still in place between the two sides for the time being and counterbalance each other as Brussels has had its share of impositions, too. From the German business sector, voices said

The United States is the most important export destination for the German economy. Continued trade tensions not only endanger trade flows but jobs in

Germany and the U.S. Many German companies (...) have invested in the U.S. and employ around 850,000 people there. That is why the trade talks are an important step (Ilja Nothnagel, member of the executive board at the German Chambers of Commerce and Industry).

The US Secretary of Commerce, Wilbur Ross, shared the vision of reopening negotiation channels on the topic of TTIP. The European Commission position was definitely not in favor of discussing the agreement as it was not willing to budge on strictly negotiating industrial goods related provisions. Last July, Jean Claude Juncker, President of the European Commission, and Donald Trump raised prospects of a free-trade deal encompassing non-auto “industrial goods, so almost everything from chemicals to textiles, but not meat, fruit or wine. The two representatives issued a Joint Statement, publicly announcing

the launch of a new phase in the relationship between the United States and the European Union – a phase of close friendship, of strong trade relations in which both of us will win, of working better together for global security and prosperity, and of fighting jointly against terrorism (Joint EU-US Statement following President Juncker’s visit to the White House, 2018).

2. Pros and cons of TTIP

Beginning negotiations in July 2013, the Transatlantic Trade and Investment Partnership was assessed to potentially become the most ambitious free trade initiative in history, benefiting millions of consumers on both sides of the Atlantic, by eliminating technical and non-tariff barriers (such as the “buy national” concept) and harmonizing legislative regulations and standards. Thusly, facilitating trade relations between the two most important commercial partners.

According to an economic analysis carried out by the Centre for Economic Policy Research, an independent pan-European economic research organization, TTIP could have increased the EU economy by around €120 billion (0.5% of GDP) and that of the US by €95 billion (0.4% of GDP) (The European Commission, 2016).

However, the debate has unveiled a number of strong arguments against the ambitious initiative, especially if the issue is tackled from an NGO perspective. To begin with, Stop TTIP is known as a Europe-wide alliance carrying out a European Citizens’ Initiative on TTIP and CETA–Canada

Europe Trade Agreement, which has already been signed by the involved counterparts. (STOP TTIP). An extremely interesting comparison was drawn by the rejectionist camp between TTIP (also CETA) and the famous character in the Greek mythology, the Trojan horse, as the agreement was called *The Trojan Treaty*. Several anti-TTIP NGO's acting all over Europe expressed strong opposition and their attitude and arguments will be briefly described in the following section.

Officially registered as a foundation in 1994 in the Netherlands and currently offering its expertise internationally, *Women in Europe for a Common Future* supports balancing the environment, health and economy by envisioning a world in which gender equality has been achieved and people live in dignity and share responsibilities for a just and sustainable world (Women in Europe for a Common Future).

On the TTIP debate, WECF has claimed the agreement poses a threat to the EU's ability to protect people from toxic chemical exposure and has called to eliminate these elements from the talks as a matter of urgency. It is the same case with the renewed transatlantic trade relations currently under discussion (whether to include agricultural products to the tariff-reduction treaty). WECF has also resisted the elimination of provisions enabling multinational corporations to sue European states, the so-called Investor State Dispute Settlement (ISDS) or Investment Court System.

Les Amis de la Terre is a French non-governmental organization advocating for alternatives to the capitalist system and to techno-scientism, in preference for sustainable societies, enabling the satisfaction of basic needs as well as the preservation of ecosystems. Their main argument is that the potential trade agreement between the EU and US exposes European farmers and their crops to the risk of contamination with genetically modified organisms. Modifying the certification procedure is understood as a definition for the rise of contamination levels, as lobby groups and negotiators from the United States bring forth the pretext that the rule of "tolérance zero" as a commercial barrier that is harming American exporters from an economic point of view.

Among the combative group of NGOs, there is a Romanian organization under the name of *Romania Alive Society*. As its declaration of principles clearly states, this informal thinking and action group, founded in 2012 by a group of protesters from Bucharest, seeks to enact a fundamental change in the Romanian society. (România Vie, 2012). The association's mission is to prompt the idea of a radical renegotiation or even the complete abandonment of the TTIP agreement, arguing that it could lead to the implementation of arbitration systems parallel to the national and European courts of justice (the ISDS mechanisms), accessible to a restricted number of agents, more precisely to companies benefiting from this treaty. Additionally, a TTIP would have stipulated the obligation to cooperate in terms of regulation, which would mean no government or parliament (including the

European Parliament) could regulate it without consulting the American trade partner, heavily influenced by lobbyists in the business sector, even prior to any public consultation on the initiative's agenda. Mutually recognizing authorizations and viewpoints over the quality of commodities would have implied the Europeans' acceptance of the fact that North American standards are below the European Union's level.

War on Want, an anti-poverty charity based in London, has claimed that the barriers invoked by the Americans actually accounted for some of the most prized European social standards and environmental regulations, such as labor rights, food safety rules, regulations on the use of toxic chemicals, digital privacy laws and even new banking safeguards introduced to prevent a repeat of the 2008 financial crisis.

Keep Ireland Fracking Free is another NGO positioning itself against the TTIP deal, potentially enabling American companies to sue the Irish government for not allowing the risky fracking technology in their country, on the basis of an ISDS clause (Fracking Free Ireland, 2016).

The lack of transparency represented another frail topic involved in the whole TTIP debate, given that most of the negotiations were conducted privately. Established in 1988, Mehr Demokratie is the largest non-governmental organization promoting direct democracy in the EU and it has pledged for a broader public discussion regarding the social and ecological mandate for negotiation on both sides. In this regard, they saw the necessity for comprehensive and up-to-date information and complete insight into all negotiating documents for the public and parliaments.

The European Ombudsman has notified the European Commission regarding a more transparent, legitimate and trustworthy process of the talks, in order for the wider public to be able to follow them more easily and bring their own contribution to it. Cecilia Malmström, the former European Commissioner for Trade and EU Chief negotiator for TTIP, published on her blog on May 2016 that

the European Commission has opened up the negotiations to make our positions on all matters in the negotiations public. After each negotiating round, we publish round reports as well as our position papers and textual proposals. So the positions of the EU are well-known and nothing new. Take our proposal on regulatory coherence, for example. Our latest proposal – tabled during the February round and made public shortly thereafter – includes references to the precautionary principle, and points out our well-established public consultation procedures that are open to all stakeholders (Malmström, 2016).

Malmström underlined that a potential agreement will neither lower EU's standards for consumer and environment protection, or food safety, nor will it determine the EU to change its legislation on GMOs.

Discussing the benefits of TTIP for the European business community, at a conference hosted by the EurActiv Institute in Brussels, on May 24, 2016, Cecilia Malmström pointed out that

TTIP, like all trade policy, is about securing future prosperity. But, again like the rest of trade policy, it doesn't exist in isolation. The European Union is a union of values. And those values must infuse all our decisions. (...) People worry that trade policymakers don't care about wider consequences, beyond the economics. It's been my goal since I took on this role to make clear that trade policy is certainly about broader values (The European Commission).

The EU Trade Commissioner proved to be quite optimistic in hoping to conclude TTIP talks by the end of 2016. Now visibly hampered by the set of tariffs imposed by Washington as part of its commercial ammunition, the view from Brussels is that new negotiations can be suspended on a legal basis (Directives for the negotiations with the United States of America for an agreement on the elimination of tariffs for industrial goods, April 2019), provided that the American counterpart will not have withdrawn current steel and aluminium duties before negotiations have concluded. Also, if the US adopts new measures against the European Union under Section 232 of the Trade Expansion Act of 1962, Section 301 of the 1974 Trade Act or under any other similar United States law, the same provision applies (Von der Burchard and Schlee, 2019).

Coming back to the issue of transparency in conducting the trade talks, long disputed within the former TTIP, the more recent EU Directives for the negotiations with the US mention that "The Commission, in cooperation with Member States, shall, throughout the negotiations, ensure appropriate communication, based on the principle of transparency, towards all relevant EU stakeholders, including civil society and economic operators"(Directives for the negotiations with the United States of America for an agreement on the elimination of tariffs for industrial goods, April 2019).

On the EU legal basis mandating the EU representatives during the talks, Jean-Claude Juncker tweeted: "With today's adoption of the negotiating directives for trade talks, the EU is delivering on what Donald Trump and I have agreed. Slashing tariffs on industrial products could lead to additional increase in EU and US exports worth €26billion" (Junker, 2019).

Still advocating for the common cause of the European citizens' safety on the issue of politically sensitive agricultural products, Commissioner Malmström supported the idea of a renewed form for the US-EU trade deal focusing exclusively on industrial goods. Trust needs to be rebuilt when it comes to the old transatlantic relations, for any other thorny issues to be addressed. This can be partly done by focusing on putting an end to the trade battle, her argument goes. Speaking at Georgetown Law School in Washington:

There is a lack of trust at this moment and that is why we're proposing instead of increasing tensions between us, instead of having these tariffs, instead of saying that Europe is a security threat to the American economy, OK let's rebuild that trust. If we start with industrial goods, which is much less complicated and which will be beneficial for both sides, maybe we can rebuild that trust (Malmström, 2019).

Awaiting an official decision from the White House concerning the imposition of 25 % steep tariffs on imported cars and auto parts for a period up to six months and keeping those reports secret, displayed no friendly incentives for Europeans. At a press conference in Brussels in April 2019, Malmström answered a journalist that “from our side (the EU), we are definitely determined to do everything we can to finish this under the Junker Commission” (having ended its mandate on October 2019). This allegation proved to be too optimistic, considering the track the trade talks are on at the moment, with little progress being made and with an unpleasant record of the TTIP agreement.

3. On the trade battlefield

Openly invoking grounds of national security interest, the US in the Trump era has slowly become a “trade warrior”, opening commercial disputes with several countries, such as China, Mexico, Canada and the EU member countries. Under Trump administration, Washington has imposed vehicle quotas on Mexico and Canada. They have also imposed duties on European steel and aluminum products, to which Brussels has retaliated with rebalancing countermeasures such as imposing tariffs on products like crops, cranberries, cigarettes, bourbon whiskey, motorcycles, articles from iron and stainless steel and even playing cards. The US might as well impose car import tariffs on EU countries, which would be something blowing out any chances of trade negotiations in the near future.

The EU negotiate under pressure, as the US tariffs on a number of European (but also Chinese) goods were in place at the moment trade talks were launched (so the global economy picture is changing). Thusly, the sooner they are removed, the better it would be for a smoother pace of the negotiations. Members of the European Parliament seemed to revive Emmanuel Macron's words, while not backing in the plenary sessions in Strasbourg the Commission's mandate to start talks with the US for a new framework of bilateral trade relations. MEPs declared their concerns that farming-related issues will end up being brought to the table, as Americans take a quite hard stance on this matter. Also, European concessions and the public opinion on environmentally unfriendly proposals, that saw the demise of TTIP, were put forth as arguments by vocal members in the European legislative. The Parliament's non-binding resolution failed by only 198 votes in support, compared to 223 against and 37 abstentions.

Warning against the US withdrawal from the World Trade Organization System, the global, referential trading architecture, President Donald Trump promoted another political decision that could affect the global (as well as the transatlantic) commercial system. With the occasion of a press conference after the European Council meeting in Brussels, on March 2018, French President Macron underlined that

Europe does not want a trade war, which is good for nobody. This is why we promote dialogue. (...) Europe believes in a multilateral regulation of trade and will act in the framework of WTO rules, which should be modernized, not weakened. (...) Europe will show "a united front" in the face of trade disputes and won't accept to be "the weakest link" of globalization. If we are attacked, we will react without wavering (Macron, 2018).

The European Commission President-elect Ursula von der Leyen committed herself to defend the global, open-market multilateral trading system as governed by WTO rules. Nevertheless, she seemed opened to enter President Trump's game and uphold retaliation for the latest tariffs the US is entitled to impose on EU countries, according with the WTO ruling on Airbus lawsuit. In a letter to Phil Hogan, European Commissioner for Trade, she prompted the urgency to upgrade the EU's "enforcement regulation", in order to improve the European trade defense arsenal (von der Leyen, 2019).

4. A post-Brexit US-UK trade deal

A potential US-UK post-Brexit trade deal might also impact the whole transatlantic landscape of cooperation, as the emphasis is very much on the UK aligning itself with US standards. This will have major implications. It will move the UK away from the EU standards it currently has to comply with, harming trade with its most important trading partner and generate potential hurdles in a future trade deal with the EU. On October 16, 2018, the Trump Administration notified Congress that the President intends to negotiate a large-scale trade agreement, with “unlimited potential” as he tweeted it, with the United Kingdom once it leaves the EU, in accordance with section 105(a)(1)(A) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (the Trade Priorities and Accountability Act). The US-UK Negotiations Summary of Specific Negotiating Objectives has been public since February 2019. During a press conference by President Trump and Irish Taoiseach Leo Varadkar of Ireland Border, before their bilateral encounter for the Friends of Ireland Luncheon at US Capitol, the American leader pointed out

I'd like to see that whole situation with Brexit work out. I'd like to see — so, you know, we're talking to them about trade. And we can do a very big trade deal with the UK. We're also renegotiating our trade deal with the European groups and, you know, literally, individual nations, and also with the whole (Trump, 2019).

As Brexit was previously postponed until October 31, 2019, prior to its final deadline, that was January 31, 2020, delivering her speech before the Irish assembly, the US Speaker of the House, Democrat Nancy Pelosi, warned about the possibility of a trade agreement with the UK not to be concluded, had the British jeopardize the 1998 Good Friday Peace Agreement between the Irish Republic and Northern Ireland:

We must ensure that nothing happens in the Brexit discussions that imperils the Good Friday accord, including but not limited to the seamless border between the Irish Republic and Northern Ireland. If the Brexit deal undermines the Good Friday Accord, there will be no chance of a US-UK trade agreement (Pelosi, 2019).

Also following closely the ongoing, heated Brexit debate within the European arena, prior to offering former Prime Minister Theresa May “his own ideas on how to negotiate” the deal (even

though she didn't actually follow this path), President Donald Trump, acknowledged the complexity of the Irish border controversy and remarked that the EU has taken quite a tough stance on the treatment for their British partners. He argued that

Too bad that the European Union is being so tough on the United Kingdom and Brexit. The E.U. is likewise a brutal trading partner with the United States, which will change. Sometimes in life you have to let people breathe before it all comes back to bite you! (Webber, 2019).

An Anglo-American, record-breaking trade deal was favorable and would be upheld by President Donald Trump and former British Prime Minister Theresa May, and it is the same case with Eurosceptic Boris Johnson ("a British Trump" as named by President Trump himself) on 10 Downing Street. Prime Minister Johnson declared his willingness to start the ambitious project as soon as possible, the work on its design having already commenced. Especially now, as UK's withdrawal from the EU is a fact, senior officials including Crawford Falconer, the British chief trade advisor, are strongly advocating for a UK-US trade deal to be considered a top priority on UK's post-Brexit agenda (Payne, 2020).

Former British Trade Secretary Liam Fox praised the valuable trade expertise of the department he chairs, delivering a speech at the Policy Exchange in London on a global Britain, he said to "maintain and champion free trade, and working with growing powers around the world to build a stronger and more resilient global economy" (Fox, 2019). However, the Americans might be really tough, even towards their Anglophiles, as senior trade advisors of former administrations in the White House made public their expertise, wisely observing that President Trump's shift of paradigm in economic foreign policy endangers global trading system by mercantilist and populist attitudes.

For instance, Dan Price, trade adviser in George W. Bush's cabinet, expressed his view that no financial services company in the US would be as committed to London as in the past and that the UK would benefit best from a customs union with the EU and single market accession, as the British lack regulatory capacity in these fields (Giles, 2019).

Conclusions

In "*Growing Apart? America and Europe in the Twenty First Century*", Jeffrey Kopstein and Sven Steinmo argue that, as multilateral commercial negotiations begin to extend from goods and

services to international economic regulations, Brussels and Washington have developed a series of divergences at the policy level, such as in environmental issues or different social and cultural models.

To respond to whether or not Europe and North America are really growing apart, as Kopstein and Steinmo framed it, is a challenging enterprise. Many signs might lead us to such a terrible conclusion, with the current trends in the American foreign policy and the European leaders retaliating and gathering power to reborn from within and deploying substantial efforts to “flourish” on matters like defense and global security delivery.

The ideological divide within the transatlantic partnership is visible from all angles. The allies are facing a serious challenge if they embrace other geopolitical options. Perhaps it is appealing for the moment, but alternatives that (together or slightly under the practice of favorable economic treatment) might infuse their cultural or civilizational patterns into the liberal, Western societies’ daily life could make the relation more difficult to be managed in the future.

Consolidating the transatlantic alliance must be a prerequisite for engaging in prosperous interactions in the world trade arena. Deep nationalist and populist feelings should be left aside by both partners if they wish to see their relations well ahead in the future geopolitical and geo-economic calculations. As a matter of urgency, a wise management of the current trade dispute is needed for a decent pace and a reasonable agenda of the trade talks between the EU and the US. Otherwise, it is almost impossible to envision a scenario where a final agreement is reached.

Lessons learned from the controversies around TTIP should be a starting point for talks. The dividing lines in the previous debate, such as consumer safety, environment protection and transparency of the overall process must be thoroughly revised in the new framework of negotiation.

