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Table of contents

Regulation of international data transfers under EU data protection law	1
<i>Veronika STOILOVA</i>	
Determinants of ageing in Romania. Evidence from regional-level panel analysis	17
<i>Dănuț-Vasile JEMNA, Mihaela DAVID</i>	
Romanian consumer profile of PlayStation games	33
<i>Adriana MANOLICĂ, Nicoleta-Bianca BINCĂ, Teodora ROMAN</i>	
The effects of epidemics on capital markets volatility: A case study of Borsa Istanbul	50
<i>Fatih GÜZEL, Melek ACAR</i>	
2020: a year of uncertainty for South Caucasus states	71
<i>Georgiana-Cătălina MARCU</i>	
Developing civil society in Ukraine. What is the role of the mechanisms for implementing the association agreement with the EU?	93
<i>Andrii KRUPNYK</i>	
The role of good governance principles in fostering civil society. The case of Ukraine	110
<i>Alla ORLOVA</i>	
Creating and measuring the impact of a content strategy	124
<i>Mircea-Alexandru ROȘU</i>	

Regulation of international data transfers under EU data protection law

Veronika STOILOVA*

Abstract

This study seeks to identify the specifics of personal data protection in the context of EU legislation. The focus is on the personal data transferred outside the Union. It is described how the EU data protection law provides specific measures in order to ensure the protection of individuals and legal persons from malicious acts. The article also highlights the reform of the EU data protection legislation in the context of the reliability of the data transfer mechanisms to third countries. The legal regulation in this matter goes through various stages of development, and the latter one includes the implementation of rules with a focus on ensuring greater data sharing between institutions and companies. The analysis of the international data flows as a priority topic in relations between the EU and countries outside its borders, including international organizations, also find its place in the study. In this sense, transfers to specific sectors based on specific international agreements will be considered in connection with the improvement and strengthening of the existing procedures for international data transfer.

Keywords: international data transfer, data protection, European Union, legislation reform

Introduction

We live in an age dominated by technology and innovation. The development of digital technologies and their penetration into all spheres of economic and social life necessitates a global need to rethink the approach to the sharing, dissemination and protection of personal data. On the one hand, with the growing number of digital services and risk levels, strengthening trust and security in the use of information and communication technologies is the basis for economic growth and prosperity. On the other hand, protecting the interests of the individual from the use of their data is another important point that should not be overlooked.

In today's digital reality, the collection and storage of personal data have its significance (European Commission, 2020a). Companies in all areas of social and professional real and virtual life - for example, utilities, banks, insurance companies, Internet pages, internet trade stores, social networks, digital media, computer programs, mobile applications and more, use digital personal data.

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Data transfer has never been easier because the digital space knows no boundaries. This could also be considered as one of the reasons for the search for and introduction of regulatory mechanisms to ensure the protection of individuals and legal entities from malicious actions. In the context of globalization, the transfer of data to third countries is gradually becoming part of everyday life and leads to the consideration of additional measures to protect European citizens from violating their rights. This requires compliance with certain principles such as legality, fairness, transparency, confidentiality of access and storage of personal data.

The processing of personal data acquires new dimensions in connection with the deepening of integration processes worldwide. An example in this respect are the international companies, for the smooth operation and development of which the exchange of data, including that of personal data, is of particular importance. In today's world, the place and role of multinational companies and corporations are undoubtedly key. It is they who initiate the search for the most favorable places in the world, where the legislation on data storage and processing, including personal data, is most advantageous from the point of view of the interests of the respective companies. In this sense, despite the numerous debates "for" and "against" free data transfers within international companies, the process could be defined as normal and even daily, as it is regulated and subject to control under current legislation in the field of personal data in different countries around the world.

Despite the conflicting opinions of various human rights experts on the protection of the interests of the individual against the use of their data, international companies are controllers of personal data and should align their data processing activities with each of the different national legislation of the countries in which they operate. Within the EU, the Union legislation guarantees the free movement of data and harmonization of rules in each of the Member States. Under these rules, there is at least one independent data protection authority in each EU country that oversees the lawful processing of personal data in respect of international companies.

Of interest are those companies that have organized their activities not only in the EU but also in third countries. It is wrong to assume that there are no rules for the processing of personal data in such an international environment. On the contrary, efforts are being made to continuously improve them so that they can follow the rapidly evolving processes of globalization. In carrying out its activities, an international company inevitably reaches the exchange of information containing personal data in one form or another. The reasons and mechanisms for this exchange can be of different nature. Data transfer is usually done either within multinational companies (between headquarters and branches) or between different international companies in order to globalize data flows, reduce costs or under an outsourcing contract. Under an outsourcing contract, the transfer of

data from an entirely European company as a controller of personal data to a processor of personal data in a third country is not excluded.

In the context of European legislation, personal data and their protection take on a specific dimension. The legal regulation in this matter goes through various stages of development, and the latter one includes the implementation of a reform with a focus on ensuring greater data sharing between institutions and companies. In this context, it should be noted that EU regulatory mechanisms outline stronger European and weaker national jurisdiction over data generated by users of member states to ensure that the privacy, dignity and fundamental rights of individuals are respected (Official Journal, 2012), such as the right to privacy.

1. Personal data protection in the context of EU legislation

The protection of personal data and respect for the right to privacy are part of the fundamental rights that everyone is born with. In this context, it is important to emphasize the need to strike a balance between the digitalization of everyday life, the security of the individual and the protection of human rights by preserving the inviolability of personal data and privacy. EU rules for the legal regulation of this fragile issue entered into force in May 2018 (European Council, Council of the European Union, 2020). After that date, the introduced legislative restrictions set a clear line between the technologically possible and the legally and morally correct.

Legal regulation concerning the protection of personal data at the EU level is contained in Article 16 of the Treaty on the Functioning of the European Union and Articles 7 and 8 of the EU Charter of Fundamental Rights (European Parliament, 2020). This is the basis on which the EU stands to ensure that the personal data of European citizens will be protected in the implementation of European policies, including law enforcement and crime prevention (Belova and Georgieva, 2017, pp. 144 – 149), as well as in international relations.

The development of technology provides many benefits to people and society, as it improves the quality of life, efficiency, and productivity. On the other hand, there is no denying that progress and the opportunities that come with it create new risks to individual rights. Due to the emerging need for the introduction of special rules to regulate the collection and processing of personal data, a new concept of "personal information privacy", also known as the "right to information self-determination", has emerged.

The protection of personal data in Europe began in the 1970s when some countries (such as France, Germany, the Netherlands, and the United Kingdom) enacted laws at a national level to

control personal data collection processes. Later, various data protection instruments were adopted at the EU level, the most important of which is Directive 95/46 / EC (European Parliament and The Council of European Union, 1995). In this way, the idea of personal data protection has become a legal norm.

In addition, it is important to emphasize that the right to protection of personal data, defined in Art. 8 of the EU Charter of Fundamental Rights should not be seen as an absolute right “but must be seen in relation to its function in society” (CJEU, 2010). Moreover, Art. 52 (1) of the Charter clearly states that:

Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others (Official Journal, 2012).

Given that the protection of personal data is a separate and independent fundamental right in the EU legal order, it should be concluded that any processing of personal data in itself constitutes an interference with that right. In this sense, in order to be defined as lawful, the intervention must explicitly comply with all the conditions listed in Article 52 (1) of the Charter.

Furthermore, in January 2012, the EU initiated its data protection reform. The goal was clearly stated - to prepare Europe for the challenges of the new digital age (European Commission, 2012). The results were there - on 15 December 2015, the European Parliament, the Council and the Commission agreed that new data protection rules are needed and that the attention of the whole of European society should be focused on establishing a modern and harmonized data protection framework across the EU. Thus, following the successful approval of the texts by the three institutions, Regulation (EU) 2016/679 (European Parliament and The Council of European Union, 2016a) entered into force on 24 May 2016 (applicable from 25 May 2018), and Directive (EU) 2016/680 (European Parliament and The Council of European Union, 2016b) entered into force on 5 May 2016 (applicable from 6 May 2018 after EU countries have taken steps to transpose it into their national legislation).

Subsequently, Regulation (EU) 2018/1725 (European Parliament and The Council of European Union, 2018) was adopted, and entered into force on 11 December 2018. It provides opportunities for assessment and management of risks to data protection, privacy and other fundamental rights of individuals in the event of violation found. This can be seen as a step forward in the direction of better protection of the individual and their freedom to decide which personal data to share.

Of course, the introduction of such legislative restrictions at EU level provokes debate in support of or against how personal data is shared, stored and disseminated. For example, large companies, social platforms and service providers argue that real-time data collection, processing and analysis should be controlled by more liberal legislation with fewer restrictions on data transfer, as through greater freedom. Moreover, in terms of access to data, users are offered more advantages such as: 1) quick detection of errors or threats of fraud in the digital space; 2) protection of consumers from abuse (the more information is provided, the more protected it is); 3) creation by the business of effective strategies oriented to the needs of the consumers; 4) better customer service.

Further controversy, especially in the context of the COVID-19 pandemic, is the abuse of privacy and the vast amount of personal data that could be collected by healthcare organizations and disseminated not only in the EU but also worldwide. In support of the free collection of data on the health of individuals, for example, the fact that this prevents catastrophic accidents and saves lives is emphasized.

All these arguments are logical and well founded, but individuals cannot be convinced and reassured about how well the collection and processing of their personal data is handled or presented. In this sense, it can be summarized that at EU level, the security and integrity of personal information and data prevail over the wishes of companies, social platforms and service providers.

The protection of personal data is a cause for great concern among individuals. Their trust in the digital environment remains relatively low precisely because of the uncertain nature of the way and reasons personal information is been collected and disseminated. In this sense, it should be pointed out that the Court of Justice of the European Union 's decisions on providing the permanent protection of personal data are evidence of that the case law in this area is getting better and is being created every day. Governments, corporations and other data-hungry stakeholders need to find solutions that align with the theoretical framework for strong data protection and confidentiality proposed by the Court on the basis of relevant EU legislation (Christakis, 2020). An example of the partial regulation of international transfers of European personal data to third countries, as well as how to avoid further circumvention of GDPR standards, is the judgment of the Court of Justice in Case C 311/18 of 16 July 2020 (CJEU, 2020a). Practice in the application of EU law in the context of privacy and data protection shows the importance of concerted action and, in particular, the introduction of uniform rules for national enforcement and regulation at the EU level.

It should be summarized that today the topic of the development of EU case law is more relevant than ever in the context of the eventful process of reforming European legislation on personal data protection and the growing globalization of this vital resource. Due to the fact that personal data is

increasingly seen as a new type of currency (Angwin and Steel, 2011), the following few questions logically arise: 1) will it be illegal in the near future to use such widespread centralized international databases and human resource management systems, or for management and customer service, which are widely implemented in international corporations; 2) how European companies will be able to use the cloud, hosting or other technology services provided by companies outside the EU, or this will be taboo; 3) will the provision on the European market of some of the most popular online services and platforms among Europeans, such as Facebook, Amazon, LinkedIn, etc., be hindered? These and countless other questions are currently awaiting an answer.

Despite its many benefits, the digital age also poses many challenges to privacy and data protection as vast amounts of personal information are collected and processed in increasingly complex and opaque ways (Belova *et al.*, 2017). The development of technology has led to the development of massive data sets that can be easily compared and further analysed in order to search for models or make decisions based on algorithms that can provide an unprecedented view of human behaviour and privacy.

New technologies are powerful tools and can be especially dangerous if they fall into the wrong hands. In 2013, Edward Snowden's revelations about the use of large-scale programs for monitoring the Internet and telephone conversations by intelligence services in some countries raised serious concerns about the dangers of privacy surveillance activities, democratic governance and freedom of expression. Mass surveillance and technologies that enable the global storage and processing of personal information and access to all data at the same time may affect the very nature of the right to privacy (ECHR, 2020). In addition, they can have a negative impact on political culture and have a deterrent effect on democracy, creativity, and innovation. The very fears that the state may constantly monitor and analyse the behaviour and actions of citizens may discourage them from expressing their views on certain issues and lead to mistrust and caution (European Data Protection Supervisor, 2015). These challenges have led a number of public bodies, research centres, and civil society organizations to analyse the potential impacts of new technologies on society. In 2015, the European Data Protection Supervisor launched several initiatives to assess the impact of large data sets and the Internet on morality. In particular, it has set up an Ethics Advisory Group, which aims to promote "an open, informed discussion on the ethics of digital technologies, which will enable the EU to realize the benefits of technology for society and the economy, while strengthening human rights and freedoms, especially the right to privacy and data protection" (European Data Protection Supervisor, 2016). The processing of personal data is also a powerful tool in the hands of corporations. Today, it can disclose detailed information about a person's health or financial situation - information that

corporations use to make important decisions for individuals, such as the health insurance premiums that apply to them or their creditworthiness. Data processing techniques can also have an impact on democratic processes when used by politicians or corporations to influence elections, for example by “micro-targeting” of voters' communications. In other words, although privacy was initially perceived as the right to protection of individuals against unjustified interference by public authorities, in the modern age it may also be threatened by the powers of private entities. This raises questions about the use of technology and predictive analysis in decisions that affect people's daily lives and reinforces the need to ensure that fundamental rights requirements are met in all processing of personal data. Data protection is inextricably linked to technological, social, and political change. That is why the EU must meet modern challenges with adequate legislation so that European citizens' data can be protected and their privacy guaranteed.