Generally speaking, if the EU and the US manage to work side by side, bypassing individual ambitions, significant global threats can be addressed comprehensively.

“It’s time for the United States to embrace the European Union”, Max Bergmann’s final argument goes, in a Foreign Policy article from July, 2019. In an interview with Euronews, invoking the “fairness” of the current commercial agreement negotiated by Americans and Europeans, after the collapse of the overly ambitious TTIP, US Secretary of State Mike Pompeo stressed that the common values serving as guiding principles for the two partners will always prevail over disagreements, as the “overall relationship” is unquestionably successful:

There are always ... disagreements, there’s spats, there’s trade disputes ... but it’s always the case that our shared value sets ... those always prevail and they will here again too. There’s a long history of the United States and Europe having

*places where we disagree, I'm sure that will continue but the overall relationship?
I must say I think it is excellent (McCaffrey and Jamieson, 2019).*

Reiterating that the traditional Euro-Atlantic partnership should not be taken for granted, the perpetuation of a model of Western, democratic and liberal values is crucial to a stable world order, with the potential to export this to other geopolitical regions, as in a spiral of social, ideological, political, cultural and economic effects.

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The new paradigm of market transparency: how smartphone apps shape the markets

Gabriel-Andrei DONICI*, Paula-Elena DIACON**

Abstract

The smartphone apps have revolutionized the markets of goods and services more than other recent technologies. Although they modified the market paradigm in sectors like accommodation, transport, or “gigs”, the changes in the way the economics systems function are still widely neglected by the literature. We intend to analyze some of these changes and their impact, which in economic history could only be compared with trade liberalization. The smartphone apps increase market transparency, reduce or eliminate the entrance barriers and expand the markets to unprecedented levels. Although we limit our observations to a few cases, the apps have the potential to revolutionize any given market. For the first time since the economy has become a recognized science, market transparency is more than a utopian goal. The apps are facilitating instant information transfer between suppliers and customers. What is clear is that the increase of market transparency is not limited to the sharing economy, but it can be found in all the segments.

Keywords: market transparency, pure and perfect competition, market barriers, the app economy, market vehicle

Introduction

A few years ago, when an economist was analyzing the typology of markets, he invariably concluded that the stock market was the only one that came close to the ideal of pure and perfect competition. The stock market had most of the traits of pure and perfect competition, including a high degree of transparency, meaning that the information traveled almost instantly from the agents of supply to the ones of demand and vice versa. The smartphone apps made the case of the stock market obsolete, because they managed to increase market transparency, and bring together the suppliers and customers at every moment of the day or night, with maximum price adjustability. Smartphone apps, such as Uber¹, facilitate instant connectivity between their users, leading to a level of transparency

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¹ Uber is a well-known example mobility app that facilitates the interaction between suppliers that respect some minimum criteria (the age of the car, the reputation of the driver, etc.) and potential customers. The app rivals with great success the classical taxi companies and is frequently the preferred option for the customers.



that is specific only to very small communities (the ones that have a lot of similitudes with the natural economy) was reached.

This paper aims to analyze how smartphone apps are creating specialized networks that change the markets, by increasing their levels of transparency and by facilitating the entry on the markets of a huge number of new suppliers and consumers.

1. Markets are imperfect

If we propose to analyze various markets of goods and services, we would conclude that almost all of them are not even close to the ideal of pure and perfect competition. This happens even in the case of markets with atomized supply and demand because information does not travel to each potential agent and this creates spaces for companies to increase their prices over the equilibrium level. In monopolistic competition, the closest to the pure and perfect ideal, each small player tends to act as a small monopoly, precisely because of imperfect information, and can control it.

The information has high transfer costs which are included by the suppliers in their prices. In some cases, when the imperfect markets are highly regulated, like in the cases of taxi companies, the tariffs are established through negotiation with local authorities and they come together with a set of limitations and barriers (the places where they can wait for clients are regulated, the color of the cars is standardized, etc.).

2. Smartphone apps are changing the market

In today's economy apps facilitate an increase in transparency. Data transfers are fast and help eliminate the differences between the suppliers, thus leading to a larger supply base. The apps facilitate a market shift, from the state-protected corporation (created and kept alive through favorable legislation) to the little players, individuals that enter the market just to offer their surplus. Yes, it is true that "market vehicles" (the market vehicles are specialized networks, such as Uber, Lyft, Taxify, etc) are owned by big corporations, but also true that any individual that fulfills a set of minimum criteria can use these specialized networks to reach out to potential clients. These corporations are managing to minimize the market barriers for the small players.

Smartphone apps facilitate the creation of specific giant networks that connect users by interest. The capacity of these devices to sort users and connect them by preference is truly amazing. Dickinson (2014, p. 1) notes that as the "society has become networked, and networks have become

ubiquitous through the use of mobile telephones, societal practices are undergoing a radical transformation”. The instant data transfers, through smartphone apps, within these specialized networks change the markets in unprecedented ways. Among the things accomplished through these smartphone apps and specialized networks, we could mention:

- Instant connectivity - they manage to synchronize the demand and supply, in each moment of the day, month, year and each temporal moment;
- Diminishing market barriers – through their market vehicles (specialized networks) the apps manage to eliminate, or at least reduce, the most problematic barriers;
- Market expansion – the huge increase of transparency, facilitated by the smartphone apps, has as a direct effect an increase of the market, as new consumers and suppliers become aware of their existence;
- Increased speed of service execution – the fast connection between suppliers and customers leads to an increased speed of execution and a higher degree of satisfaction;
- Instant price adjustments – in some apps we have instant price reactions at any change of demand or supply. It’s a rare occasion for theoreticians to see live how demand and supply are adjusting each other and how the mechanism of price equilibrium is working.

Through these market vehicles, free trade can be taken to the next step, one in which the information is costless, and, as a consequence, it is also not included in the price of products. Truly spectacular is that the smartphone apps have radical effects on all the markets, regardless of the degree of regulation. For example, in the field of education, there is an incredibly high number of learning apps that promote alternative studies. As Gowthami and VenkataKrishnaKumar (2016, p. 475) noted in their paper “the uses of smartphone for educational purpose has increased many folds among society. Smartphone’s introduced another means for the knowledge lovers to fulfil their thrust and dreams.”

2.1. Instant supply-demand reactions

The smartphone apps facilitate an instant transfer of data between the users from these specialized networks, thus allowing a fine adjustment of the size of the supply and demand. Small suppliers have now the possibility to reach customers that were out of reach before, and customers can instantly compare the offers from the market.

In other words, we could say that smartphone apps are increasing the awareness of their mutual existence for the suppliers and customers. The potential customers are informed better of what exists on the market and the suppliers can promote better what they have to offer.

One way in which smartphone apps can enhance a market is through additional information from a specific field. For example, in the touristic market, the smartphone can replace totally, or at least partially, the touristic guides. Tourists around the world have access instantly to information regarding the things that make an objective interesting or historically significant. One way to use the smartphones for this is through QR codes, as Dickinson noted in 2014 (p. 8) “QR codes allow the operator of the attraction to post information about specific items, exhibits or locations directly to those locations which the tourist can then access via the smartphone by scanning the QR code.” In addition to this, there are a lot of specific apps that are offering information on the location of touristic objectives and other specifics, contributing to the improvement of the sector.

2.2. Instant price adjustments

The apps facilitate the instant circulation of the data regarding any change in the size of the demand or supply. On specialized networks, like the one hosted by Uber, you can sell or buy only if the agents are online, meaning that the prices are formed instantly, and are reflecting the demand and supply situation from a specific moment. The prices are changing as a reaction to the shifts in the size of demand and supply, representing the instant adjustments of prices. You can see this especially in the case of ride apps, in the days when the supply is naturally low when many Uber drivers want free time, and the demand is naturally high because more than usual potential clients want to be driven somewhere. This happens, for example, on New Year's Eve, when there is a high demand for driven cars close to midnight.

However, we should not focus only on some particular situations that are visible by the naked eye but understand that these changes occur constantly, as adjustments to the changes of demand and supply. The networks allow fast data flows, differentiation of suppliers (through rating) and a widening of the total offer. They managed to increase the transparency of extremely regulated markets, with corresponding high barriers. These market improvements are enabling almost instant adjustments to the prices, something that happened before only on stock markets. Of course, even on the stock markets, there is unknown data regarding the stock issuing companies, and these affect the prices.

2.3. Apps increase market atomization

The apps completely changed how competition takes place, and much could be written on the reactions of the consecrated companies, especially from the regulated industries, starting with the moment when the new competition emerged. Even now, after we have seen so many industries

changing structurally, the old companies tend to minimize the potential of their new competitors. It's somehow ironic that huge corporations that own intensive capital, have large personnel schemes and huge promotion budgets claim that small individual players are competing unfairly. Initially, it seemed pointless for the large taxi companies or for the large hotel chains to fear the competition exercised by the owners of apartments or cars, but the apps changed the way business is done. Markets that have been highly regulated for ages, with barriers that seemed unbreakable are now extremely competitive and even the customers loyal to the old providers often shift to new products. All this happened because the apps shocked the way business is done and created new market vehicles or specialized networks that facilitate and stimulate trade. In these specialized networks, the number of supply agents increased to unprecedented levels and the demand reached a record high due to the ease of use and high level of security.

2.4. Minimization of market barriers

Since the emergence of the modern state we have witnessed a constant increase in the levels of bureaucracy and it became harder and harder for an average individual to become a provider on certain markets. In the name of consumer safety, the state imposed a variety of market barriers that start from minimal capital, special working permits and can even regard the size, shape or color of the means of production.

The success of the apps in changing how business is done is especially remarkable in these types of highly regulated markets, such as accommodation, labor, transport, etc. The power of these new specialized networks is undeniable because, in addition to the state regulations, all these markets are also highly syndicated, meaning that they have additional barriers.

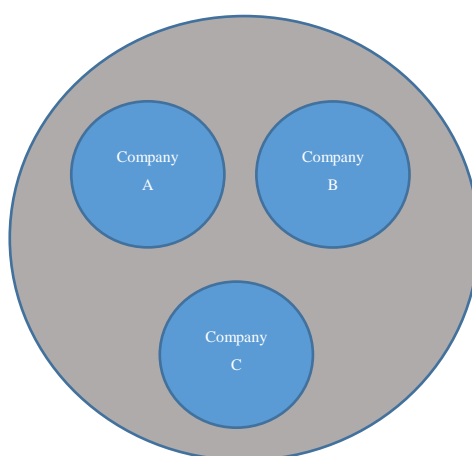
For example, if we would take into consideration the market for urban transportation, we would see that if a simple individual would like to be a provider of transportation services he would have to fulfill a multitude of criteria. The impossibility to fulfill these criteria would force the person to work for a taxi company, probably for less money, and, for sure, for less independence. Each of these criteria is, in fact, a market barrier that is limiting the development potential of the area/sector. One of the reasons for which the apps, such as Uber, are changing the market is the fact they help potential suppliers surpass the market barriers. Harding, Kandlikar and Gulati (2016, p. 18) noted on this subject that “Uber lowers entry barriers for operators by allowing them to function in a similar manner to taxis but without the substantial cost of buying or hiring a taxi permit or medallion. This significantly decreases the entry barriers for supply.”

2.5. Competition shifts from markets to market vehicles

The emergence of these new specialized networks has significantly changed the structure of the market supply. Let's take for example the taxi market in a certain city. The market was divided between taxi companies and, in the best-case scenario, there were some small players among them, but the general tendency was of supply concentration and price increase. All the potential buyers, forming the demand, had the liberty to choose from any available driver.

This kind of market structure has not favored competition and it leads to a high level of dissatisfaction. This can be seen in figure 1. On the market, there are a finite number of suppliers that, with the help of local authorities, and in the name of law and rule, concentrate options and increase the selling prices for their services. The barriers for new companies are extremely high, the licenses for this kind of service being sold by local authorities for longer periods. In this kind of market, we often see pirate drivers who bypass the regulations and offer their services on the black market.

Figure 1. Generic taxi market

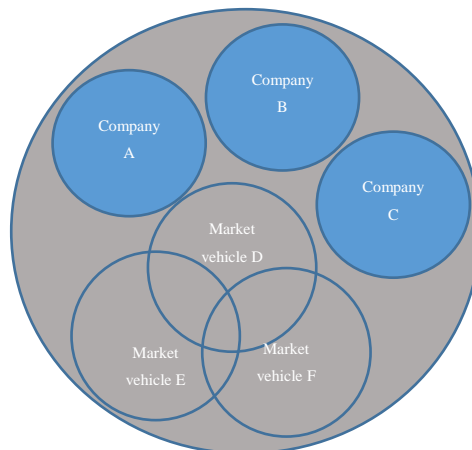


Source: Authors' representation

Now, only a few years after the first applications were launched, we have completely different market structures, in which we have a few taxi companies and more market vehicles (app-based). The supply is now organized differently; we have a multitude of small players that use these market vehicles to be active on the market. Many car owners are active on more than one app, meaning that we have a material supply intersection, some cars being used for services in different apps.

Interestingly enough there is a small downside for the buyers because they tend to become loyal to an application. They shift to other applications only when their overall degree of satisfaction drops under a subjective level.

Figure 2. Generic taxi market, penetrated by riding apps



Source: Authors' representation

We see in figure 2 that the material base used in the specialized networks is partially overlapping because there are drivers that sell their services on more than one app. It's also quite important to observe that, although atomized, the new markets are somehow stratified. In each market vehicle, we have a distinct supply and demand that is relatively independent in context with the general one. Of course, when the consumers observe that the equilibrium price, from a market vehicle, tends to surpass the price levels from other networks or the official taxi one, they will choose providers from other apps. So, we have a multi-level equilibrium model in which any change of the price from a market vehicle attracts price reactions from other networks.

3. Some unexpected effects of the new on-line transparency

Although we have discussed various effects of the smartphone apps on the markets, we are aware that there are many other aspects, such as an increased speed of service execution, an increase in security, maximization of the market potential and flexibility. All these effects are logical, but that does not make them less surprising.

3.1. The increase in security

The services sold through specialized networks are more secure, or at least as secure as the ones provided by chains from the state-regulated networks. This happens because in the state-regulated networks the organizations tend to reach large dimensions. In these organizations, the responsibilities dissipate and the implementation of state regulations becomes less strict, due to various reasons (for example, an employee has a bad day or he is on the point of leaving the company, and he mistreats the customers, which affects their level of satisfaction or security).

In the app markets, each supplier is rated by its consumers (and vice versa) and this brings a lot of pressure on each trading participant to keep its reputation as close to perfection as possible. To have a perfect reputation you have to respect the rules and be extremely polite with the other participants. Logically, if most participants respect the rules the overall level of security will be higher. The specialized networks allow a two-side strategy; both suppliers and customers being sanctioned through ratings and reviews. The suppliers and customers with bad ratings lose the possibilities to deliver or obtain services.

Another form of security, observed by Dickinson (2014, p. 9) is the one of ‘local knowledge’, which helps consumers avoid useless consumption because in other conditions it would “take time, repeat visitation and extended familiarisation to achieve. This ‘local knowledge’ is multifaceted and multilayered, affording the tourist a new sense of security” (Dickinson, 2014, p. 9).

3.2. Market expansion

Nowadays, in the era of smartphone enhanced markets, anyone who owns a car or a free room can become a supplier. This leads to an exponential expansion of the market base, without comparison in human history. This technology allows an unprecedented increase in the size of the market, both as supply and demand. Through the specialized networks created by the apps, small or new businesses gain access to the market and contribute to its expansion.

Dickinson (2014, p. 10) noted that the apps manage “to extend social networking principles not just to people on the move but also moving objects (vehicles, the things tourists need such as produce) and the networks on which people and objects move.” This means to facilitate a fast transaction, and service delivery, between the customer and the proximity supplier. In a classical market, the two sides

would have not known of their existence and the transaction would have not happened. Here, the specialized network has generated a transaction.

According to Harding, Kandlikar, and Gulati (2016, p. 20) by reducing “entry barriers on supply and transaction costs for demand, Uber moves a traditionally thin market towards a new equilibrium as a thick market.” This means that this app, through its specialized network, has managed to increase both the supply, with drivers who were not able or interested to provide taxi service, and the demand, with customers that did not like to use taxi services. Thus, the market has gained consistency and reached unprecedented volumes.

Of course, some believe that the fierce competition between the apps for suppliers and customers could have some negative effects. For example, Harding, Kandlikar, and Gulati (2016, p. 20) noted that because “the transaction cost of switching between apps is low, [it] could conceivably lead to instability in the market”. We believe that this risk is minimal because we think that in the medium and long term, only the companies that provide the best conditions, rates, insurance, etc. will survive on the market.

3.3. The flexibility economy and the credence goods

The best word to characterize this new dynamic economy would probably be “flexibility”. The fast data transfer, fast transactions, and instant price equilibriums are all proof that the economy has gained extensively on the matter of flexibility. What is surprising is that the technology seems to have solutions for each of the new problems that emerge on the market.