2. Reform of the EU data protection legislation

Progress in the technological development of humanity and the processes of globalization have changed the notion of privacy by fundamentally changing the way we collect, make available and use our data. In this sense, 2016 was a key moment in the implementation of the reform of data protection legislation in the EU. Measures to protect against data transfer misuse have been enriched with diversified tools of various mechanisms that create opportunities for relatively secure data transfer to third parties: adequate solutions, common contractual clauses, derogations, mandatory company rules, certification mechanism, codes of conduct, etc. In this sense, it should be noted that, unlike the regime relating to international data transfers established by the provisions of the 1995 Data Protection Directive (European Parliament and The Council of European Union, 1995), the reform of the legislation provides for the creation of better conditions for the use of existing mechanisms, while introducing more convenient and easy to use tools for international transfers, adapted to the new realities of the modern world.

Data is a key element of digital transformation. This is one of the main motives for the EU to focus the key priorities of its legislative reform in relation to data protection in the implementation of international transfers with the adoption of the Strategy for International Data Flows (European Commission, 2017). This approach proposes specific provisions on cross-border data flows and respect for the right to privacy, which should be included as part of international trade negotiations and also in the conclusion of various international agreements (a good example of international

agreements involving the transfer of personal data are Passenger Name Records (PNR) and the Terrorist Finance Tracking Program (TFTP)).

The next step was taken in February 2020 with the formal presentation of the European Data Strategy (European Commission, 2020b), with the EU proposing concrete ideas and actions for digital transformation to make the Union more secure and competitive on a global technological scale. The aim of this strategy is to turn the EU into a role model and leader in a society that, thanks to data, has more room for action. In this sense, it provides for the creation of a single European data space, which could unleash the potential of unused data, thus allowing it to move freely within the European Union to benefit different industries of economics, science and social life.

Until the presentation of the strategy, the EU treats data sharing more as a threat, while the new approach focuses on greater data sharing between institutions and companies. In this sense, there is a stronger European and weaker national jurisdiction over the data, generated by the users of the member states. As a result of such measures, there is a growing consolidation of data across Europe, but as it will be shared on a voluntary basis, the world's largest players, the US and Chinese technology giants, will continue to dominate. The data is a major asset for companies such as Facebook, Google and Amazon, which in recent years have come under strict EU scrutiny over the rules for the protection and storage of European users' personal data. The proposed strategy can be seen as a step forward in Europe's attempts to create its own digital giant.

The development of the idea of clearer rules on the protection of personal data and their transfer outside the EU is becoming increasingly clear with the publication of the Strategy for Union institutions, offices, bodies, and agencies to comply with the “Schrems II” Ruling (European Data Protection Supervisor, 2020). The European Data Protection Supervisor presented it on October 29, 2020, and the reasons for its development include the dissemination of information that the European Parliament's website for the management of COVID-19 tests (European Parliament, n.a.) has been repeatedly attacked in order to track users of the site. Moreover, most of these “trackers” redirect data to various companies located in the United States.

In this sense, the analysis of the objectives of the Strategy shows that the main ambition in its development is to provide more control and guarantees in compliance with the “Schrems II” Ruling by the European institutions. In addition, it should be noted that this strategy is not relevant to corporate organizations or non-EU institutions, but provides valuable information that can be useful to all organizations regarding the views of the European Data Protection Supervisor on the transfer of personal data at the international level.

It is noteworthy that short- and medium-term compliance measures and actions are envisaged, such as the preparation of a Transfer Impact Assessment prepared for each new process of cross-border data transmission to the United States. As elements of the mentioned assessment are added: 1) information on a certain transfer of personal data; 2) information on whether the recipient country provides an equivalent level of protection that meets the conditions set by the EU.

The presentation of a document with such specific content should be seen as confirmation that constructive changes are taking place at the European level with regard to the matter in question. As a positive element, it should be noted the change that has already taken place in connection with the “Schrems II” Ruling regarding the transfer of data to third countries located outside the EU and in particular to the United States. The adequacy of the EU-US Privacy Shield, which currently regulates the cross-border transfer of personal data between the EU and the US, has been called into question (CJEU, 2020b). Moreover, the EUCourt of Justice has argued that: 1) the legislation applicable in the United States allows public institutions to collect and process personal data from the EU, without the existence of appropriate protection measures and guarantees of legality that comply with the data protection criteria set by European legislation; 2) there is no effective means of seeking compensation against the US government from EU data subjects.

In the context of the “Schrems II” Ruling, the European Data Protection Board adds that there is no provision for a “transitional period” in which EU data controllers can transfer data to the United States under the Privacy Shield. As a result, there is a need to seek another legal basis for the protected and controlled transfer of personal data from the EU to the US, which complies with the provisions of the GDPR.

Of course, there are still some possible alternatives for EU data controllers to transfer data to the US, such as standard contractual clauses and binding corporate rules within a common corporate group, approved by at least one European Data Protection Supervisor.

In the context of the reform of the EU data protection legislation analysed above, it should be summarized that the judgment of the Court of Justice in Case C-311/18, “Schrems II” will leave its lasting mark on international trade and relations. The Strategy prepared by the European Data Protection Supervisor clearly outlines the beginning of a new stage in the development of the matter, accompanied by new rules and restrictions. In addition, it is important to emphasize that both the European Data Protection Supervisor and the European Data Protection Board are focusing their efforts on the preparation of additional Guidelines on the lawful transfer of personal data to the United States. On the one hand, it is a process that requires extra attention and time. On the other hand, however, it is imperative to find an appropriate solution to bring current data transmission practices

in third countries into line with the new direction outlined by the Court of Justice and the EU institutions.

3. International data flows

The transfer of personal data outside the EU is part of the day-to-day work of the European institutions. The scope of these activities can be extremely wide and varied in the subject matter. Cloud technology, web-based services, and organized travel outside the Union are just a few examples of this. The international transfer of data from the EU to countries outside the European Economic Area is described in detail in Chapter V (Articles 44 - 50) of EU Regulation 2018/1725. The provisions of the latter determine the framework for transfers of personal data to third countries or international organizations through: 1) transfers based on a decision on adequacy (Article 45); 2) transfers subject to appropriate safeguards (Article 46); 3) binding corporate rules (Article 47); 4) transfers or disclosures not permitted by Union law (Article 48); 5) derogations for specific situations (Article 49) (European Parliament and the Council, 2016a).