For example, seeing that the sellers and buyers are somehow anonymous, the goods and services traded in the new, flexibility economy are subjects of a credibility problem. The problem appears because in the flexibility economy the weight of the brands is eliminated, and customers have difficulties to differentiate among suppliers. We have millions of suppliers and buyers that are in the impossibility to evaluate each other because each service sold through a specialized network is a potential credence good. According to Harding, Kandlikar and Gulati (2016, p. 18) that “is a good or service whose quality cannot be determined by the consumer until after it has been consumed – and even then, it may not always be possible.” This problem is solved by the owners of the market vehicles, through ratings that make both the sellers and the buyers extremely carefully, to have proper behaviors. Each buyer or seller that wants to be active on the market for more than one or a few transactions will carefully build his reputation, avoiding losing any bit of credibility. This happens

because credibility is reflected from the provider of the services thus counteracting the risks associated with the credence goods.

3.4. Quality based competition

In the app/flexibility economy the competition is not driven anymore through marketing tricks/tools/means such as placement, packaging or advertising but through quality. The suppliers are continuously rated, on their product quality and service professionalism, and reviewed and the number of orders is depending directly on these aspects. As a consequence, the services are executed faster, dead times are eliminated and the overall degree of satisfaction is higher.

On the traditional markets, the small businesses and the new entrants are doomed to struggle and even to fast bankruptcies. The traditional players know and control the markets and can promote their products and services, even if their quality is lower than the ones of the smaller firms. The smaller firms are driven to non-profitability areas and they don't have the proper tools to protect themselves against it.

In the markets where there are market vehicles no player has control and inside advertising is not a solution to differentiate services. More than that, the suppliers can be active in multiple market vehicles, and this fact contributes to an increase in their chances of survival.

Conclusions

In just a few years the smartphone apps have revolutionized the markets on which they are used as a commerce interface. They brought huge service improvements to different traits of the market, and changed the way in which supply and demand interact.

The apps in question have increased the market transparency to a record high level. We see, within the markets where the apps were successful, how the information travels instantly between the suppliers and customers. In these specialized networks, at any given moment of the day or night, somebody can check the supply, demand, market price, and sell or make an acquisition.

The market size was boosted at unprecedented levels. The apps facilitated the market entrance for sellers or buyers who were just potential players and did not participate in the trade before. The impact of these apps on the markets is comparable in history with the movements induced by trade liberalization. The easy to use apps have opened the market for any potential seller or buyer that owns a smartphone and a mean of production.

The apps increase the level of market security and encourage more clients to enter the markets. A surprising effect of the specialized networks is related to the fact that by involving small supply agents (market atomization) and instantly rating the quality of their services, something unexpected is obtained – an increase of security. Customers can use the services of providers that were highly recommended by other consumers, that validate the quality. This kind of security is lost in large organizations because not all employees are dedicated to providing the best services. The control of the employees and motivation are quite difficult to accomplish in larger organizations.

Proximity businesses are better supported through apps. In the small traditional communities, the inhabitants knew who was doing what and where to find the appropriate service provider. As the cities of the world have reached the order of millions of inhabitants, the clarity of information dissipated and the markets became more opaque. Many customers contacted companies at a great distance just because they were promoting their products/services better and because they did not know that there were experts, maybe even better, in their immediate vicinity. The apps allow these proximity service providers to promote their services where they are needed at a fraction of the cost.

The promotion costs of small businesses are reduced. Before the app specialized networks, a lot of small businesses were doomed to bankruptcy even if their services or products were of high quality. The larger companies had higher promotion budgets that allowed them to reach more customers and to drive the smaller firms to non-profitability areas. In the app economy, the reviews and ratings are the main promotion tolls and this allows better products/services to survive on the market.

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Evaluating the quality of health care by assessing patient satisfaction

Gabriela CIOLPAN*

Abstract

The performance of the healthcare system is obtained by evaluating the quality of the healthcare. The image obtained from health services assessments is important because it shows the degree to which they meet or exceed expectations. Attitudes towards health care are measured by the perception of patients through favorable or unfavorable responses to the care provided. The patient's satisfaction is obtained by evaluating his experience in healthcare, being concerned about the quality of the healthcare services. Between the quality of the medical services and the satisfaction of the patients there is a close connection, being a permanent challenge for evaluating the perception of the patients on the health services. Patient satisfaction represents their degree of satisfaction with their perception of a hospital quality management regarding the services provided by it and the results related to the health status, the interaction with the medical staff, having an impact on the evolution of their health status. Patients are increasingly responsible for managing their own health, and consumer information technologies are becoming a critical component of health systems. The methodological approach will be realized through a qualitative analysis through a prospective study, by reviewing the articles in the journals on identifying the particularities of the performance of a healthcare system. The performance of the health system can have a major influence on the national decision-makers to understand the characteristics and processes that contribute to the relative levels of performance.

Keywords: patient satisfaction, patient attitudes, performance, health service evaluation

Introduction

The quality of health services has been evaluated over time by defining methods of evaluating health services through the contribution of Avedis Donabedian, an important author in the quality system. According to Donabedian (1978), the evaluation of health services has to be carried out in different dimensions in order to be effective in improvement. Donabedian (1988) stated that quality assessment should be based on a conceptual and operationalized definition of "quality of healthcare". The dimension regarding "Participant empathy" (Sitzia and Wood, 1997; Duggirala *et al.*, 2011) was to be further developed within the health systems.

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In Romania, after 1990, with the appearance of new evaluation systems, the quality assurance of health services is improved, which monitors both the quality of the medical act, the organization of hospitals and medical clinics, as well as professional organizations in charge with the standards review (PSRO).

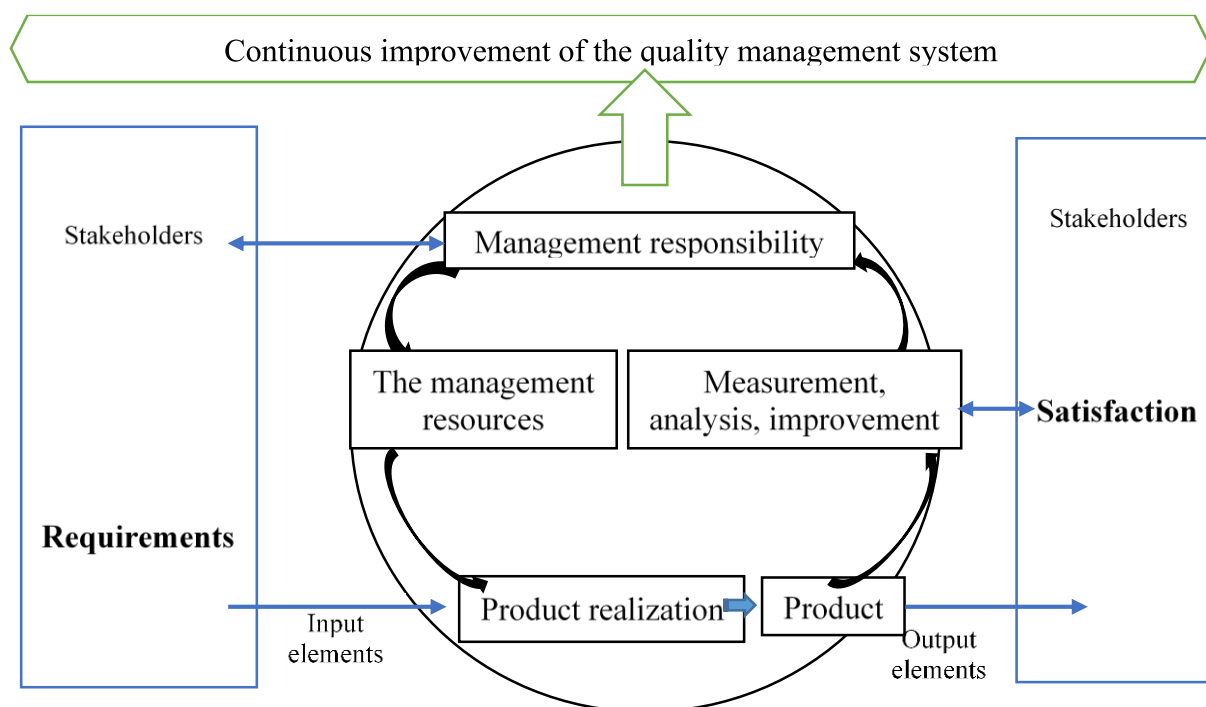
Starting with 1995, a concern begins with regard to the development of culture in quality management in the health sector. This strategy has led to a continuous improvement of the quality of health by implementing quality concepts in the health field, achieved by evaluating the health units on their level of compliance with the accreditation standards, performed by the National Authority for Quality Management in Health (A.N.M.C.S., 2018). Accreditation is the way in which a state or private medical unit demonstrates the way it provides medical care that meets the expectations of patients, both in terms of results and in terms of the conditions under which they are provided. The accreditation confirms that a medical unit has the resources and professional competences necessary to provide medical care in the specialties it has in the structure, leading to an increase in patients' satisfaction.

In a study conducted in 2011 on 1124 patients from 17 hospitals, patients have a relatively high degree of satisfaction for the services provided, with a general satisfaction rate of 60% for 66% of hospitals; 55% for communication; 54% for doctors and medical staff; 54% for medical services. Thus, the quality of the services provided is related to: maintaining the cleaning, attitude, body language and tone of voice with which the staff addresses the patient; personalized attention etc. The assessment of patient's satisfaction in the context of hospital accreditation becomes a major concern for passing the test in order to obtain an accreditation certificate (Agheorghiesei and Copoeru, 2013).

We can say that, for a sanitary unit to function effectively, it must identify and conduct numerous inter-correlated processes. The application of a system of processes within a healthcare unit, together with the identification and interactions of these processes, as well as their management, can be considered a *process-based approach*. Used in a quality management system, such an approach improves the level of understanding and satisfaction of the requirements, obtaining results regarding the performance and effectiveness of the process, and continuous improvement of the processes based on objective measurements. The model of a quality management system based on process (SR EN ISO 9001:2008, 2008) presented in Figure 1 illustrates the links between the presented processes, highlighting the significant role that patients have in defining the requirements

as input data. The model shown in Figure 1 contains all the requirements of an International Standard, but does not present the processes at a detailed level.

Figure 1. Process-based quality management system model



Source: (SR EN ISO 9001:2008, Quality management systems. Requirements)

In the SR EN ISO 9001: 2001 standard, clause 0.2, it is mentioned that the PDCA methodology can be applied to all processes - Plan (P), Do (D), Check (C), Act (A), represents a method of organization and development of management activities, oriented in the direction of continuous improvement of the quality management system, designed and graphically represented by Dr. W. Edwards Deming and is also called the *Deming cycle*, the Shewhart cycle, or Deming's wheel. The known methodology PDCA can be applied to all processes and it can be described as follows: *Plan* – it sets the objectives and processes necessary to obtain the results in accordance with the client's requirements and with the organization's policies; *Performs* – it implements processes; *Verifies* - monitors and measures processes and the product against product policies, objectives and requirements and reports results; *Acts* – it takes actions to continuously improve the process performance.

1. Literature review

The concept of health system has become the center of the debate on health policy, which is applied by most ministries of health (World Health Organization, 2000), defined the health system as “all activities whose main purpose is to promote, restore or maintain the health”. Thus, the mission of the Ministries of Health includes the promotion of health and the prevention of diseases, as well as the organization of health services. In the last decades, the decision-makers have contributed to the improvement of the health system, bringing changes in patient’s satisfaction.

Pană *et al.* (2002) presents the modern management concept, oriented towards human capital, because people have as much role as financial or material resources in the production of goods or in the provision of health services. Human resources professionals are concerned with knowing the factors that influence the behavior and attitudes of employees to formulate and manage policies in accordance with the mission of the organization and the regulations in the field (Zlate, 2007). The development of human resources is the main form of adaptation to the new, continuing to invest in the training and development of medical capabilities (Pană *et al.*, 2002). Donabedian, 2005, states that the efficiency of care is the final validator of the quality of care, obtaining or maintaining health and satisfaction, as defined for its individual members by a particular society or subculture.

Health policies are different in each country, influenced by a range of influences, including cultural, political and historical norms, but they share common goals of the health system and face similar challenges, such as demographic changes and rising costs. Most health systems aim to improve patient health, meet patient needs and, at the same time, ensure financial sustainability (World Health Organization, 2000). International comparisons offer a vast potential for learning both inside and abroad; providing a way to explore the different approaches that countries take to address similar issues to achieve comparable goals (Nolte *et al.*, 2006).

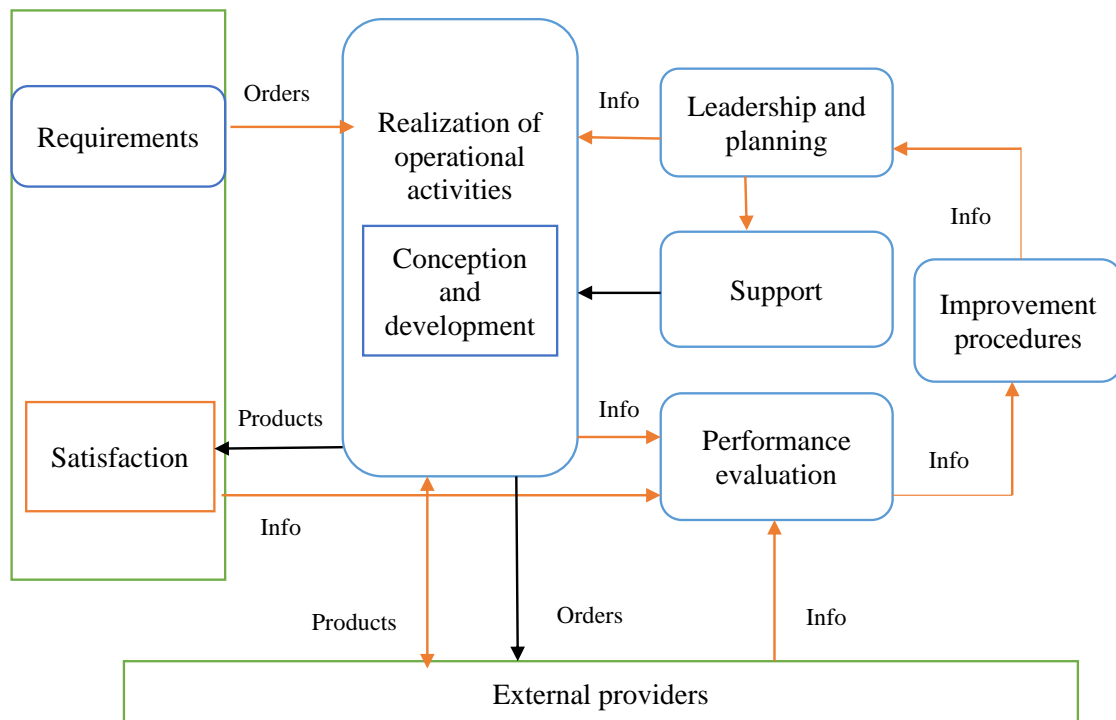
The performance of the health system can have a major influence on the national decision-makers to understand the characteristics and processes that contribute to the relative levels of performance. While the response to the 2000 World Health Report was an indication of the potential power of such comparisons, he also emphasized the limitations of comparisons of health systems, such as the lack of comparable data and underdeveloped comparison methodologies (Murray and Evans, 2003).

The patient’s experience, reaction and satisfaction are correlated with the patient’s expectations regarding the negative aspects of the health system. It concerns the availability of services, the choice

of the patient and how the system respects the dignity, autonomy and confidentiality of the patient, resulting in his satisfaction, experience and reaction (Busse, 2013).

Patient satisfaction is the essential objective for the hospital units. They follow the patients' current and future needs and try to fulfil their expectations, using all the necessary resources (material and human), which vary according to the degree of culture, the level of education and the individual perception on the individual's health or illness, on the structure, services and medical staff with whom the individual gets in touch. The statistical analysis of the results obtained regarding the perception of the medical team on the performances of the care and the medical assistance offered is an important component of the quality of the medical act and has an impact on the patient's safety and implicitly on the quality of the care and the medical assistance (A.N.M.C.S., 2018). The most important role in the development, implementation, maintenance, improvement and verification of the processes of the quality system, to raise the staff's awareness on the requirements of the patients, to develop the spirit of quality, to animate the quality system of the hospital and to report its operation belongs to the quality management responsible. He/she is the engine that develops the involvement of the entire hospital staff, addressing measures to achieve the objectives proposed in the quality management plan in the hospital.

Figure 2. Simplified interaction scheme between processes



Source: Gruez, 2015 - MAQ.100.001 Manuel qualité ISO 9001

Figure 2 represents a logical diagram of the interactions between the processes within the hospital, monitored by the quality management in order to maintain patient satisfaction. The relevant data for measuring the performance of the health system are collected through surveys on patients or the general population, and the satisfaction scores represent attitudes towards the aspects of care, while the general population comes with specifications of satisfaction with the health system. Satisfaction measures vary considerably in two particular aspects: the group whose satisfaction is measured and the type of satisfaction (Papanicolas and Cylus, 2015).

This aspect is influenced in the last years by the socio-demographic characteristics and the characteristics of the health services provision, having an impact on the reported satisfaction and can create prejudices. However, the power and direction of the relationship between satisfaction and socio-economic categories are not consistent (Bleich *et al.*, 2009). Similarly, studies have found that patient satisfaction cannot be closely correlated with health outcomes or the technical quality of the care provided. Rather, patients were influenced by the manner and means of healthcare processes, such as the choice of provider or a good patient-physician relationship (Crow *et al.*, 2006). Problems related to survey design, such as scaling and formulation, are also likely to create variations in responses.