Among the priority topics in relations between the EU and countries outside its borders, including international organizations, are those related to the protection of European citizens' personal data (Dimitrov, 2020). In this direction are the actions taken by the Union in connection with the improvement and strengthening of the existing procedures for international data transfer. A good example of this is the existing adequacy procedure, according to which the EU checks whether a particular third country provides an “adequate” level of personal data protection and to what extent it regulates their transfer from the EU to that third country. It is through such measures that a kind of security guarantee is been created that European citizens enjoy the same rights as third-country nationals in the EU when their data is been exported outside the Union. In this context, it is logical for the EU to strive for the same level of protection in its cooperation with third countries, as well as to promote high standards of data protection worldwide.

Another important point is the practice of applying safeguards in connection with the transfer of personal data to the so-called inadequate countries. In this sense, in order for international data transfer to take place in the safest way, the safeguards envisaged should be outlined in the form of a legally binding instrument (e.g. an administrative arrangements or a memorandum of understanding between the transferring party and the recipient) (European Parliament and The Council of European Union, 2016a) as well as to meet certain criteria, such as being processed for a specific purpose and subsequently used only to the extent that this is not incompatible with the purpose of the transfer.

It is possible for personal data to be transferred between different countries in the context of international police and judicial cooperation in accordance with existing international agreements or treaties. In this way, transnational supervisors (e.g. Europol, Eurojust) directly apply data protection principles in the context of their activities.

Examples of agreements reached in connection with the provision of guarantees for the implementation of free and at the same time secure international data flows are: 1) Agreement between the United States of America and the European Union on the protection of personal information relating to the prevention, investigation, detection, and prosecution of criminal offences (Official Journal, 2016); 2) Agreements between the EU and the US, the EU and Australia and the EU and Canada on Passenger Name Record (PNR); 3) Terrorist Finance Tracking Programme (TFTP) (European Commission, n.a.).

Providing protection for international data transfer outlines several more important challenges that the EU needs to address. The first of them is related to the legality of the collection, processing and storage of personal information. There is no obstacle to data sharing if this happens in accordance with the established rules for respecting the individual's free choice as to what and how much to share. Other challenges facing the EU include data quality, the right of individuals to information on the processing of data before and after the transfer, the rights of access and rectification by individuals, and the processing of special categories of personal data (health, ethnic origin, sexual orientation, etc.) only in specific circumstances. These categories have been formulated over the period of practical implementation of regulatory and safeguard mechanisms by the EU in data management.

Conclusions

Data is at the heart of the digital transformation. Access to ever-increasing arrays of information, as well as the ability to use them, is essential for technological development and innovation. The transfer of personal data to and from countries outside the Union and international organizations are necessary to stimulate international trade and deepen fruitful international cooperation. The increase in these flows triggers new challenges and concerns regarding the protection of personal data.

Uncertainty in data protection often refers to cross-border economic activities in the digital age. This could also be seen as one of the reasons for seeking and introducing regulatory mechanisms to ensure the protection of individuals and legal entities in the EU from malicious activity.

EU regulatory mechanisms do not prohibit data collection. The GDPR itself does not prohibit data processing activities, but instead allows them if certain principles are followed. It does so to ensure that the inviolability, dignity and fundamental rights of individuals, such as the right to privacy, are respected. In this sense, it is important to note that Europe is reaching a consensus and balance on the protection of European citizens' personal data and opportunities for technological development.

The dialogue on regulating and facilitating international data transfer in the context of the European legal framework is still evolving. Challenges related to the protection of individuals and legal entities from malicious actions will also appear in the context of the need to exchange information in the field of health services and research. This is particularly important for Internet services and complex automated data processing, such as the use of decision-making algorithms. In this sense, European legislation on the transfer of personal data should ensure their protection in a transparent, traceable and regulated manner. This creates the conditions for the transfer of personal data between different countries in the context of international police and judicial cooperation in accordance with existing international agreements or treaties. Within the EU, the free movement of data and harmonization of rules in each member state is guaranteed. Under these rules, there is at least one independent data protection authority in each Union country that oversees the lawful processing of personal data in relation to international data transfer.

In our increasingly digitalized world, every activity leaves a digital footprint that can be collected, processed and evaluated, or analysed. With the new information and communication technologies, more and more data are collected and recorded (European Commission, 2014). Until recently, no technology was able to analyse or evaluate data sets or draw useful conclusions. The data were simply too numerous to be evaluated, and too complex, poorly structured, and rapidly evolving to identify certain trends and habits. The international transfer of data took place without hindrance, as a result of which many people suffered precisely because of the violation of their right to privacy.

From the point of view of data protection, the main problems are related, on the one hand, to the volume and variety of personal data processed, and on the other hand, to the processing itself and its results. The introduction of complex algorithms and software to transform information arrays into a resource for decision-making purposes affects individuals and groups in particular, especially in cases of profiling or classification, and ultimately raises many issues related to the protection of the data.

Large data sets and artificial intelligence raise a number of questions about the identification of controllers and processors, as well as their responsibilities: Who owns the data when such a large amount of data is collected and processed? Who is the administrator when machines and software

process data? What are the specific responsibilities of each actor in the processing? In addition, for what purposes can large information arrays be used?

In conclusion, it should be noted that EU regulatory mechanisms mark a new stage in the collection, processing, and free dissemination of data generated by users of Member States to ensure respect for the privacy, dignity, and fundamental rights of individuals, such as the right to of personal life. The case law applied because of the rulings of the Court of Justice in ensuring the lasting protection of personal data is evidence of the growing commitment of Member States in introducing uniform criteria for national application and regulation at the EU level in this sphere. Although EU rules on international data transfer seem complex and difficult to implement, the positives of the GDPR on the rights of European citizens and their protection are yet to be seen.

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Determinants of ageing in Romania. Evidence from regional-level panel analysis

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Abstract

At different stages, all countries of the world are going through the demographic ageing process, with the most diverse economic and social implications. Romania has entered this process since the communist period, as a result of both the demographic transition and the transformations imposed by the demographic and economic policies implemented by the state. After 1990, the transition period has accelerated the increasing pace of this phenomenon, especially through increased migration, declining fertility and changes in the labour market. The regional economic, social and demographic gaps inherited from the past were accentuated after the fall of the totalitarian regime, so that the population ageing has intensified and it is experienced differently at the territorial level. This study aims at identifying the determinants of the increase in population ageing, along with the decrease in the share of young population, across the eight development regions of Romania, during the 1995-2018 period.