In an analysis on international satisfaction data, Busse (2013) identifies three factors that can influence survey responses: (1) the context in which a survey takes place, (2) the ability of respondents to differentiate between the system as a whole and some subsectors of which the respondent may have special knowledge and (3) the inability to differentiate between the health system and the government in general. These factors can be applied both to individuals and countries, and the lack of universally accepted terminology can further complicate the development of comparable values.

In addition, expectations regarding the health system performance, on which individual satisfaction levels are inherently based, may vary depending on patients and populations. Respondents with lower expectations may report greater satisfaction regarding unsatisfactory care and vice versa. This bias has determined many researchers to explore respondents' experiences regarding the care, in addition to more subjective attitudinal questions (Jenkinson *et al.*, 2002). An increasing number of such international indicators is now available for a subset of countries (such as those covered by the Commonwealth and OECD Funds).

EU intervention in health systems has been amplified, out of the concern on this public health to provide European citizens with good health, which is a key element not only in the happiness and

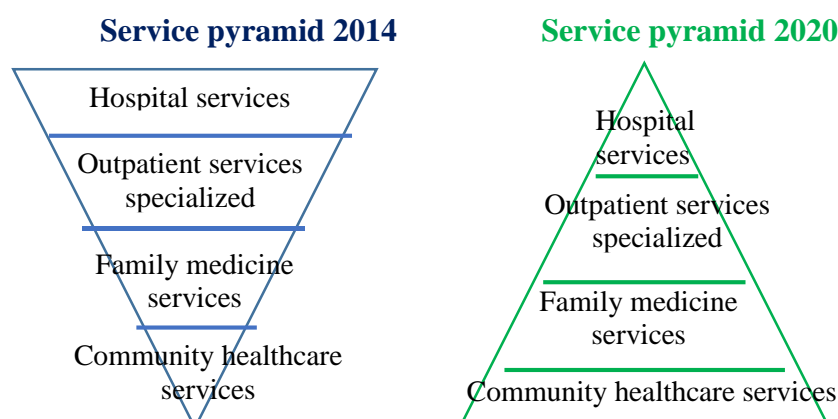
well-being of the individual, but also in the broader social context of social cohesion, productivity and economic development.

2. Health policies at European level

By analysing the European health systems, it can be said that health is considered a social right at European level, to which all citizens have access. At all levels of European health systems there are directions for their reform, due to the increased tax pressures over the years. Therefore, we focus on new financial sources, on how to manage them as efficiently as possible and on alternative ways of organizing services.

The role of the European Commission is to support the efforts of EU Member States to protect and improve the health of their citizens and to ensure the accessibility, efficiency and flexibility of their health systems. The EU strategy called Together for Health (2007-2013) supports the current Europe 2020 Strategy (2014-2020).

The National Health Strategy 2014-2020 (Figure 3) aims to reverse the current services pyramid by gradually developing primary care services, namely community health care, family medicine and specialty clinics (The Government of Romania, 2014). It also aims to obtain continuity of assistance and the integration of providers in defined geographical areas (regions, counties). In support of these objectives, the regional plans of health services (Ministry of Health, 2016) were approved in 2016 for the development of the regional services networks with the correct and efficient distribution of the providers in the primary, secondary, tertiary and long-term sector. Regional health service plans aim to change the current configuration of providers and services, based on the specific needs of populations in the eight development regions, demographic and epidemiological developments and technological advances. This will lead to the shift from focused services to hospital care to patient-centered care.

Figure 3. Consumption of health services

Source: Ministry of Health, The National Health Strategy 2014-2020 provides a vision on the provision of healthcare services

The main medium-term planning tool for the health sector in Romania is the National Health Strategy (Ministry of Health, 2014), which focuses on: public health, health services and measures at the whole system level, which sets the main objectives for each of them. The objectives of public health are to improve the health and nutrition of mothers and children; reducing mortality and morbidity caused by communicable diseases and slowing the growth rate of impermissible diseases. The supervision of the quality of healthcare is strongly supported by the use of relevant quantitative indicators that complete other approaches that may include qualitative analyses of specific events or processes. For the healthy population, indicators can also be important in terms of prevention, quality of life and health care satisfaction (European Commission, 2017).

3. Models of medical health services

Globally, there are 196 countries that have some form of healthcare. From well-regulated health care systems to shaman-dependent local villages, there are various approaches to providing and treating healthcare. In Europe, three models of public health systems were affirmed, with the main arguments being the financing method and the organization of the offer.

Bismarck health systems are financed on the principle of social insurance, by contributing a share of income by employers and employees in the labour field, by non-profit institutions. Their activity is carefully monitored at the public level, being frequently subjected to criticism from medical staff or service beneficiaries (that certain policies are not transparently applied, that the most equitable redistribution of resources is not carried out, etc.). The Bismarck model uses resources from the public budget or other categories of grants to finance public health programs. Currently, due to the

difficulties of collecting resources, on the background of increasing unemployment and narrowing the social financing base; the model is experienced by Germany, Austria, the Netherlands, France, Belgium (Stanciu, 2013).

Beveridge health systems where funding and supply are managed in an organizational system, namely funding bodies and providers are wholly or partially in an organization, such as the NHS in the UK, the Northern States, etc. The UK system is among the low-cost systems in the EU, where access to health services is increased, with increased equity, but is accompanied by limited options and freedom of choice. Beyond legal rights, there are also difficulties in accessing health services in Western European countries, but they are greater in former communist countries, as the data show (European Commission). In a global overview on European systems, we can say that accessibility to health services is satisfactory in both Western and Eastern Europe (European Commission, 2018). The problems regarding the quality of services and the financial sustainability of the eastern systems are more acute than the difficulties of covering the services of the population. The measure of access to services is an element of social justice and solidarity and a measure of the citizen's right to pay the provider's taxes (in the case of Romania, the health insurance contribution); however, the extent to which the services offered are of high quality and not only if they reach the beneficiary, is important. From this point of view, the East-West gap is larger than in terms of service coverage, the same report points out (Alber and Köhler, 2004). The most frequent critics addressed to this model refer to the limits of the basic services package, to the limits of the resources allocated to the treatment of certain conditions, to the consequences of the too long intervals on the waiting lists, for the population that cannot afford to contract private insurance. Such a model is experienced by the UK, Finland, Norway and Sweden.

The centralized state system - the Semasko model, has been applied for decades in the countries of Central and Eastern Europe, former socialist states, including Romania, with different results from one country to another, and from one era to another. This model is close, as a generic principle to the Beveridge model, meaning that the financing, organization and management is performed by the state, and in the Bismarck model by collecting resources in the form of participation rates for financing, applied to a disciplined salary mass and, usually, extended. The Semashko model differs from the Beveridge model by requiring patients to use only the services provided in their area of residence, and the Bismarck model by operating in an economic environment where private health insurance is lacking. However disastrous the system was before 1989, the Romanians often regretted it, especially after 1997, when the reform in the Romanian medical sector became widespread.

The European countries have not adopted, in pure form, one of the models described above, choosing to cross their characteristics, opting for a coordinate of the system for which they have

granted more importance and more resources, depending on the targeted social strategy and political ideology. Thus, each regulated either universal access to a basic service package, the rest of the services being provided according to the resource limits and the order placed on the waiting list, or they regulated a greater freedom of the consumers' choices on services, but increasing the costs of insurance (contributions or taxes) and services. Currently, the British system is one of the most effective and least expensive social systems in the EU, even though over one million patients are on waiting lists for different interventions (Vlădescu *et al.*, 2000). Statements like - model x is preferable to model y - are debatable. Social practice has shown that no medical system can be more efficient than its management apparatus and the state that regulates and finances it. The distrust of some state institutions is felt in the efficiency of collecting and attracting the resources necessary for the medical services, in adopting fair and appropriate medical policies for the social situation of the population, in the proper organization of the public offer in the territorial profile or in putting the resources to work in the system. Thus, the most eloquent criterion of classification of health systems is the efficiency with which the system mobilizes and uses resources for medical purposes.

The financing of the medical assistance in Romania is mainly provided by the National Health Insurance Fund (The Romanian Parliament, 2015), supplemented by amounts from the state budget, the own revenues of the Ministry of Health, as well as the own incomes of the population. The budget of the National Health Insurance Fund is annually approved by the Romanian Parliament as an annex to the Law on the State Budget (National House of Health Insurance, 2018).

The private or voluntary health insurance system (American model) is that system in which the financing is based on the insurance premiums determined by the health status and the risks of the insured persons. The US model underlines the freedom of choice with state-funded health investments (14 % of GDP for health), but has 35 million citizens who are uninsured and do not have access to medical services. The main disadvantages of this model are the low accessibility of the population to healthcare and the high costs that it increases.

For over a half of century, since the British formation of the National Health Service (NHS), it has established universal access to health care, being a public health service funded mainly by tax. With more than a million employees, it is the largest non-military employer in Europe, being the largest Beveridge system in Europe.

4. Evolution of health systems

In order to become a strong player, the health care consumer needs access to information so that he/she is able to compare health policies, consumer services and quality outcomes. The Euro Index for Health Consumers (EHCI) is represented by efforts to provide health care consumers with such tools (OECD/ EU, State of Health in the EU, 2017). Thus, the consumers of medical services gain from the transparency of the comparative evaluation, and the quality and function of the health care systems improve as the results are displayed and analysed in an open, systematic and repeated way. This agreement seems to be shared by the European Commission, in 2016, the initiation of the formation of an evaluation system aimed at identifying successful national health systems. It is said that the ultimate goal is to consolidate best practices in the EU to provide better medical services. The aim is to select a limited number of indicators, in a certain number of evaluation areas, which in combination can present the way in which the consumer of medical services is served by the respective systems.

The countries included in the EHCI 2005 were: Belgium, Estonia, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom and, for comparison, Switzerland. The number of indicators was also increased, from 20 in the EHCI 2005 to 28 in the number from 2006. The number of sub-disciplines was maintained at five; with the modification according to which the sub-discipline “Friendship with the client” was merged in “Rights and information of the patient”. To test this, the new “Generosity” sub-discipline of public health care systems was introduced in 2009, called “Range and coverage of services”. One problem with this sub-discipline is that it is too easy to land in a situation where an indicator becomes just another way of measuring national wealth (GDP/ inhabitant). The index in 2018 is maintained by building with indicators grouped into six sub-disciplines (this number has varied). In the EHCI 2013, the sixth sub-discipline, *prevention*, was introduced (Table 1). Thus, the expert group established a total of 46 indicators in the EHCI 2018. Therefore, the percentages of the complete scores were added and multiplied by (1000/ total weight), the maximum theoretical score obtained for a national healthcare system in the Index is of 1000, and the lowest possible score is 333.

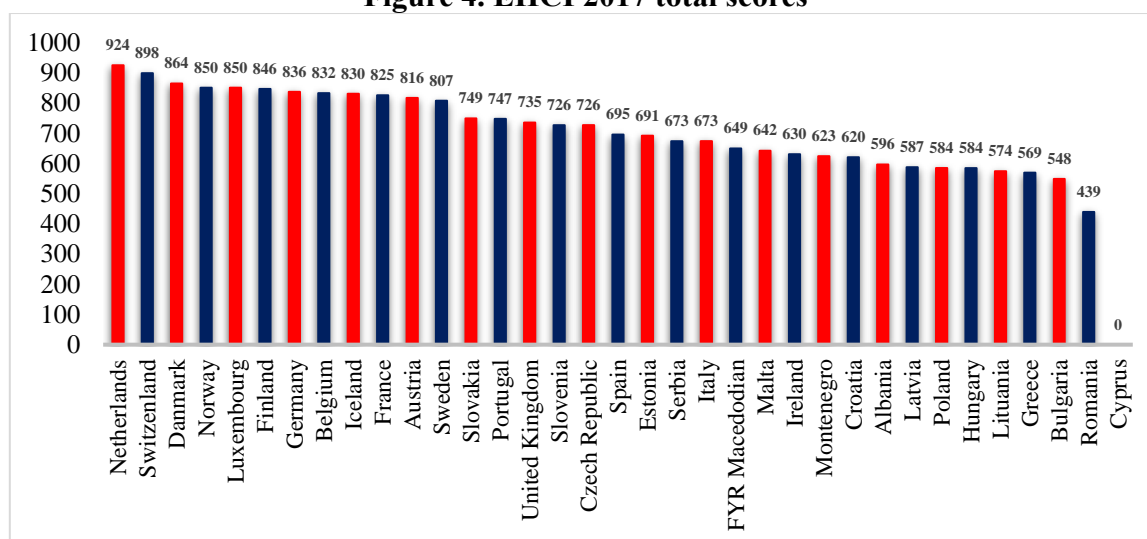
Table 1. The points in each sub-discipline are summarized

Sub-discipline	Top country/ countries	Score	Maximum score
1. Patient rights and information	Netherlands, Norway	125	125
2. Accessibility	Switzerland	225	225
3. Outcomes	Finland, Norway, Switzerland	278	300
4. Range and reach of services	Netherlands, Sweden	125	125
5. Prevention	Norway	119	125
6. Pharmaceuticals	Germany, Netherlands	89	100

Source: Euro Health Consumer Index, Report, 2018

The health system in the first position of the ranking is largely with uniform performance in the sub-discipline, excellent medical quality and excellent accessibility. Switzerland is at the forefront of accessibility with Belgium, Serbia and Bulgaria. The Swedish assistance system as a real competition obtained a high score in the range of services and met with the Netherlands, which, by Swiss standards, represents performance.

A comparative index for national health systems Figure 4 confirmed that there is a group of EU member states that have well-rated patient care systems. The Netherlands remains in the leading position in 2017, considered “the best healthcare system in Europe”. The second place is Switzerland, maintaining the reputation of having an excellent health system, and the third place in the ranking is Denmark, which until 2016 occupies the 9th position in the EHCI ranking. Denmark has achieved high results in terms of hospital treatment outcomes, and Danish patients have learned to cope with very strict rules for access to medical services. Norway (also a winner or joint winner of three sub-disciplines) ranks the 4th with 850 points, sharing this position with Luxembourg.

Figure 4. EHCI 2017 total scores

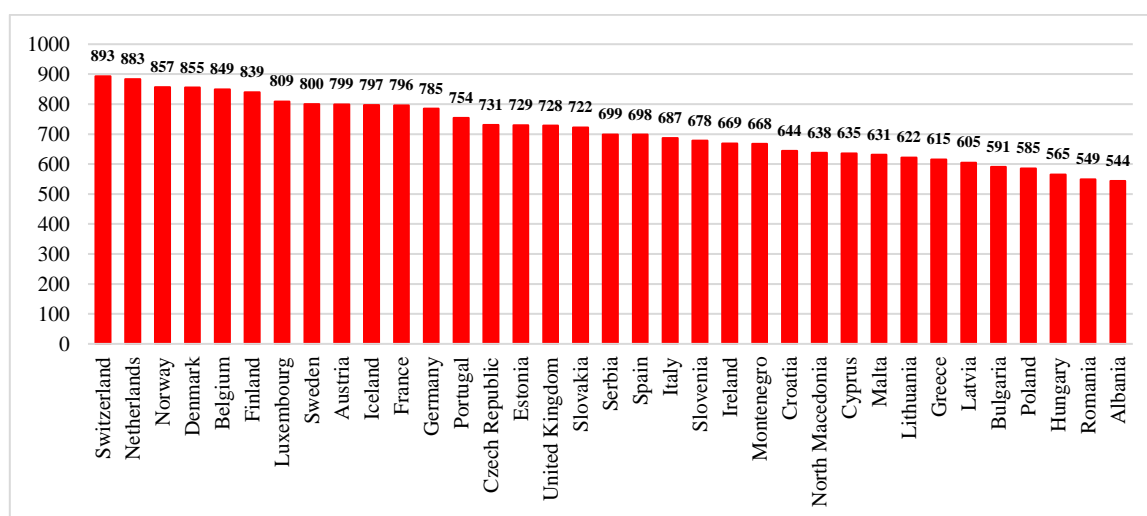
Source: Euro Health Consumer Index, Report, 2017

Some Eastern European countries are surprisingly well-rated, especially Slovakia, Slovenia, the Czech Republic and Estonia, given the much lower per capita health care costs. Romania has the lowest score in this category. In Romania, the system has a strong social orientation, with a low collection base, because the contributors to the system are few in relation to the beneficiaries of the system. In southern Europe, Spain and Italy provide healthcare where excellence can be found.

In general, European healthcare continues to improve, but statistics on health outcomes are still very low in many countries. For example, in terms of mortality risk status number one is represented by cardiovascular diseases, and the fatality of day cases for patients with hospitalized heart attack has to be compiled from several disparate sources. Therefore, this indicator (3.1) has been modified. By analysing the results of Figure 5 - Euro Health Consumer Index 2018 Total scores, it is very difficult to avoid seeing that the upper part of Bismarck countries has small populations, which leads to easier management. Large Beveridge systems seem to have difficulty achieving excellent customer value levels. The largest Beveridge countries are: the United Kingdom, Spain and Italy, are held together in the middle of the Index. The scoring criteria were strengthened on some indicators in EHCI 2018, to maintain the challenging index. However, there are 8 countries in Western Europe that have gathered over 800 points from the theoretical maximum of 1000 (“All Green” on each indicator). EHCI in 2018 rewards real clinical excellence more than in previous years.

The total EHCI 2018 ranking of health care systems, for the first time in the last ten years, does not belong to the Netherlands (Figure 4), which loses 41 points by introducing the two new mental health indicators (now 883 points), Switzerland taking the top position in 2018, which lost only 5 points in tightening the scoring criteria, obtaining 893 points out of 1000.

Figure 5. EHCI 2018 total scores



Source: Euro Health Consumer Index, Report, 2018

In Romania, regarding the analysis performed by the National House of Health Insurance (2018), it is observed that there are minimal variations in the assured perception of the quality of the medical services provided, generally presenting a tendency of satisfaction first of all with regard to the attitude of the medical staff. The patient is more impressed by the degree of empathy with which he/she is offered than by the medical professional expertise.

Public health spending for EU GDP was 7.8 % in 2015. The ratio of health spending to GDP is at least equal to the EU-weighted average in eight Member States: Belgium, Denmark, Germany, France, the Netherlands, Austria, Sweden and the United Kingdom. The Member States with the lowest share of public health cost were Cyprus and Latvia (3.5 %), and the countries with less than 5 % were Bulgaria, Estonia, Lithuania, Hungary, Poland and Romania. The Czech Republic, Germany, Croatia, Ireland, Lithuania, the Netherlands, Austria, Slovakia and the United Kingdom exceeded the EU average (15 % of the total of EU public spending in 2015). The lowest Member States were Cyprus (7.2 %) and Romania (8.4 %), followed by Greece, Latvia, Hungary, Poland (below 11 %) and Luxembourg (11.5 %). A prominent feature in the post-crisis period of 2014, is a visible stratification between the rich and the least rich countries, which is no longer found in 2016. However, the performance of some countries as it shows that the GDP/ inhabitant does not have to be a dominant factor, although it is an upward trend, which we can say that European healthcare is improving over time.

Conclusions

EU intervention in health systems was amplified to provide European citizens or good health, which is a key element not only in the happiness and good individual condition, but also in the wider social context of the social cohesion, productivity and economic development. Public health services continue to be effective, being evaluated by the patient's position on the therapeutic pathway, with a special focus on his/her satisfaction by improving the access to good quality care through the reduction of the waiting time, fiscal policies and social protection relevant to vulnerable categories, provision of quality care according to patients' expectations, promotion and assessing their quality and effectiveness, promotion of healthy aging and prevention of physical degradation of people with chronic conditions. Thus, it will increase the access to quality health services, through care focused on the needs of each patient.

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Aspects regarding tourism business development in the European Union

Geanina BRÎNZĂ*, Gina Ionela BUTNARU**

Abstract

Tourism activities are developed in the field of hospitality and travels, areas of interest both for customers and for the entrepreneurs who meet the customers' travel needs. The efficiency of European tourism arises from diversified tourist services, modernisation of the means of transportation, competitive prices, and quality of the services offered. This research offers an analysis regarding the current state of tourism in the European Union countries and contributes to the improvement of the knowledge regarding the evolution of tourist businesses on the European tourist market, important as decision factors in the future intentions of both consumers and entrepreneurs.

Keywords: businesses, tourism, tourism business, European tourism business, European Union

Introduction

Tourism has continuously developed due to the economic, political, social, technological changes (Moisescu, 2016). The perspective of international businesses involves the awareness of the factors which may influence current tourism, and implicitly the changes in the field of tourist businesses. In this context, globalisation has an important role, because it determined the evolution of international tourist businesses by liberalising the market, the borders, or the labour (Pascariu and Frunză, 2012). The essential aspects to analyse are development policies and strategies, which must be coherent and based on fair regulations, accepted and practiced by all the states (UNTWO, 2019). Consequently, tourism becomes a key element for the economy of each EU country or region due to tourist resources available, which also have the potential to be exploited and capitalised (Coroş, 2014).

Tourism business is in full development. Tourists' new interests, destinations, and technologies, and international policies offer multiple possibilities of market transformation. Competitive tourist packages elaborated by specialists determined permanent changes; these aspects permanently evolve due to creativity, multiple resources, imagination, and initiatives in this field (Barbara, 2013).

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Tourism is important for many countries and regions in the world. According to the data offered by World Tourism Organization (UNTWO) in 2018, tourism in European Union (EU) contributed to the growth of EU GDP by 10%, and generated 26 million jobs, mainly for young people, women, and immigrants (UNTWO, 2018). Europe maintained the leading position on the global tourism market, tourism being the sector with the most rapid growth (1995-2019) in the European economy, proving remarkable resistance and flexibility (UNTWO, 2018).

1. Literature review

1.1. Topicality of the subject

The business environment went through ample transformations, modifications, product replacement, services, or activities. The companies need to adapt to the modifications of the internal and external environment, and this adaptation requires organisational development by the implementation of strategies, leading to a higher efficiency, efficacy, and performance of the economic activity of the company (Chiru, 2014). A business is an ensemble of operations initiated, organised, and led by one or several entrepreneurs, with the purpose of production and sale of goods and/or services to meet customers' needs and to obtain a profit (Ștefănescu, 2017).

Tourism business development is an aspect which needs permanent actualisation of global knowledge, considering the constant necessities of the market. Davenport (2006) define business analysis as follows: "the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions". The modifications are performed based on the analysis of abilities, technologies, applications, and practises of investigation of previous and current commercial performances to obtain knowledge, and to lead the business processes towards the most efficient methods of planning future businesses (Panda, 2013). The analyses conducted confirm the fact that business development creates concerns regarding the too strong dependence of the supplier on the customers, leading to the need of flexibility in tourism business. Standardisation is considered more efficient than customisation (Holloway, et al. 2009). Tourism business has constantly grown, though stagnation or even decrease were recorded 10 years ago due to financial crises or climatic change impact. As major world economies and consumers' trust improved, there was a constant growth of global tourism demand (Wang, et al. 2019). The

forecasts for this field are in the direction of growth, since tourism presents an increasing number of capitalisation areas for its customers.

In 2013, international travels and tourism increased more rapidly than global economy. The prognoses growingly improved, creating opportunities for development and expansion of new tourism businesses. Globalisation played a major role in this growth, with heated debates regarding its effects. Globalisation is a process based on different factors leading to an interrelated world, where every area of market and production, finances and politics, communication and tourism is now globalised and depends on each other (Brelík, 2018).

Emergent aspects of international commerce were discussed within the meetings of July 2019, organised by UNTWO at Geneva. Tourist businesses were presented as the main contributors to the economic growth in several countries, and tourism was the sector with the most rapid growth in the international economy.

Tourism business depends on people's income and on their spending capacity. Until recently, even before the start of the financial crisis in the 2000s, the dominant perception among the analysts was that "the world is increasingly rich, and the consumer has a higher income" (Yeoman and McMahon-Beattie, 2006). The slowing down of the economic expansion in Western highly developed countries after this crisis was accompanied by growingly restrictive governmental economic policies, as well as by the rise of unemployment, and the reduction of job security. According to Cohen (2012), a future decrease of the Western consumers' income will be recorded, leading to a reluctance to spend it on non-essential consumption, like tourism. Consumers' tendencies in the field of tourism are towards the desire of change. The customer is in search of authenticity and transformation and wishes to live like a local (Dastidar, 2016).

In 2019, UNTWO published a report including consumers' tendencies for tourist products and services. According to this report, the number of demands for individual travels is growing, as a result of the population's ageing, or by the growing number of single young people who wish to socialise with unknown people. A healthy life is another direction of tourism business, by wellness and sport tourism, or by tourism performed on foot. The degree of awareness regarding sustainability is growing, thus tourists are interested in world climatic changes, or the effects of plastic.

Tourism business has a long-term development tendency, especially due to globalisation. Therefore, the increased attention to this field, the permanent studies, the interest towards the customer, the new destinations show that tourism will take new forms.

1.2. From tourism to tourist business

The significance of tourism business leads to the importance of knowing terms connecting the businesses to the area of tourist activity.

According to most dictionaries, from an etymological point of view, the word “tourism” comes from the English word “to tour”, which means to travel, to wander, to visit. The words “tourism” and “tourist” spread between 17th and 18th centuries, when British politicians, diplomats or young aristocrats used to go for three years on an “initiation travel” to countries from the European continent, travel generically called “The Grand Tour” (Leiper, 1979).

British Tourism Society approved in 1979 a clearer definition: “Tourism includes any activity related to short term displacements of the people towards destinations outside the space where they live and work, as well as their activities during their stay in such destinations”. This definition is based on the contributions of the researchers Burkart and Medlik (1974).

UNTWO elaborated in 1993 a technical definition (revised in 2008), the most comprehensive and widely accepted. Synthesising all information included in methodological documents elaborated and published by UNTWO, tourism can be defined as “the ensemble of activities developed during travels by the people who travel outside their usual environment, and who come back to their usual environment after a period not more than one year, and whose main purpose of displacement is other than migration or getting a job within a resident organisation in the targeted geographical location or locations”.

The terms used are vaguely understood in tourism industry, therefore it is necessary to make clear distinctions between travel and tourism.

The definition of the concept of tourism is almost impossible. From a statistical point of view, it is easy to make comparisons on similar data, either inter-regionally or internationally (Holloway, et al. 2009), however to conceive a general definition still raises many questions.

The term of tourism is closely related to the businesses; therefore, it would be more efficient to know aspects regarding businesses, and then to understand tourist businesses.

Businesses include practically all the enterprises, firms or companies on the market. They can be classified according to several criteria, and the most relevant for our topic are as follows: type of activity, economic sector of activity, size, type of ownership, openness towards exterior (Roman, 2011). The companies can be as follows: service, handicraft, commercial, industrial companies in tertiary, primary, secondary sector, micro-companies, small, medium and big companies, privately held companies, state-owned enterprises, national and multinational corporations.

The business is analysed from an economic point of view in connection with commerce, and commerce is performed on what is called market. The market is characterised by all the activities of sale-purchase, the place where arrangements between sellers and buyers take place with the purpose of trading goods and services (Nistoreanu, 2005).

The global market is made of an ensemble of national markets integrated in the unitary system. The international market is described as all the relationships established between producers and consumers in different countries in the process of international activity exchange by means of economic transactions, due to international work division (Duhlicher, 2018).

The global market had certain influences leading to the growth and diversification of international commerce.

The global service market includes transactions, services, and material goods which may be exported and imported, respectively, also services involving the commercialisation abroad – displacement of capital, work, information, etc. over the borders (Ionciă, 2007)

Tourist market is included in market services (in particular) and global market (in general), representing the place of confrontation of the tourist offer, which is characterised by complexity, given by the components of the tourist product (goods and services, tangible and intangible elements) (Nistoreanu, 2005). This appeared as a result of joining demand and offer of tourist products and services, determined by the necessity of tourism business development. In this framework, tourist business is an important part of global businesses. When approaching the subject of tourism business, the travels for commercial purposes are particularly referred to and are in close connection with the tourist product, which is practically a service, and not a tangible good. Consequently, tourism marketing specialists' challenge is to make a dream come true: the difficulty to obtain a certain satisfaction is due to the fact that tourism is a heterogenous product, not a homogenous one, i.e. it tends to vary between standard and high quality offered in different time and circumstances (Holloway, et al. 2009).

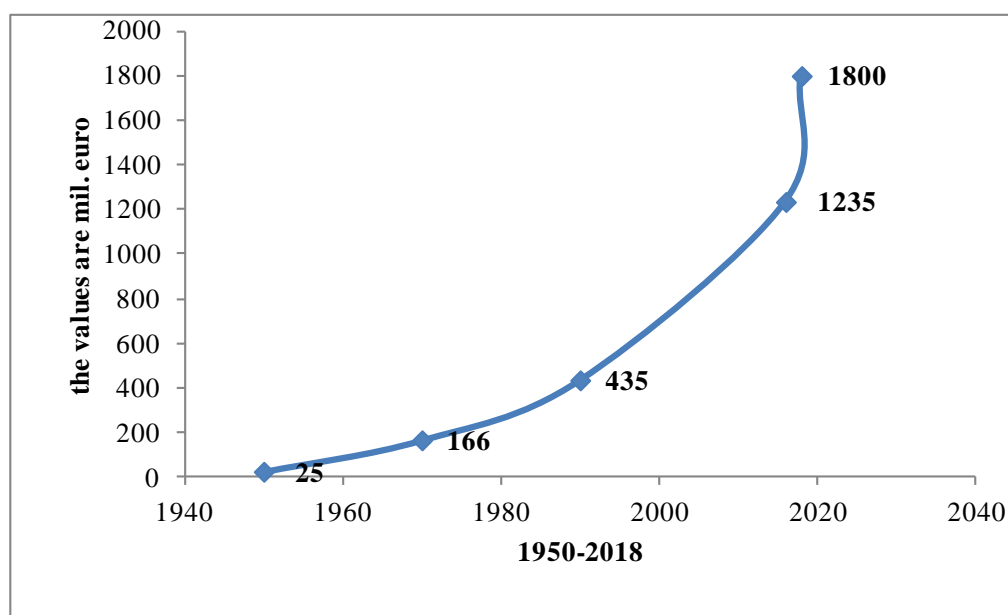
2. Tourism business development stage in the European Union

European Union is an economic and political union including 28 member states with a population of 512.4 million people (European Union, 2018 – data supplied by Eurostat, Demographic Indicators). EU economy is the second biggest in the world, with the value of goods and services produced (GDP) of 15.3 billion euro and a GDP per capita of 29,200 euro (European Union, 2018 - *European Union Tourism Trends*).

According to UNTWO (2019), tourism is growing, and it has an increasing role in global economy. Tourism in September 2019, compared to the same period in 2018, recorded a growth by 4%, i.e. approximately 1.7 billion dollars (1.4 billion euro or 1.3 billion pounds), or approximately 2% of the global GDP. These figures exceeded UNTWO expectations by far.

Tourism had a powerful evolution of the number of international arrivals, which can be seen in figure 1.

Figure 1. Evolution of international tourism between 1950 and 2018



Source: own representation after (Roser, 2020)

In 2018, the number of tourists was estimated to 1.8 billion, higher than in 2016, when 1.2 billion arrivals were recorded. The number of travels is constantly increasing. The data in figure 1 shows that the number of tourist arrivals recorded a growth from 25 million in 1950 to 166 million in 1970, then to 435 million in 1990, and to 1235 million in 2016. In these circumstances, the number of arrivals in 2020 is estimated to be 72 times bigger than in 1950.

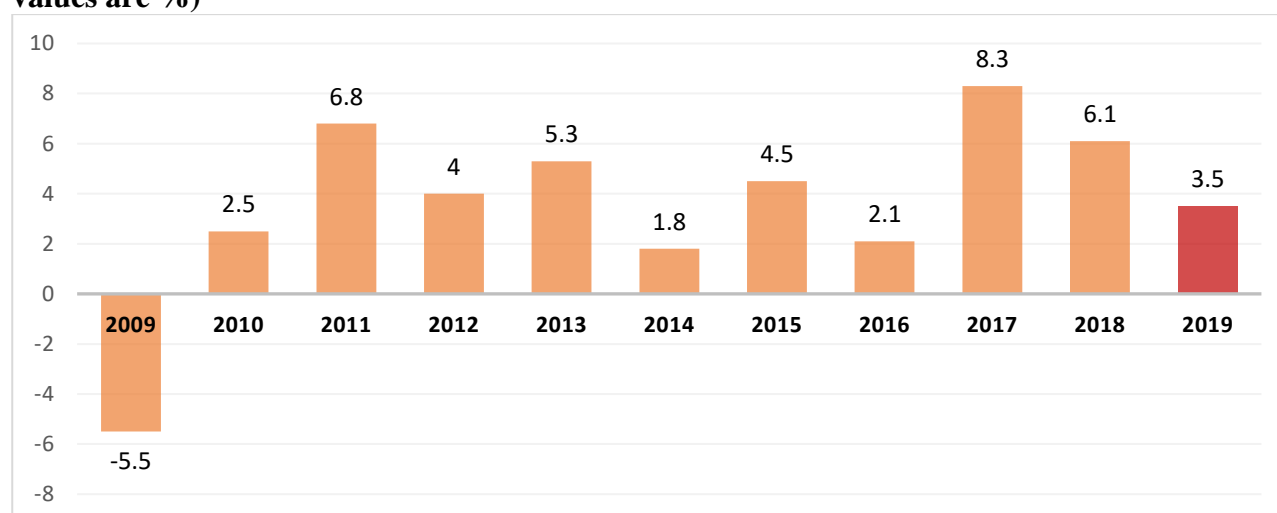
In 2015, one company out of ten from the nonfinancial sectors of European economy belonged to the tourist sector (European Travel Commission, 2019). According to the estimates, there are 2.4 million companies in EU, with approximately 12.7 million people employed. The employees of the companies in the sectors with tourist activities were 9.2% of the employees in all the nonfinancial economic sectors, and 21.5% of the employees in the service sector. The shares of tourist sectors in the total turnover and in the value added to the factor cost were relatively lower, tourist sectors

representing 3.8% of the turnover, and 5.7% of the added value of nonfinancial economic sectors (Eurostat, 2019).