Keywords: demographic transition, demographic ageing, Romania, regional level, heterogeneous panel data

Introduction

Population ageing is a global phenomenon and affects, to a greater or lesser extent, all countries in the world, raising a series of fundamental questions regarding the future evolution of human society. Within the context of increasing life expectancy and the tendency to prolong the active life of people aged 65 or older, governments and national and international organizations are involved in the development of strategies and policies on the elderly population. According to the UN, the level of global ageing population will increase significantly in the coming decades, from 6% in 1990 to 16% in 2050 (UN, 2019). The main challenges raised by the continuously growing share of older persons in the total population, along with the decrease in the share of young people, are related to ensure healthy lives and to promote well-being for people aged 65 or older, especially by means of the national health and social security system.

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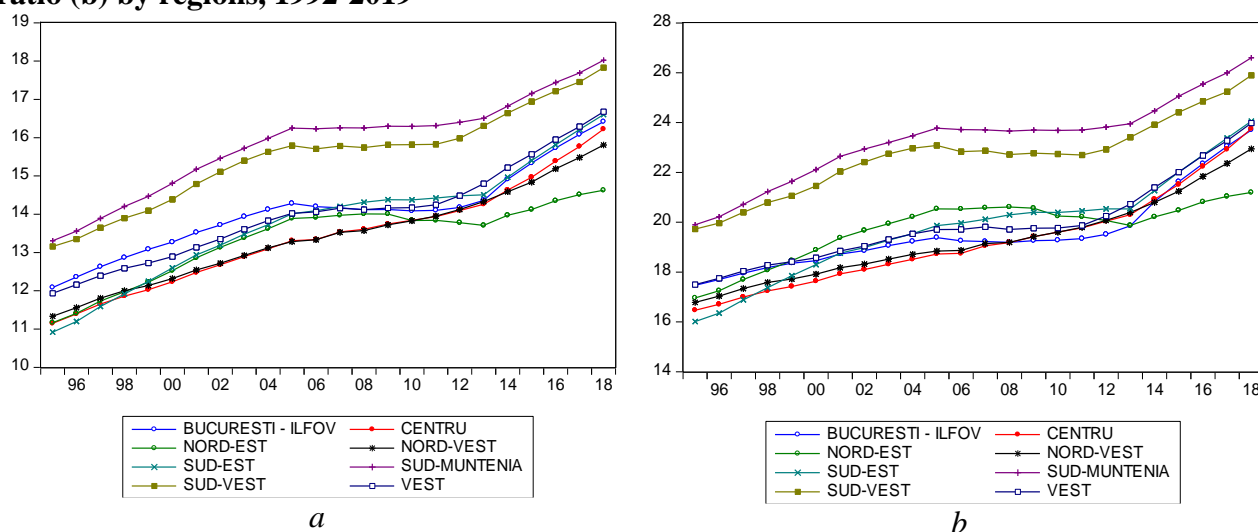
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Empirical studies have shown that the main factors responsible for population ageing are declining fertility, rise of life expectancy and emigration (Hoff, 2011; Bloom and Luca, 2016; Murphy, 2017; Yang *et al.*, 2019; Nagarajan *et al.*, 2020). Demographic ageing refers to the simultaneous phenomenon of increasing the share of elderly population and the one decreasing the share of young people at the level of a country or region. At the same time, the increase in life expectancy leads to an increase in the median age and the share of total elderly population. In turn, migration brings important changes in the age structure of the population. Basically, where net migration is negative, the population will have an aging trend, as young people are more exposed to migration, especially on the ground of continuing their studies and finding work.

In 2019, 20.3% of the EU population was aged 65 and over, and by 2050, older persons are expected to account for 28.5 % of the total population. In comparison, the share of older Romanians was lower in 2019 (18.5%). However, the prospects on the evolution of population ageing in Romania are not more encouraging. According to the UN estimates, by 2050, the share of people aged 65 and older in the population will exceed 30%. In Romania, the ageing process of population begun in the communist period, especially after 1980. The share of elderly in the population exceeds that of young people starting with 2009, namely 16% compared to 15%. The phenomenon is becoming more and more alarming especially in rural areas, because this area is the most affected by migration and lower socio-economic conditions. Besides the differences between urban and rural areas, the level of ageing admits important disparities at the level of Romanian counties and regions. The most affected are the counties in the southern Romania, areas with a low degree of urbanization and a low level of economic development (Jemna, 2017, pp. 190-192). This reality will put a lot of pressure on the public pension and health insurance system, on the need to respond to specific problems for this category of population.

For the period 1992-2019, the data provided by the Eurostat show an increase in the share of elderly for all regions (Figure 1a), and the demographic ageing index displays not only an intensification of the phenomenon, but also an increase in regional differences (Figure 1b). In this respect, the southern regions of the country (South-West Oltenia and South-Muntenia) stand out with the highest levels of population ageing. The Bucharest-Ilfov region has a growing trend until 2005, followed by a period of stagnation, with slight variations of the old-age dependency ratio, but below the national average for the entire period. It is also interesting to note the evolution of the North-East region, which has a significant increase in ageing index between 1999 and 2008, 16.9% and 20.6% respectively. However, the following period is highlighted by a decline in population ageing, which places it in the most advantageous position over the other regions.

Figure 1. The evolution of the share of elderly population (a) and of the old-age dependency ratio (b) by regions, 1992-2019

Source: Own representations using Eurostat data

Empirical studies on the ageing population in Romania, both qualitative (Crăciun, 2011) and quantitative (Gîrleanu-Șoitu, 2004; Precupetu *et al.*, 2019), are relatively few, and those in regional profile are missing. The importance of studies on this topic is underlined by the pace with which the phenomenon develops and, especially, by its implications on society as a whole. Within the context of the analyses and plans developed at the EU level, Romania has adopted a series of strategies on the elderly population, such as The National Strategy on Active Ageing Promotion and Protection of Elderly and the Strategic Plan of Actions 2015-2020. This strategy took into consideration a series of measures and actions regarding three directions: adequate financing of the healthcare system for elderlies; prolonging the active life and participation in the labour market; involving people of this age category in various social activities (Romanian Government, 2015).

The implementation of such policies requires specialized studies evaluating the main determinants of the demographic ageing at national level and, especially, indicating the existing inequalities at regional level. Besides, to the best of our knowledge, there were no studies carried out to identify the determinants of population ageing at regional level in Romania. Therefore, the present study addresses this need and covers a gap in the related literature by using different estimation techniques for panel data models encompassing the eight development regions of Romania for the period 1995-2018.