The international economic environment is favourable, global GDP increased by 3.7% in October 2018, the exchange rates were generally moderate, the interest rate was lower, these aspects generating a demand for air travels. In addition, we can highlight the reasons of the higher travel demand due to stable prices of fuel, lower prices (by 60% compared to 1998), which determined a higher demand (by 6%) in the international traffic of passengers measured in the number de kilometres/passenger (World Economic Outlook, 2020).

The year 2019 started for Europe with a positive perspective. After solid performances recorded in 2018, this year was estimated to have a more moderate growth rate by approximately 3.5% (figure 2).

Figure 2. Evolution of the number of international tourist arrivals in Europe, 2009 – 2018 (the values are %)



Source: UNTWO Barometer, 2019

In 2019, a decrease by 2.6% was estimated, compared to 2018. In 2017, it recorded 8.3% in Europe - the highest percentage of tourists for the reference period (2009-2019). Although an increase of the demand in international tourism was recorded, and a growth was declared in the last decade in Europe, European tourist regions continued to lose market shares compared to competitive regions. However, according to reports of European Travel Commission (2019), short term risks like the slowdown of global economy, commercial tensions and political uncertainty do not forecast a decrease or stagnation in international tourism, but its growth.

Europe holds half of the total number of international arrivals and almost 40% of the total number of international tourist revenues. In figures 3 and 4 we can see that it is followed by Asia and Pacific. The lowest level of arrivals and revenues was recorded in 2018, in Middle East and Africa.

Figure 3. Total arrivals in international tourism, 2018

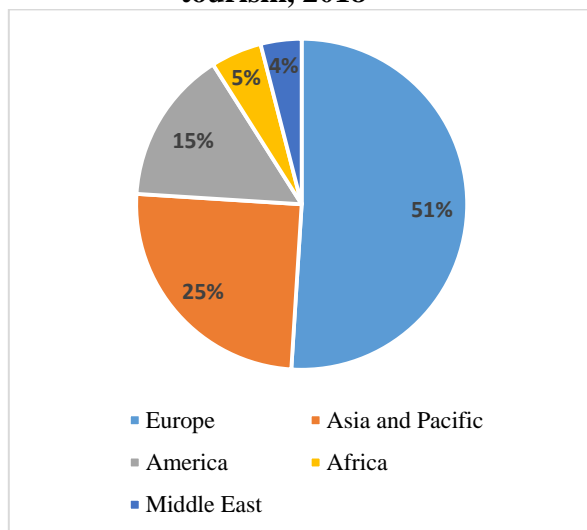
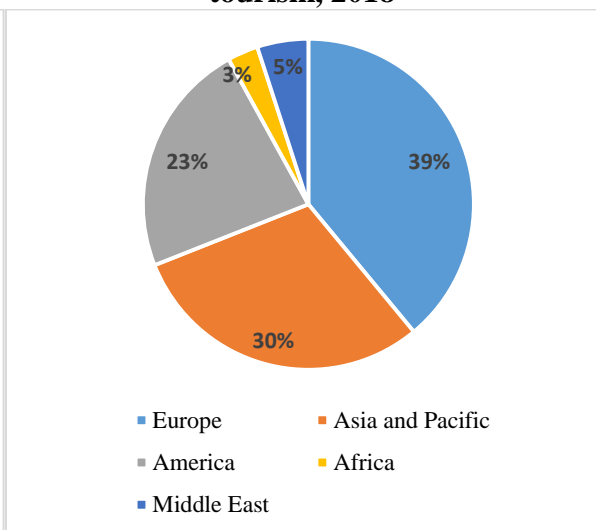


Figure 4. Total revenues in international tourism, 2018



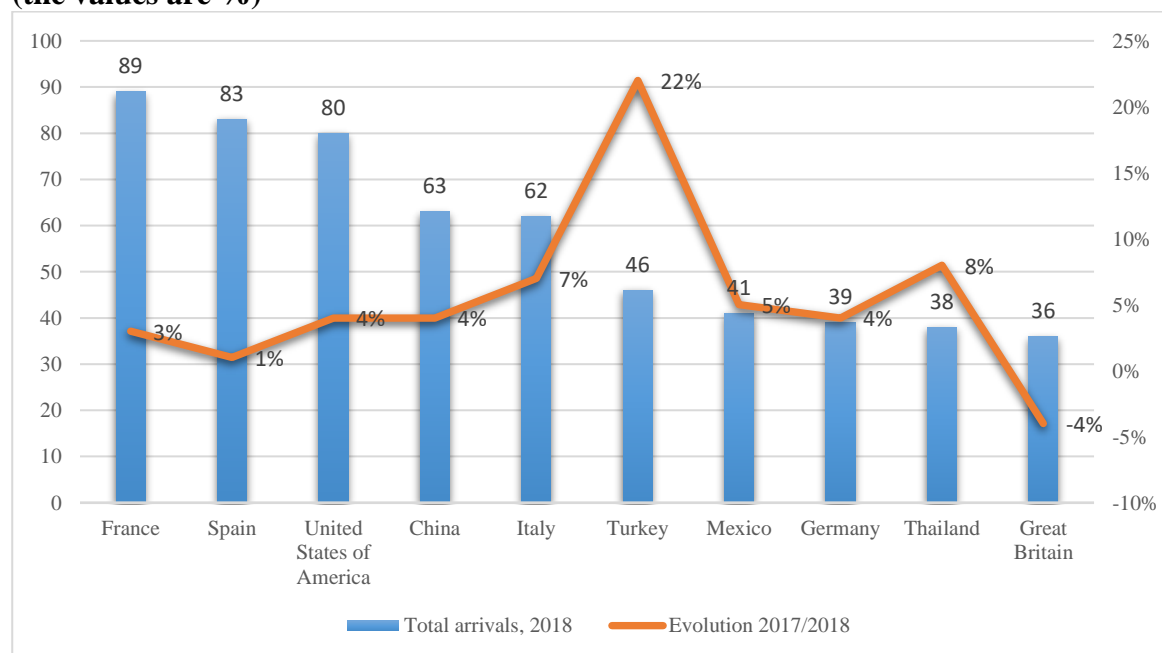
Source: UNTWO (2019)

The potential of Asian states is growing every year. China holds a privileged place in international statistics: in 2014, UNTWO announced that the Asian state was in the fourth place at the top of destinations preferred by tourists (UNTWO, 2019).

Travels may occur for either personal or job-related reasons (business). Travels for personal reasons include hiking for recreation, holidays, visits to relatives or friends, travels for medical or religious reasons, shopping, or transiting a state. Business travels include employees' activities among themselves, involving the relationship with a producer residing in the country or place visited (Yorke, 2013).

In figure 5, Top of international destinations, we can see that Turkey had an increase in the number of tourists by 22% in 2018 compared to 2017. Seaside tourism represents the main attraction of this country, however, cities like Istanbul, Ankara, Antalya, Marmaris, Bodrum attract tourists not only for recreation, but also for shopping or for health. Great Britain is confronted with a decrease by 4% of the number of tourists, and London is one of the international destinations preferred by tourists.

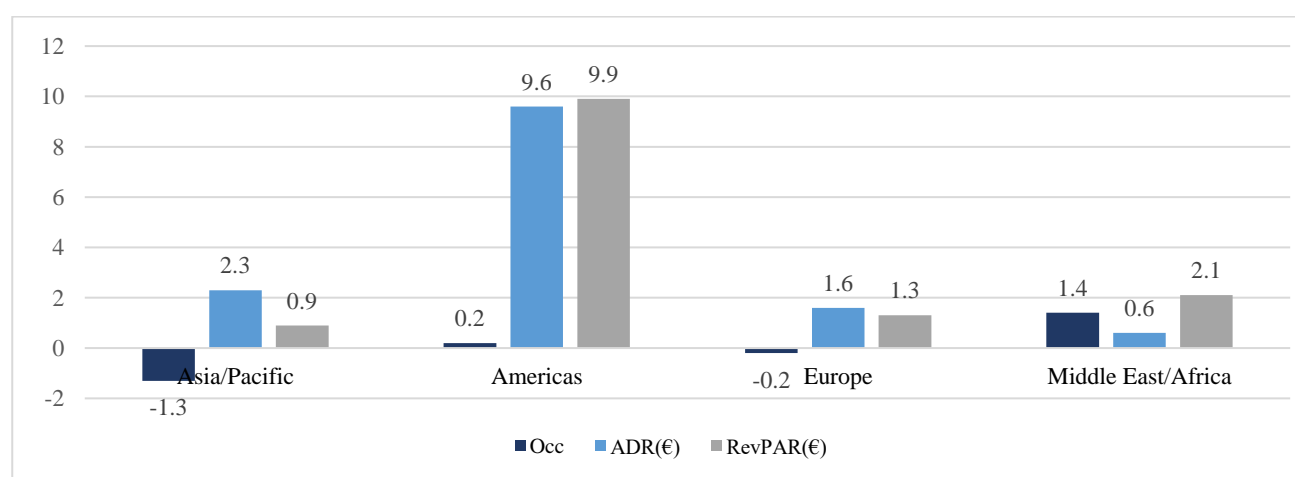
Figure 5. Top of international destinations. Comparative analysis of the evolution 2017/2018 (the values are %)



Source: UNTWO (2019)

The situation of international accommodation is analysed with the help of three indicators: degree of occupation (Occ), price per room – daily average (ADR), and income per room (RevPAR). In figure 8 we can see the hotel global performance, comparison performed between January-March 2018/2019.

Figure 6. Hotel global performance. Comparison January-March 2018/2019 (the values are %)



Source: European Travel Commission (2019)

The result of the comparison between January-March 2019 and the similar period of 2018 shows that Middle East/Africa recorded an increase of the degree of occupation, and America recorded a very marginal growth.

Occupation in Asia/Pacific decreased by 1.3%, and by 0.2% in Europe. RevPAR increased in all regions; in America, this index had the highest growth, by 9.9%, which determined the growth of ADR (9.6%), leading to a lower growth of degree of occupation (0.2%). In Asia/Pacific region, RevPAR increased by 0.9%, and ADR increased by 2.3%, this index trying to compensate for the decline of occupation by 1.3%.

In the Middle East, the degree of occupation increased by 1.4%, but the increase of the price per room was slower, by 0.6%, prices expressed in euro. Nevertheless, RevPAR had a growth by 2.1%, becoming practically the second after America, the most performant region.

In Europe, hotels recorded a growth of RevPAR by 1.3%, which determined the growth of ADR by 1.6%, partly compensated by a marginal decrease of the degree of occupation - 0.2%. In the first trimester of 2019, a slight growth of the degree of occupation was recorded in Europe, however this aspect shows constraints of the accommodation capacity on the big markets, because the degrees of occupation were at highest recorded levels.

Alternative accommodation is necessary to continuously satisfy the demand and to increase the transport capacity.

UNTWO published in 2018 a study regarding the key economic indicators for EU tourist industry (table 1).

Table 1. Key economic indicators for EU tourist industry, 2014

	Number of companies	Turnover (million euro)	Number of employees
Total economy of nonfinancial businesses	23,143,830	26,129,842	134,352,074
Total services	11,375,390	6,016,942	57,188,437
Total tourist industries	2,288,929	973,464	12,271,112
Tourist industries (general tourism)	358,865	446,164	3,194,215
Tourist industries (partial tourism)	1,930,064	527,299	9,076,897
Transport (total)	362,603	253,416	1,903,510
Land transport	348,677	100,122	1,444,218
Intercity railway transport of passengers	266	42,718	306,710
Taxi services	301,914	21,850	601,477
Other land transport of passengers	46,497	35,554	536,031
Water transport	10,071	22,176	114,785
Transport of passengers by sea	6,071	20,577	93,825
Internal water transport of passengers	4,000	1,599	20,960
Air transport of passengers	3,855	131,118	344,507
Accommodation (scope of Reg. 692/2011)	281,161	161,709	2,423,930

Aspects regarding tourism business development in the European Union

Hotels and similar accommodations	151,951	135,285	2,046,553
Short stay units of accommodation	114,058	17,196	286,464
Camping areas, recreation car parks and trailer parks	15,842	9,229	90,913
Food and beverage (total)	1,490,342	321,922	7,251,563
Restaurants and mobile activities of nutrition services	915,685	236,866	5,168,352
Activities of beverage serving	574,657	85,057	2,083,211
Cars and other rentals (total)	53,061	73,513	200,331
Rental and leasing of cars and trucks	39,554	73,334	173,699
Rental and leasing of recreational and sport goods	13,507	2,180	26,632
Tourism agency, tour-operator booking services, and associated activities (total)	101,072	162,904	491,778
Activities of tourism agencies and tourism tour-operators	73,159	153,338	425,778
Other booking services and associated activities	27,913	9,566	66,000

Source: UNTWO (2019)

Table 1 presents the key economic indicators for EU tourist industry in 2014, performing an analysis of the companies according to their number, turnover, and number of employees. We can see that the average number of employees in nonfinancial businesses against the total number of companies is approximately 6 employees, in the accommodation sector there is an average of 9 employees, and in tourism agencies there is an average number of 5 employees per unit. These aspects prove that accommodation services absorb a high number of employees to successfully run businesses in this sector. Tourist sector leads to the growth of the number of well-trained employees and employees' stability at their workplace. This sector has a very high rate of personnel fluctuation, especially in accommodation units, because the organisations are more affected by seasons. The annual income growth, the benefits offered to the employees (bonuses, insurances, other benefits), and specialised training may determine major improvement of tourist service quality.

The total number of companies in EU tourist sector is 2,288,929, the turnover is 26,129,842, and the number of employees in this sector is 12,271,112 employees, i.e. in this field of activity there are averagely 5 employees. The higher trust in the economy of the EU member states, the improvement of economic conditions, the relative stability of the euro, the positive evolution of tour-operators' offers are factors positively influencing the dynamics of this sector.

The nutrition units include the highest number of companies of the total tourism business - 1,490,342, the turnover is 321,922, and the number of employees in these units is 7,251,563, which shows an average of 5 employees.

According to the number of companies from EU tourist sector, we can see that the nutrition units are in the first place, followed by transport businesses, and by accommodation units. According

to the turnover and number of employees, we can see that the nutrition units hold the first place in the total tourism business, followed by the accommodation units and by land transport.

Over half of the total number of trade units belong to public food, the nutrition unit network is diverse, ranging from classical restaurants to modern ones, with quick serving. Public food in the EU states has experienced a great development, higher than other trade sectors.

Businesses have advantages and disadvantages: diversified products and services, competitive prices, growing competition are aspects determining the appearance of new businesses satisfying the customers' sophisticated demands, or requiring the improvement of current services.

Conclusions

Tourist industry exploded in the last decades, and the number of holidays continues to grow. The increase of the time available for travels, competitive products and cheaper transport in the EU space determined the ascending evolution in tourist industry. International tourism recorded a massive increase of arrivals from 1950 up to present. The EU countries hold 51% of the total arrivals and 39% of the total revenues in international tourism.

The density of tourism in the European space rises to the highest level compared to international tourism. Air transport became the tourists' favourite travel means.

Due to elaborate policies in the European tourism, to the evolution of commerce, of transport (internal and external), businesses developed at European, national, regional, and local level. The intermediary role of tourism combines with technology, transport, hotels, restaurants, pubs, or tourist attractions, generating 2.4 million businesses functioning in the European tourist sector.

Tourists from the EU space are interested in art, architecture, experimenting cultural values. It is possible that EU tourism market takes different forms in the developed countries, because the specialists in the tourist field continue to improve and to customise their service offers to satisfy the customers' sophisticated travel needs. These aspects determine the appearance of new types of businesses which the entrepreneurs can develop in the EU.

The evolution of businesses developed in tourist industry determined the appearance of the suppliers who offered services to the customers for a different quality and for different prices. The traveling public has access to information and requires improved tourism services, forcing the managers in the field to seek solutions regarding the prices and the quality of the services offered.

European tourist industry showed an ascending evolution in the reference periods analysed in this article, and this information offers a promising perspective for the future.

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Declarative vs. operational in the orientation of the non-reimbursable financing programs of investments towards sustainability

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Abstract

Sustainability is one of the topics with undeniable relevance both in research and in global society. The objectives of the research aim to determine the proportions of the economic, social and environmental criteria within the project selection process, to segment the selected projects according to the sustainable approach dimensions and to highlight the sustainable and unsustainable investments made with European funds. The research methodology is mixed, quantitative and qualitative. For our research we have adapted an instrument developed by UNOPS, called Sustainability Marker, by using three of the four proposed major groups: social, environmental and economic. The results of the study support the main research hypothesis, namely an orientation towards sustainability at the programmatic level, but with relatively small proportions of the environmental and social objectives within the selection criteria, the implementation of the selected projects and the functioning of the investment objectives.

Keywords: sustainability, project, project management

Introduction

Studies and research that focus on sustainability in general, but also on how it is included in project management, have experienced an exponential growth in the last period (Silvius, 2017, p. 1479). For a project, we can highlight an integrated approach of sustainability, related to how the addressed area, the purpose and objectives, activities and target group are compatible with the dimensions of sustainability (cumulatively targeting economic, social and environmental aspects), but also we can emphasize a narrow approach, a pragmatic one, related to the project's ability to generate positive effects for 3-5 years from its completion date.

Projects are considered to be tools with a real potential to respond efficiently and effectively to the problems of society, thus being implicitly correlated with the sustainable approach. Through the projects important changes of the different types of organizations are sustained, which aim at the

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diversification of the offer, the improvement of the endowments, the internationalization, the training of the personnel, all of them being oriented towards the increase of the adaptability of the organization to the external environment, the improvement of the competitiveness, with the clear purpose of maintaining the organization within the community. Certain characteristics of the projects (short-term orientation, non-inclusion in a strategic direction, prioritizing the attraction of external funds at the expense of meeting a real need) induce difficulties in ensuring a real sustainability, the criticisms regarding the waste of the European funds having support in multiple examples.

In order to complete the research, we focused our attention on different projects related to the 2007-2013 and 2014-2020 periods and financed through European structural and investment funds (ESI funds) within Regional Operational Programme (ROP), National Rural Development Programme (NRDP) and Joint Operational Programme Romania-Ukraine-Republic of Moldova / Romania-Republic of Moldova (JOP RO-UA-MD / RO-MD).

1. The integration of the sustainability dimensions into the project design

Sustainability is one of the topics with undeniable relevance both in research and in global society. However, the way in which the principles of sustainability are transposed in the economic and social sphere is the subject of some debates on adequacy, optimization and specific regulation.

Although initially the sustainable development was intended to be a solution to the ecological crisis, at present the concept has expanded on the quality of life in its complexity. A sustainable society is considered to be the one that designs its economic and social system so that the natural resources and life support systems are maintained (Brown, 2003). Although the definition of the concept of sustainable development is quite vague, the regulatory systems have been developed and accepted to fulfill the condition of sustainability (Bleischwitz and Hennicke, 2005). The European non-reimbursable funding programmes are an essential instrument of the economic development process and within the policies for bridging the gaps between rich and poor regions, a process that follows a unitary and correlated to the present and the future approach, in other words, by taking into account the concept of sustainability and introducing the ecological aspects into the equation of achieving the human welfare (Dasgupta, 2007).

The objectives of the companies are oriented primarily towards the economic field, to achieve profit and to maximize the market value. The other objectives included in the theory of sustainable development, social and environmental ones are considered secondary, being associated with increased costs and reduced competitiveness. If the financing of a company's investment is made from

public and non-reimbursable funds, then the conditioning of these funds to meet certain criteria related to social and environmental spheres is an effective tool for boosting the adoption of sustainability principles in the economy.

The attention to the topic of sustainable development have raised after the publication of the Brundtland Report in 1987 (World Commission on Environment and Development, 1987). This report highlighted that the resource scarcity, tremendous growth of world population and the threat of climate change caused numerous environmental and social problems. In this context, sustainability should be a top priority for the investment projects (Kudratova *et al.*, 2018, pp. 469-471).

In the field of project management, a much more applied definition of sustainability is used, with direct reference to the project, respectively the capacity of the project to generate positive effects after the end of the funding. The term is an imported one and is more difficult to understand directly, without further explanation for those involved in the project. As (partially) synonyms in the documentation specific to the financing programs appear terms such as: sustainability, durability, visibility, exploitation of results, impact, multiplier effect, replication potential.

The analysis of the relevant literature in the field of project management draws a clear conclusion: project sustainability represents a gradually emerging discourse (Aarseth *et al.*, 2017, p. 1074). Starting from the 3 criteria that define a school of thought, it is concluded that the sustainability qualifies as a new school of thought in project management (Silvius, 2017, p. 1491). Analyzing the relationship between the complex concept of sustainability and the criteria that define the success of a project, a model has been highlighted (Silvius and Schipper, 2015, p. 340) that correlates 9 dimensions of sustainability and 6 dimensions that define the success of a project. Through an analysis based on feedback from 21 project governance experts and an international survey of 333 projects, it was established a close connection between the effective project governance and the project success, with a projection on the project's contribution to the implementation of the organizational strategy (Musawir *et al.*, 2017, p. 1668).

For a project, sustainability is measurable, but it is considered difficult to quantify. A specific assessment of the situations of risk or, in certain areas, of uncertainty represents a more advisable approach. Measuring the sustainability of projects includes (Manolescu, 2006, p. 42):

- a financial component - identifying and specifying the possible sources of financing to be used after the completion of the project in order to ensure the functioning of the systems created or the assets acquired, or for the continuation, even at a lower level, of the activities or services carried out during the projects;

- an institutional component - integrating the results of the project into an already existing organization or functioning as a new entity, for which there is a public or private undertaking; the resulting system is perfectly functional from a technical, legal point of view and has a sufficient market demand; the intellectual property of the project results is appropriated;
- at policy level - the structural impact of the project (better legislation, codes of conduct, methods, methodology in various fields, etc.);
- an impact type component – improvement of target group situation, improvement of the managerial and technical capacity of the applicant organization and partners;
- a “multiplier effects” type component - the possibilities of replicating and expanding the project results (how the project could be replicated in other areas, in other fields, strictly correlated with the capacity to inform about the project results, to disseminate the results in relevant context).

From the point of view of the project promoter, we can highlight a few key moments for defining the sustainability of a project:

- outlining the project idea - when sustainability is vaguely specified;
- substantiation - writing the documentation: here, in order to obtain a higher score after the evaluation, there is the tendency to approach sustainability at a declarative level;
- implementation - during this period, the focus of the team is on completing the project activities and obtaining the results according to the contracted indicators; In general, sustainability is given a low importance;
- post-implementation / monitoring - during this period, the regrets for the ambitious levels of the project results configured in the financing request (number of employees, turnover etc.) appear, the functioning of the systems created by the project being affected by multiple internal and external factors; the non-fulfillment of the indicators assumed in the sustainability period has repercussions on the reimbursement of the funding awarded under the program, including the possibility of full refund of the amounts awarded as non-refundable.

From the point of view of the project managers, according to an analysis carried out on a sample of 143 project managers, the key factors of the sustainability of the projects are represented by 4 complex structures: Sustainable Innovation Business Model, Stakeholders Management, Economic and Competitive Advantage, and Environmental Policies and Resources Saving (Martens and Carvalho, 2017, p. 1094). The sustainability is determined by the approach of the project managers, with a major ethical component; if an increase of the orientation towards sustainability is desired at the organizational level, the process is initiated by identifying and characterizing the set of key competences to be developed at the level of the project managers (Marcelino-Sadaba *et al.*, 2015, p. 12).

The sustainability of the projects can benefit from a favorable context (related to the organizational stability, variety of services / programs - alternative use, extensive partnerships) or from an unfavorable context (lack of / inappropriate strategic approach, numerous internal and external constraints). The situation with the greatest negative impact on the sustainability of the projects is that of the structural changes - characteristic of the emerging economies or of the companies that have changed the political regime. Structural changes refer to profound changes that affect the organization's long-term activity, have implications at the system / institutional level, change the reference model / "game rules" and the external factors of influence change, so that the rigorous planning realized in the project-specific documentation, included at the level of risk analysis, loses (partially) its usefulness. Although there are theoretical recommendations for inclusion of aspects that go beyond the classical framework of the characteristics and tools specific to project management (long-term orientation instead of medium and short-term ones, considering the interests of the stakeholders and not the direct clients of the project, the use of resources taking into account first of all the ecological characteristics and not the cost or economic efficiency) in order to include sustainability in the management of the projects, the implementation of these recommendations is much delayed (Økland, 2015, p. 108).

Barriers to the integration of sustainability are diverse, and can be classified into two broad categories, each with 4 complex dimensions (Stewart *et al.*, 2016, pp. 25-26):

- barriers within company's boundaries: *structural* (as, for example, non-adapted performance measurement and incentive systems, lack of goal translation to functional /department basis, difficulty to define relevant sustainability performance metrics / perform reporting); *political* (difficulty to elaborate business case, conflict, difficulty to manage trade-offs, low priority on agenda, short term priority); *human* (lack of skills/knowledge/training) and *cultural* (skepticism regarding potential benefits, lack of entrepreneurial spirit / room for out-of-the-box thinking);
- barriers beyond company's boundaries: *regulation* (multiple / complex / changing regulation), *market* (lack of understanding / knowledge among customers, low market demand / willingness to pay, lack of competitiveness), *technology & tool* (lack of industry-specific information / benchmark / reference cases, dependency on available technology), *value network* (dependency on current infrastructure / value network setting, lack of trust, reluctance to sharing information / making joint investments, current / future locked-in situation or lack of bargaining power against other players).

2. The evaluation of the sustainability during the project selection process

At the level of the managing authority of the program, the key moments for defining and measuring the sustainability of the projects are:

- the programming stage, when the specific aspects of sustainability are distributed on the horizontal objectives, the specific objectives and the evaluation grid;
- the stage of evaluation and selection of the projects to be financed;
- the post-implementation evaluation stage, when is verified the fulfillment of the specific conditions of sustainability by the project beneficiaries.

Horizontal objectives or themes are direct ways to orient the obtaining of non-reimbursable funds towards the achievement of social and environmental objectives. Thus, for the current programming period, two horizontal themes have been selected to be integrated into the projects financed from the European Structural and Investment Funds: Equal opportunities and equal treatment and sustainable development (Guide on the integration of horizontal themes in the projects financed from the European Structural and Investment Funds 2014-2020, p. 1). In the period 2007-2013, the horizontal objectives that had to be integrated in the projects financed by the European Social Fund were equal opportunities, sustainable development, innovation and ICT, active aging, transnational approach (Sectoral Operational Program Human Resources Development 2007-2013, Applicant's Guide - General Conditions, pp. 41-42).

The selection process of the projects is a prioritization of them in a portfolio based on a benefit cost relationship for each project. Thus, projects will have a higher priority if they record higher benefits, when compared to their costs. In this context, the main challenge is related to finding criteria that can capture outcomes instead of just basic outputs (Vargas *et al.*, 2014, p. 73). Vargas *et al.* (2014) concluded that there is no perfect model that could cover the right criteria to be used for any type of organization when prioritizing and selecting its projects. The criteria to be used by the organization should be based on the values and preferences of its decision makers (p. 73). Projects can only be considered sustainable if they address the impacts on a broader set of stakeholders, including generations not yet born.

In general, the methods of project selection are divided into four subcategories (Jiang and Klein, 1999, p. 63): comparative approaches, scoring models, benefit contribution or economic models, optimization methods. A project selection approach usually includes three major steps (Jiang and Klein, 1999, p. 64):

1. identify and select criteria;

2. weight the criteria and build consensus about their relative importance;
3. evaluate the project proposals using the weighted criteria.

From a sustainable perspective the scientific literature distinguishes between *traditional project selection methods* and *sustainable project selection methods*. Traditional project selection methods used to focus only on net present value without consideration of sustainability. This category of methods can rely on uncertainty theory, on real option analysis (Mohamed and McCowan, 2001), on probability theory or even fuzzy set theory (Kilic and Kaya, 2015). On the other hand, sustainable project selection methods have developed from traditional ones by incorporating the sustainability concept into decision-making process (Silvius *et al.*, 2017, p. 1139). Many researchers (Kaveh *et al.*, 2012; Kaveh and Soheil, 2013) considered social, environmental and economic goals as the three pillars to be incorporated into a sustainable project portfolio selection.

Incorporating sustainability into project selection processes can increase companies' competitiveness and their value. As a good example we brought the study of Tan *et al.* (2015), where researchers analysed the relationship between sustainability performance and business competitiveness and found an inverse U-shape relationship of contractors' performance and international revenue growth.

Vargas *et al.* (2014) presented the selection criteria implemented by the United Nations Office for Project Services (UNOPS) to address social, environmental and economic sustainability in humanitarian and development projects. In order to analyse projects above and beyond the traditional financial criteria so the real impact of the project to meet the sustainable development goals, UNOPS developed a specialized internal tool called Sustainability Marker using a set of twenty-five themes in four major groups:

- *Social* –gender, population, vulnerability and other aspects related to the community where the project is being implemented;
- *Environmental* –air, land, water and biodiversity where the project is being implemented;
- *Economic* – the economic relevance for the community, job generation, equity and livelihood;
- *National Capacity* –the use of local capacity to deploy the project including skills and knowledge, corruption, political and social stability.

A survey conducted among 88 members of the Data Processing Management Association from USA found that organizations with high strategic expectations rely heavily on organizational goals, management support and environmental factors, while those with low strategic expectations choose criteria based on management support, political considerations, and risk. In this context managers can

select the specific criteria according to their strategic expectations. Also, if an organization wants to switch its strategy, it should not continue to select projects focusing on political and risk considerations (Jiang and Klein, 1999, pp. 70-71).

Kudratova *et al.* (2018) have developed a novel optimization approach incorporating sustainability cost and reinvestment strategy in the traditional project investment practices. They concluded that range of sustainability cost significantly influences investors' objective value and optimal project selection decision. Investors' project selection decision and maximum objective value is obtained at 3% sustainability cost (Kudratova *et al.*, 2018, pp. 474-478).

Although an increase in the weight of sustainability criteria in project selection can be highlighted, studies still show a dominance of the triple constraint criteria - time, cost and quality (Silvius *et al.*, 2017, p. 1145).

3. Methodology

The premise of our research is the discrepancy between the declarative level of the orientation of the non-reimbursable financing programs towards the principles of sustainability, presented within the programming documents, and the operational level, which can be highlighted in the selection criteria of the investments, in the implementation of the selected projects and in the functioning of the investment objectives after the finalization of the projects. This assumption from which we start is convergent with the conclusions of other studies, according to which there is a consistent gap between the importance given to the dimensions of sustainability at a theoretical level and the actual degree of implementation of these principles (Økland, 2015; Stewart *et al.*, 2016).

The objectives of the research aim to analyze the orientation of the main operational programs in Romania towards sustainability, to determine the proportions of the economic, social and environmental criteria within the project selection process, to segment the selected projects according to the sustainable approach dimensions and to highlight the sustainable and unsustainable investments made with European funds.

To illustrate the theoretical aspects regarding the integration of sustainability in the project management, we selected the relevant articles that resulted from a filtering by the keywords "project management" and "sustainability", carried out by conducting searches in Google Scholar and the Thomson Reuters Web of Science. Most of the resulting articles come from *Journal of Cleaner Production* and *International Journal of Project Management*.

The research methodology is mixed, quantitative and qualitative, on a documentary basis and through interviews at the level of the development agencies that manage the analyzed programs. For our research we have adapted an instrument developed by UNOPS, called Sustainability Marker, by using three of the four proposed major groups: *social*, *environmental* and *economic*.

For documentation we used the analysis of the programmatic documents specific to the 3 analyzed programs (Regional Operational Programme - ROP, National Rural Development Programme - NRDP and Joint Operational Program Romania-Ukraine-Republic of Moldova / Romania-Republic of Moldova) and the evaluation grids used for the different categories of projects. We also performed a content analysis based on the lists of projects selected for funding during the 2007-2013 and 2014-2020 periods for all measures of these programs (except for the technical assistance measure, which is of little relevance for illustrating sustainability, having a predominantly technical character).

The interviews were held with managers from the regional bodies of the 3 programs and addressed issues regarding the way the managing authorities include sustainability issues in the selection and monitoring process, as well as to illustrate the causes that contribute to the lack of sustainability of the funded projects. To illustrate the categories of unsustainable projects, we used the case study method. The case study method is used for sustainability analysis, especially for large infrastructure projects (Kivilä *et al.*, 2017).

4. The Principle of Sustainability within the Programming Documents for the periods 2007-2013 and 2014-2020

The principle of sustainability has been strongly promoted during the 2007-2013 and 2014-2020 programming periods, fact that can be proved through the analysis of the related programming documents, the National Development Plan 2007-2013 and the National Strategic Reference Framework 2007-2013 or Partnership Agreement 2014-2020. The main highlights of the analysis can be seen in the Table 1.

Table 1. The analysis of the programming documents for the 2007-2013 and 2014-2020 periods

No.	Programming document	The “density” of sustainability ¹	The evidences of sustainability
1.	<i>National Development Plan 2007-2013</i>	183	<ul style="list-style-type: none"> - It was designed in terms of meeting the Lisbon and Gothenburg objectives, namely to increase competitiveness, full employment and sustainable environmental protection: “<i>The development strategy 2007–2013 is based on the achieving the Lisbon and Gothenburg objectives, namely increased competitiveness, full employment and sustainable environmental protection.</i>” (NDP 2007-2013, p. 5). - The establishment of development priorities for the programming period 2007-2013 was made by reporting to the National Strategy for a Sustainable Development (Horizon 2025): “<i>The national development priorities ensure the continuity with the strategic guidelines of the NDP 2004–2006 and draw together the elements of the sectoral policies and the regional development policy, including the view of National Strategy for a Sustainable Development.</i>” (NDP 2007-2013, p. 244).
2.	<i>National Strategic Reference Framework 2007-2013</i>	107	<ul style="list-style-type: none"> - It integrates the objectives of the Lisbon Agenda and the Gothenburg Strategy: “<i>The NSRF demonstrates how Romania intends to integrate the sustainable development objectives as defined in the renewed Lisbon Agenda and the Gothenburg Strategy.</i>” (NSRF 2007-2013, p. 9). - The strategic framework includes the point of view of the National Strategy for a Sustainable Development: “<i>This strategic planning draws together the elements of the sectoral policies and the regional development policy, including the view of Romania’s National Strategy for a Sustainable Development</i>” (NSRF 2007-2013, p. 86).
3.	<i>Partnership Agreement 2014-2020</i>	159	<ul style="list-style-type: none"> - It analyzes the arrangements to ensure alignment with the Union strategy of smart, sustainable and inclusive growth: “<i>Arrangements to ensure alignment with the Union strategy of smart, sustainable and inclusive growth as well as the fund specific missions pursuant to their treaty-based objectives, including economic, social and territorial cohesion</i>” (Partnership Agreement 2014-2020, p. 1). - Out of the 11 thematic objectives, 5 refer to the principles of sustainable development. Even the other thematic objectives incorporate priorities for sustainable development.