The paper is organized as follows. In Section 1, an analysis of the literature is performed to evaluate the results obtained for various countries and socio-economic contexts. Section 2 presents the data used and the methodological strategy. Section 3 presents and discusses the results obtained at regional level. The paper ends with a set of conclusions and references.

1. Literature review

Demographic ageing refers to the simultaneous phenomenon of increasing the share of the elderly population and decreasing the share of young people in a country or region. The topic is of great interest and raises a series of fundamental questions regarding the evolution of human society in the future. Population ageing is the 21st century's dominant demographic phenomenon and affects, to a greater or lesser extent, all the countries in the world (UN, 2019).

Due to the complexity of the phenomenon, not only demographers, but also economists, sociologists, psychologists, doctors, biologists, etc. put a lot of effort in understating the process of population ageing. Demographers are interested in explaining the change in population structure using theories related to the nature of the evolution of demographic phenomena, while specialists in other fields aim to assess this phenomenon in relation to population health, insurance and social assistance systems, income, labour market, globalization, etc. Interdisciplinary studies focus on identifying both the determinants of population ageing process and its effects on economic and social life. According to the aim of this research, the discussion on related literature is limited to the impact of demographic, economic and social factors on ageing.

1.1. Ageing and demographic factors

From a demographic perspective, research on population ageing highlights that demographic transition has inevitably led to a change in population structure by age groups (Robine and Michel, 2004; UN, 2019; Garcia *et al.*, 2019; Harper, 2019). The decrease in fertility and mortality rates, as basic phenomena of the demographic transition, led to the decrease in the share of young people along with an increase in the share of the elderly (Notestein, 1954). Mainly, the decrease in fertility has led to an increase in the median age of the population, as well as to a decrease in the share of the young population, while the population over 65 has also increased (Murphy, 2017; Harper, 2019; Garcia *et al.*, 2019). Moreover, the decline in mortality has had an impact on increasing the degree of ageing (Murphy, 2017), but differentiated from one country to another and from one age group to another. The impact of mortality is more important in the final phase of the transition process, when low mortality rates increase the share of the elderly. Particularly in the developed countries, where even if the fertility level will not change significantly, the decrease in mortality will lead to an increase in the share of elderly population (Casseli and Vallin, 1990).

Along with declining fertility and mortality, life expectancy is also a strong factor correlated with demographic ageing. Increasing life expectancy is a common phenomenon in all countries and depends on the progress in health and living standards. This evolution has an important contribution to increasing the share of the elderly population (Harper, 2019). Consequently, this led to a special interest in studies analysing the life expectancy of the elderly in relation to the quality of their life. According to the estimates performed by the UN, a 65-year-old person is currently hoping to live at least 17 years (UN, 2019). Regarding the quality of this period of life, an indicator called healthy life expectancy was developed, which measures the average number of years that a person lives in healthy conditions (Sullivan, 1971; WHO, 2016). For the elderly people, the lack of morbidities and disabilities is especially taken into account. It should also be noted that life expectancy is higher in women by almost 5 years, making the female population older than the male one (UN, 2019).

Existing research also shows that migration has an important influence on the degree of demographic ageing (Findlay and Wahba, 2013; Neumann, 2013; Garcia *et al.*, 2019; Nagarajan *et al.*, 2020). Emigration tends to aggravate the phenomenon, because young people are the most willing to emigrate, which also affects fertility levels. At country level, ageing can also be explained by the immigration of elderly people who are looking for a quality living environment (Garcia *et al.*, 2019). In return, internal migration can contribute to increasing disparities in the population structure by groups. More developed and urbanized areas are more attracting for young people, while the elderly are less mobile and are more connected to the places where they have already lived their lives (Garcia *et al.*, 2019).

Last but not least, besides geographical and sex differences, the ageing process also displays differences in terms of urbanization, which is also an important determinant of demographic transition. Whilst the development of cities attracts young people, the rural area is ageing at a fairly high rate. This is not only due to the attraction of young people, but also because of the immigration of adults who are looking for quieter and safer areas. The rural space is also exposed to continuous transformation and is very heterogeneous, both from a demographic and socio-economic perspective. In the former communist countries, including Romania, the rural-urban imbalances in the population structure are also caused by internal migration as a result of the state's policies of industrialization and forced urbanization during the 1960-1980 period (Neményi, 2011).

1.2. The impact of economic factors on ageing

Another special focus is put on studies that take into account the relationship between changing population structure and economic activity. Ageing is usually considered to have an important impact on economic development, but there are also studies that take into account the reverse causality (Alders and Broer, 2004; Nagarajan *et al.*, 2020). The UN reports on the ageing phenomenon show disparities in regional economic development. Thus, trends indicate that the most demographically aged areas are represented by the developed countries in Asia, the USA, Europe, Australia and New Zealand (UN, 2019), while developing countries have entered in an accelerated ageing process. Moreover, quantitative and qualitative empirical studies have shown that the level of income, the degree of development of a region, the level of activity of the elderly population, the employment rate of female population, or the unemployment have a significant impact on the ageing population (Bagheri-Nesami and Shorofi, 2014; Hsu *et al.*, 2019; Nagarajan *et al.*, 2020). Therefore, the impact of economic factors differs from one country to another and from one development region to another.

1.3. Social determinants of population ageing

Other studies analyse the relationship between demographic ageing, level of education and public policies in healthcare system. Education is considered one of the most important determinants of demographic transition and, implicitly, of changing the age structure of the population (Canning, 2011; Murin, 2013). Increasing the level of education in a country has an impact not only on the labor market, fertility and family decisions, but also on mental health and an increased healthy life expectancy for the elderly population (Schneeweis *et al.*, 2014). Demographic changes during the transition period have been accompanied by a development of medical technology and a permanent increase in healthcare and access to health services. All of this has contributed to increasing lifespan, lowering mortality and increasing population ageing. For developing countries, there is a positive impact of policies that have improved the healthcare system on ageing population (Nagarajan *et al.*, 2020). In addition to the improvements in health services, the increase in the share of elderly is also determined by lifestyle changes, especially those related to diet and reducing health risk factors such as tobacco and alcohol consumption (WHO, 2016; UN, 2019).

For Romania, the ageing process of population is inevitable, as in all countries in the region. The phenomenon has a series of specificities related to the history of the last 80 years, but also to the existing differences at regional level. The analysis of the factors that contribute to the increase in

population ageing and of the existing disparities among regions represent an important basis for designing public policies in an era of demographic ageing which recalls for concrete actions to face its implications at the level of the entire society. In this study, based on the existing literature, we assess the extent to which a number of demographic, economic and social factors have an impact on population ageing across the eight development regions of Romania. The phenomenon should not be seen as a burden or a negative aspect of the evolution of society, but it is imperative that policy makers be prepared to face the demographic changes that are taking place and to ensure a long and healthy life for the elderly.