Source: Authors’ representation

The conclusion that can be drawn from this analysis is consistent with the premise of the research, namely a high degree and a persistent temporal incorporation of the sustainability dimensions in the documents of the financing programs.

5. The analysis of the project evaluation grids for the 2007-2013 and 2014-2020 programming periods

In order to evaluate the real implication of the sustainable principles within the projects related to the 2007-2013 and 2014-2020 periods we decided to analyse the technical and financial evaluation grids used for the project selection within *Regional Operational*

¹ How many times the term “sustainability” or words with the “sustainable” root are used

Programme (ROP), National Rural Development Programme (NRDP) and Joint Operational Programme Romania-Republic of Moldova (JOP). The main highlights of the analysis can be seen in the Table 2.

Table 2. The analysis of the technical and financial evaluation grids used for the project selection within Regional Operational Programme (ROP), National Rural Development Programme (NRDP) and Joint Operational Programme Romania-Republic of Moldova (JOP)

No.	Program	Number of analysed evaluation grids	The weight of the sustainable principles	Highlights
1.	ROP 2007-2013	5 technical and financial evaluation grids	between 12% and 18% of the evaluation criteria	<ul style="list-style-type: none"> • Most of the grids focus their attention on sustainable development and energy efficiency, analyzing and evaluating if the projects respect the minimum legal requirements for protection the environment and energy efficiency • In the cases of the projects financed through the Priority Axis 5 (Sustainable development and tourism promotion), the evaluation grid goes further, analyzing if the applicant identifies the potential impacts on water, air, soil and subsoil, noise and vibrations, etc., both during the investment period and during the operational period. • The priority axes that aim to improve the competitiveness of small and medium-sized enterprises or try to develop health, social and educational infrastructure don't pay a great attention to the sustainable principles, allocating them less than 10% of the total evaluation criteria.
2.	ROP 2014-2020	12 technical and financial evaluation grids	between 6% and 52% of the evaluation criteria	<ul style="list-style-type: none"> • The priority axes that support the transition to a low-carbon economy or focus on sustainable urban development are more dedicated to the sustainable principles, allocating them between 42% and 52% of the evaluation criteria.
3.	NRDP 2007-2013	15 evaluation grids	between 9% and 30% of the evaluation criteria	<ul style="list-style-type: none"> • The technical evaluation criteria of the projects refer to the complementarity of the project with the measures related to the grant programs, which include agri-environment measures (related to the improvement of the balance between the need for economic development of rural areas and the sustainable use of natural resources, addressing the problem of abandoning agricultural activities in disadvantaged areas, protecting the environment for the conservation of flora and fauna etc.). • More than 63% of the grids use the sustainable principles in order to evaluate if a project is eligible for funding and deserve to move to the next evaluation stage, the scoring. • During the eligibility evaluation stage a project is checked if it uses renewable energy sources, if it contributes to the reduction of green house gas emissions and ammonia emissions from agriculture, if it provides for manure management platforms, according to environmental standards etc..
4.	NRDP 2014-2020	11 general evaluation grids	between 0% and 15% of the evaluation criteria	<ul style="list-style-type: none"> • Only 45% of the analysed grids use the sustainability as a scoring criteria, in most of the cases these criteria referring to the production and marketing of organic products or to the approaches related to water saving.

5.	<i>JOP Romania- Ukraine- Republic of Moldova 2007-2013</i>	2 evaluation grids	12,5% of the evaluation criteria	<ul style="list-style-type: none"> • General aspects are targeted – orientation towards horizontal objectives (does the proposal contain specific value added elements: sustainable development and environmental issues?) and aspects related to post-implementation sustainability (tangible impact on target groups, multiplier effects, and financial, institutional, environmental and political sustainability of the expected results). • One of the 3 funded measures is directly oriented to sustainable development • Although the share of sustainable criteria is very small, the hard projects that manage to pass the technical and financial assessment are subject to a new evaluation stage by checking the additional documents (evaluation of additional documents grid). Among others, within this stage the Environmental Impact Assessment is checked for each project partner executing an infrastructure component. If the document does not meet all the necessary criteria, the project is rejected.
6.	<i>JOP Romania- Republic of Moldova 2014-2020</i>	2 technical and financial evaluation grids	between 2,8% and 4% of the evaluation criteria	

Source: Authors' representation

From the interviews conducted with the three managers from the implementation agencies of the 3 programs, it was also confirmed the relatively low importance of the aspects regarding sustainability in the selection process, a possible motivation being given by the accentuated subjectivism of the specific evaluations, the lack of preparation of the evaluators in this field, as well as the preponderance of other priorities (related to economic development). The conclusion that can be drawn from this analysis is, again, consistent with the research premise, respectively a low degree of consideration of the principles of sustainability at a pragmatic level. In most evaluation grids, the proportion granted to sustainability issues does not exceed 20%, which is a prerequisite for a low attention to these aspects paid by the promoters of the projects and also a premise for obtaining a low sustainability of the implemented projects.

5. The analysis of the orientation towards sustainability of the selected projects

Starting from the premise that the sustainability quality of 'hard' deliverables, such as capacities / infrastructure projects, is more visible or measurable than that of 'soft' deliverables - of training human resources, of making databases, (Huemann and Silvius, 2017, p. 1069), it is advisable that the sustainability analysis of the projects must be done according to the type of projects. „Sustainability is too important for the future of the project management profession to be addressed in generalizations” (Silvius, 2017, p. 1491).

Thus, Capacity / Investments type projects are those for which the sustainability is the most difficult to insure at institutional level and involves the biggest financial effort. Often involves additional jobs, but it is essential in project evaluation and post-implementation monitoring.

For the projects targeting human resource development, sustainability mainly involves demonstration of the use of post-implementation equipment for similar purposes and to monitor the situation of the target group who participated in the training. For the projects that aim the launching of new products / services, sustainability requires to ensure the demand for these products during the post-implementation period and to ensure the conditions for the provision of services (e.g. accreditation, qualified staff coverage). Studies show that there is a close connection between the innovative-ecological methodology of these projects and the integrated orientation at the organizational level (Brones *et al.*, 2014, p. 116). For infrastructure projects, aspects relevant to the 3 dimensions of sustainable development include (Kivilä *et al.*, 2017, p. 1175):

- economic: positive (using local sub-contractors, cost savings), or negative (strategic partnerships and alliances, frequently encountered in the realization of these projects can cause sub-optimization);
- environmental: positive (dust-binding and noise-reducing work methods, comprehensive environmental effects measurement) or negative (decreased groundwater level);
- social: positive (fast decision through collaboration with the customer, improvement of public image, transparency) or negative (the opposition of many members of the community in the first phases of the project, the great investments being perceived as having major environmental implications).

Within the projects of the construction industry, the most important factor of integrating the sustainability in all the stages of their development (from the definition of the idea to the commissioning of the built system) is the pressure of the stakeholders - if they consider the aspects of sustainability as important, they will be integrated into the project management (Banihashemi *et al.*, 2017, p. 1115). The same conclusion, namely that for suppliers integrating sustainability in projects is strongly dependent on the demand and willingness of the customer to pay for sustainability, came from another study with 19 participants of 9 engineering and construction companies (Peenstra and Silvius, 2017, p. 62).

According to a study carried out on 121 construction projects, an integrated project management (with components of sustainability) leads to an increase of the performance of these projects in the

field of construction, which besides the traditional aspects of cost, term and quality includes another 2 components - safe and client satisfaction (Demirkesen and Ozorhon, 2017, p. 1646).

Our analysis aimed to determine the proportion of the projects admitted to financing within the different calls of the programs and directly oriented to sustainable development, to determine the types of projects, for which differentiated procedures for measuring the sustainability could be applied, and to identify relevant case studies to illustrate the consequences of superficial treatment of sustainability issues. The analysis of the lists of projects funded on the 3 programs included in the study (**ROP**, **JOP** Romania-Ukraine-Republic of Moldova / Romania-Republic of Moldova and **NRDP**, for both programming periods, 2007-2013, respectively 2014-2020 - till now) followed the way in which the project promoters integrate the principles of sustainability directly, by including specific expressions in the title and / or within the purpose of the project.

The expressions taken into account as direct declarations of the awareness of the importance of integrating sustainability in project management are: sustainable development, sustainability, circular economy, energy efficiency, ecological, eco-efficiency, environment, waste processing / recycling, renewable resources, decontamination, non-polluting, degraded land conversion, carbon emission reduction, green space / park, quality of life, equal opportunities, cultural / natural heritage, as well as their derivatives. An additional category in the analysis was the projects that specified explicit social objectives (orientation towards disadvantaged target groups, job creation, location in disadvantaged areas etc.). From the analysis of the lists of projects financed under the **ROP** 2007-2013 (<http://www.old.inforegio.ro>) totaling 4560 projects (15 measures and sub-measures, without those within the technical assistance axis), it was found that a number of 315 projects contain terms related to the concept of sustainability (6.9%), and an additional 139 projects have explicit social and / or environmental objectives (3%). If we exclude from the analysis measure 1.2, regarding the energy efficiency of buildings, where all the projects have in their title specific expressions of this priority, the percentage of projects with a direct declaration for sustainability is reduced to 4.4%. Within the two measures there is no sustainable development project, and below average, paradoxically, there are projects within the measures of tourism development (measure 5.1) - only 3.9% of the projects refer to sustainable tourism.

The situation seems to be improving for the current programming period. Analyzing the lists with the projects contracted until the middle of 2019 (<http://www.inforegio.ro>) - without those related to the technical assistance – it was found that, out of 4330 projects, a number of 548 contain in title / purpose terms specific to sustainability (respectively 12.65%), and 191 projects (4.41%) have an explicit orientation towards social and / or environmental objectives. If we eliminate from the analysis

the projects related to measure 3.1 (energy efficiency) that have stated the clear orientation towards sustainability, either directly or indirectly, the percentage of the projects with orientation towards sustainability decreases significantly, reaching a level comparable to the previous programming period, respectively 5.65%.

The situation is similar at the level of the **NRDP** 2007-2013. From the analysis of the lists of funded projects (<https://portal.afir.info>) it resulted that 5.26% of projects are focused on sustainability. It should be mentioned that 3 measures do not include any project with sustainable orientation. For the current programming period (2014-2020), until now, the situation has not improved, with only 4.44% of projects being oriented towards sustainability. If we eliminate from the analysis the specific measure related to forestation (where all projects can be considered sustainable), the percentage decreases to the level of 3.53%.

For the **JOP** Romania-Ukraine-Republic of Moldova (<http://data.gov.ro>), due to the existence of a priority of 3 directly oriented to the environment (priority 2), the percentage of the projects oriented towards sustainability is the highest of the analyzed programs - respectively 22,89%. For the current programming period, no information is available.

In order to illustrate the cases of the projects with major deficiencies in terms of sustainability, a "scan" of the information sites in the field of non-reimbursable financing and of the press articles was performed, which indicated the projects with problems. The contract termination rate, as a first stage of demonstrating the unsustainability of the projects, can be considered a low one within the **ROP** - 184 projects out of 4560 on the **ROP** 2007-2014 (4.04%), but it rises to the level of 26.81% on the **NRDP** 2007-2014 for 3 analyzed measures. The termination of contracts, either at the request of the beneficiaries or as a result of non-compliance with the contractual clauses, is a first identification of the unsustainability of the projects and partly is a result of an inadequate selection process. In the post-implementation monitoring period, there may be other situations that demonstrate the lack of sustainability. Through the case studies method, we have highlighted the categories of representative unsustainable projects, which can generate measures to improve the design and selection processes of the projects.

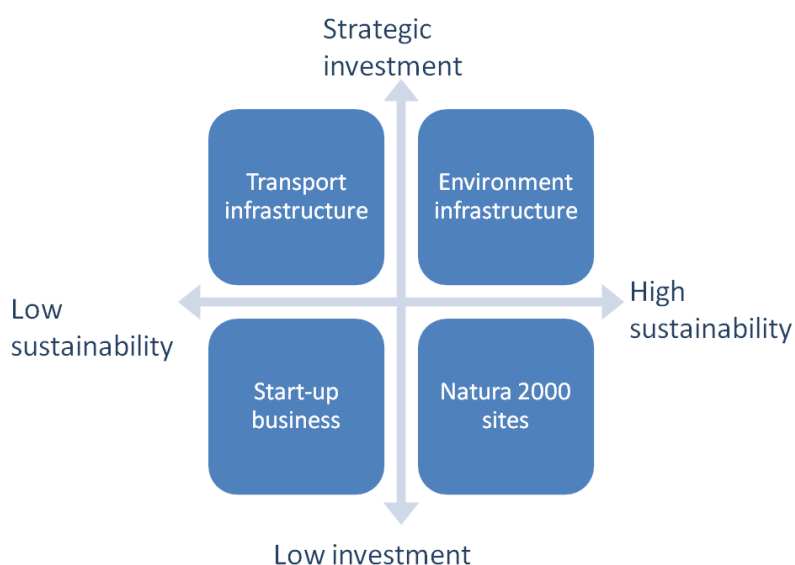
Business start-up and development projects have as main causes of failure the market factors (overestimated demand or inaccessible market) or supply (insufficient suppliers). Representative for these situations are the projects (most funded by **NRDP**) related to non-traditional products or services (mushrooms, snail farms, lavender crops) or fruit processing centers (when the production

line, oversized, does not have enough suppliers in the area) or the producers of pellets and briquettes (the quantity of sawdust decreasing dramatically compared to the project design period).

The social infrastructure projects have as main cause of unsustainability the lack of financial resources at community level after the completion of the non-repayable financing, so that the social canteens or the centers for the elderly cannot be sustained long after the projects have been completed by the local authorities. The consequences may be the closing of centers or the changing of the functionality of the objective - for example, social centers become kindergartens.

Environmental infrastructure projects can apparently, paradoxically, generate unsustainability. A representative situation is that of the ecological trash pits constructed from non-reimbursable funds, inadequately located (tourist areas, mountains, etc.), generating the opposition of the civil society organizations and the population in the affected areas (as, for example, the case of the landfill in the Mestecanis Pass) (<https://e-juridic.manager.ro>). Another case is that of the projects for the construction of micro-hydroelectric plants, for generating the “green” energy, but which affect the habitats or are even built in Natura 2000 areas or other protected areas (as, for example, the case of the hydropower plant built on the Taia River in the Sureanu Mountains) (<http://www.romaniacurata.ro>). Analyzing the projects implemented in Romania within the different financing programs we can obtain, taking into account the specific aspects of sustainability (economic, social and environmental dimensions) and the size of the budget, a clustering that can be the basis for the different treatment of the requirements regarding the fulfillment of the horizontal themes and justification for sustainability (Figure 1).

Figure 1. Project Cluster



Source: Authors' representation

Thus, the projects in the quadrants that are oriented, as a field, towards high sustainability, must justify the coverage of horizontal themes in more detail than the other types of projects. Strategic projects, with consistent budgets, need to justify in more detail the conditions of contractual sustainability (5 years after the completion of the project). The projects in the low investment quadrant (weak orientation towards sustainability) could treat simplified in the application form these aspects, possibly by checking the fulfillment of the eligibility requirements, thus avoiding the declarative level which represents a barrier in the implementation of the projects.

Conclusions

Understanding how different facets of sustainability influence the success of a project is a fundamental condition of setting the ways in which the concept of sustainability can be integrated into project management.

The results of the study support the main research hypothesis, namely an orientation towards sustainability at the programmatic level during the both analyzed programming periods, but with relatively small proportions of the environmental and social objectives within the selection criteria, the implementation of the selected projects and the functioning of the investment objectives. The measures identified to improve the sustainability of projects can be differentiated at organizational and system level:

- at organizational level: internal selection / substantiation; meetings with stakeholders; key people for different areas / partnerships; incorporating sustainability issues in early phases of projects and explicit project design documents.
- at system level: differentiated treatment of the projects according to their type (domain, budget, etc.) and simplification of documentation for small projects; reconsidering the evaluation and selection criteria of the projects financed under the operational programs by introducing new social and environmental criteria and increasing their relative importance, with a significant impact on the sustainability of the financed projects and on communities.
- In order to increase the sustainability of the projects and, implicitly, to contribute to a more consistent absorption of European funds we can recommend the following measures: to set accessible and realistic levels of sustainability dimensions for different types of projects, to train evaluators and experts in writing project applications in the field of sustainability, to communicate clearly the requirements for the project promoters, to build databases with examples of successful

projects by integrating sustainability issues but also failed projects, highlighting the causes that led them to failure.

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