2. Data and methodology

2.1. Data used

In order to identify the main determinants of demographic ageing at the level of the eight development regions of Romania, during the 1995-2018 period, we rely on data provided by Eurostat. For the analysis of the ageing trends we resorted to old-age dependency ratio, which is defined as the number of persons aged 65 and over per 100 persons of working age (15-64). In line with the literature on the determinants of population ageing, we consider the following explanatory variables: real GDP per capita expressed in current prices, lei (used to measure the regions' economic performance); number of tertiary education graduates per 1,000 inhabitants (as a proxy for the human capital variable); female employment rate (defined as the percentage of females aged 15 and above who are active in the labour force); unemployment rate (defined as the number of unemployed persons divided by the labour force, where the labour force is the number of unemployed persons plus the number of employed persons); number of doctors per 1,000 inhabitants (as a proxy to measure the improvements in healthcare services); degree of urbanization (defined as the share of people living in urban areas); net migration rate (expressed as average annual net number of migrants per 1,000 population).

Most empirical studies from literature use the data transformed by logarithm to homogenize the data series. Thus, in the econometric modelling step of this study, all variables are used following the transformation with the log operator, with the exception of net migration rate for which negative values are also registered.

2.2. Empirical strategy

The empirical investigation consists of several steps: (1) test for stationarity; (2) test for cointegration; (3) panel data modelling. Stationarity and panel cointegration tests are employed to avoid the “spurious” regression problem. Considering the specificity of our panel data, we explore the time series properties of variables using three types of panel unit root tests. From the first category, we employed a Fisher-type test developed by Choi (Fisher-ADF, 2001) and the test proposed by Im, Pesaran, and Shin (IPS, 2003) because these approaches allow the autoregressive parameter to be specific to each region and also because they do not impose the restriction of a balanced panel. From the second category, we selected the test introduced by Levin, Lin, and Chu (LLC, 2000) for considering the relatively small size of the panel, which is inherent when analysing data at a regional level, over a short period taken as a reference.

Given that variables are integrated of the same order, we test for cointegration, by relying on the cointegration tests developed by Pedroni (2004), Kao (1999), and Maddala and Wu (1999). These tests assume the null hypothesis of no cointegration, against different specifications of the alternative hypothesis of cointegration. The rejection of no cointegration assumption highlights that a long run relationship exists between series.

To assess the long run relationship between population ageing and different determinants, in this paper we build several panel models with different specifications. In this respect, the difference between pooled and heterogeneous panel data is underlined.

Specifically, the pooled time series regression equation is:

$$\ln OADR_{it} = \beta_0 + \beta \ln X'_{it} + \varepsilon_{it}, \quad i = \overline{1, n}, \quad t = \overline{1, T}, \quad (1)$$

where $\ln OADR_{it}$ is the logarithm of old-age dependency ratio, $\ln X'_{it}$ is the vector of independent variables expressed in logarithmic form, and ε_{it} is the error term assumed with conditional mean zero and independent of X'_{it} . The β coefficients represent partial elasticities of old-age dependency ratio in relation to each independent variable.

According to Wooldridge (2015), the key feature of panel data that distinguishes them from a pooled cross section is that the same cross-sectional units are followed over a given time period. In other words, the pooled OLS estimation is simply a standard OLS technique run on panel data, which assumes that is no heterogeneity, *i.e.* the specific effects of each cross-sectional unit are completely ignored.

Considering the limitations raised by pooling cross-sectional observations over time and the fact that the panel is heterogeneous (*i.e.* the time dimension is large and the cross-sectional one is small), other estimation techniques are required. Moreover, if the series were shown to be cointegrated, the equation (1) is estimated using full modified ordinary least square (FMOLS), panel dynamic ordinary least square (DOLS) and group-mean full modified ordinary least square (GM-FMOLS) methods. Mark and Sul (2003) develop the panel DOLS estimator as an alternative to the panel FMOLS estimator proposed by Pedroni (1997) and Phillips and Moon (1999). Precisely, the panel DOLS allows heterogeneity over cross sections, includes individual-specific time trends, individual-specific fixed effects and time-specific effects, and adjusts for the potential long-term endogeneity of the regressors. In addition to this alternative, Pedroni (2001) follows a semi-parametric correction to the other forms of the panel FMOLS estimator by allowing the associated serial correlation properties of the error processes to vary across individual units of the panel. Both panel DOLS and GM-FMOLS methods provide consistent and efficient estimation of the cointegrating vector, especially where non-stationarity, endogeneity and serial correlation problems are suspected.

3. Empirical results

To assess the stationarity of variables, Table 1 summarizes the results of the Fisher-ADF, IPS and LLC unit root tests. In order to test for both difference and trend stationarity, both the intercept and the trend are included in the auto-regressive specification of these tests.

Table 1. Panel unit root tests

Variables	Undifferenced			First difference		
	LLC	IPS	Fisher-ADF	LLC	IPS	Fisher-ADF
LOADR	3.6134	5.3268	4.8811	-3.1143 ***	-5.1560 ***	56.3027 ***
LRGDP	-3.5796 ***	-0.0358	12.9501	-4.5041 ***	-2.9860 ***	33.5573 ***
LEDUC	-0.1654	0.3245	9.4292	-3.5862 ***	-3.6104 ***	39.9652 ***
LHEALTH	0.1300	2.2525	5.8467	-7.2845 ***	-6.5558 ***	71.8525 ***
LFEMPLOY	-0.6128	-0.4643	14.1483	-2.6662 ***	-5.7146 ***	62.5904 ***
LUNEMPLOY	0.7905	1.5288	7.7592	-7.5285 ***	-7.9637 ***	88.0428 ***
LURB	0.9845	1.7269	6.2826	-8.2727 ***	-7.7682 ***	85.7570 ***
NMIGR	-0.7024	-1.6086	32.0217	-6.8895 ***	-6.1837 ***	69.3193 ***

Notes: Variables were abbreviated as follows: LOADR - log of old-age dependency ratio; LRGDP - log of real GDP per capita; LEDUC - log of number of graduates per 1000 inhabitants; LHEALTH - log of number of doctors per 1000 inhabitants; LFEMPLOY - log of female employment rate; LUR - log of unemployment rate; LURB - log of urbanization degree; NMIGR - net migration rate. For LLC test, the null hypothesis indicates that there is a common unit root for each panel, while for IPS and Fisher-ADF, the null hypothesis implies that there is an individual unit root for each panel in the series. *** indicates significance at the 1% level; ** indicates significance at the 5% level; * indicates significance at the 10% level.

Source: Own estimations

As illustrated by Table 1, the results from all the tests indicate that the null hypothesis of the presence of a unit root cannot be rejected, *i.e.* all the series under considerations are nonstationary. Nevertheless, as emphasized by low p-values, the variables appear to be stationary in first-difference. Therefore, since all variables are non-stationary and of the same order of integration, it is important to proceed with testing for the presence of cointegration relationships between old-age dependency ratio and its determinants. The results for the panel cointegration tests developed by Kao (1999), Maddala and Wu (1999) and Pedroni (2004) are reported in Table 2.

Table 2. Panel cointegration tests

Cointegration statistics	Values
Pedroni	
Panel ν -Statistic	-1.123
Panel ρ -Statistic	3.398 ***
Panel t -Statistic (non-parametric)	2.203 **
Panel t -Statistic (parametric)	2.224 **
Group ρ -Statistic	4.451 *
Group t -Statistic (non-parametric)	1.787 *
Group t -Statistic (parametric)	2.934 ***
Kao cointegration test	-2.352 ***
Fisher cointegration test for one vector	96.26 ***

Notes: The tests assume the null hypothesis of no cointegration. *** indicates significance at the 1% level; ** indicates significance at the 5% level; * indicates significance at the 10% level

Source: Own estimations

Irrespective of the considered test, the low p-values suggest that there is a cointegrating relationship among variables. Therefore, having established that the variables are structurally related, the long-run equation is estimated using the FMOLS, DOLS and GM-FMOLS estimation techniques for heterogeneous cointegrated panels. Table 3 summarizes the estimation results that are qualitatively similar, with the exception of FMOLS model that fails to explain the influence of female employment rate and unemployment rate on population ageing.

From our empirical findings, several points can be emphasized. For the panel estimation, real GDP per capita has a positive sign and is statistically significant, which implies that those regions with higher real GDP per capita are, on average, regions with a higher ageing population. This relationship is explained by the fact that real GDP per capita contributes positively, on the one hand, to a rise in life expectancy, due to an improvement in living standards, and on the other hand, to a drop in fertility rates, due to the increase in opportunity cost of time devoted to childcare. The increase of old-age dependency ratio is also associated with the increase in the number of doctors per 1000 inhabitants, which leads further to a higher level of life expectancy (Nagarajan *et al.*, 2020).

Table 3. Panel regression estimates of the old-age dependency ratio, 1992-2018

Variables	FMOLS Model (1)	DOLS Model (2)	GM-FMOLS Model (3)
LRGDP	0.0672 *** (0.0123)	0.0397 *** (0.0117)	0.0372 *** (0.0064)
LEDUC	0.0746 * (0.0403)	0.0326 ** (0.0128)	0.0325 *** (0.0066)
LHEALTH	0.2057 *** (0.0567)	0.3258 *** (0.0634)	0.3586 *** (0.0332)
LFEMPLOY	-0.0272 (0.0516)	-0.0730 *** (0.0235)	-0.0963 *** (0.0302)
LUNEMPLOY	-0.0196 (0.0119)	-0.0303 ** (0.0121)	-0.0485 *** (0.0063)
LURB	-0.3640 ** (0.1486)	-0.2702 * (0.1440)	-0.2207 *** (0.0678)
NMIGR	0.0011 *** (0.0033)	0.0088 ** (0.0041)	0.0059 *** (0.0015)
Adjusted R²	0.8458 ***	0.8713 ***	0.8919 ***
No. of regions	8	8	8
No. of observations	192	192	192

Notes: Variables were abbreviated as follows: LRGDP - log of real GDP per capita; LEDUC - log of number of graduates per 1000 inhabitants; LHEALTH - log of number of doctors per 1000 inhabitants; LFEMPLOY - log of female employment rate; LUR - log of unemployment rate; LURB - log of urbanization degree; NMIGR - net migration rate. FMOLS: pooled FMOLS estimator of Pedroni (1997) and Phillips and Moon (1999); DOLS: pooled DOLS estimator of Mark and Sul (2003); GM-FMOLS: group-mean panel FMOLS estimator of Pedroni (2000). All regressions include fixed effects. Given the limited number of time-series observations, the DOLS regression was estimated with only one lead and one lag. Standard errors in brackets. *** indicates significance at the 1% level; ** indicates significance at the 5% level; * indicates significance at the 10% level.

Source: Own estimations

In the case of human capital, the panel data estimations show that the number of graduates per 1,000 inhabitants has a positive contribution to the old-age dependency ratio. Our findings are in compliance with the ones obtained by Schneeweis *et al.* (2014), which indicate that education attainment has not only an indirect negative effect on fertility, since it directly influences marriage and female employment, but also a positive impact on a healthy life expectancy for the elderly population.

In addition to the rise in education, the participation of women in the labour force emerges as negative and significant in terms of population ageing index. Our results are in line with an argument put forward by Jemna and David (2018) that the decline in total fertility rate across Romanian regions is explained by the decline in labour force participation among women, which in the end causes an increase in population ageing. Moreover, the decrease in unemployment rate explains significantly the increase in population ageing at regional level. A high and long-term unemployment level contributes to the postponement of the first and second birth, with obvious direct implications upon fertility decrease (Goldstein *et al.*, 2009; Adsera, 2011), and thus upon population ageing.

In line with several studies on demographic ageing, both internal and external migration is significantly associated with population ageing. On the one hand, the response of old-age dependency ratio to an increase in urbanization is negative and statistically significant. These results echo the study of Garcia *et al.* (2019) and suggest that while young people are interested in more developed and urbanized regions to continue their education and find a job, the older people prefer to migrate to rural areas for living in the peace and quiet of the countryside. In addition to internal migration, our findings show that net migration also exerts a significant influence on old-age dependency ratio. Hence, the specific negative net migration rates register in almost all regions over the analysed period have a lower but significant negative impact on population ageing. Thus, an increase in the number of emigrants that will continue to exceed the number of immigrants, especially in the working-age population, is expected to lower fertility rates and increase the share of the elderly population at regional level.

Conclusions

This paper examines the impact of demographic and socio-economic drivers of population ageing using panel cointegration techniques at regional level in Romania, during the 1995-2018 period. To estimate the relationship between old-age dependency ratio and its determinants, the stationarity properties of the data are first examined by employing individual along with panel unit root tests. Further, the presence of cointegrating relationships is tested using Kao (1999), Maddala and Wu (1999) and Pedroni (2004) panel cointegration tests. Finally, if found cointegrated, the estimation procedure for heterogeneous panels is employed.

The analysis supports the findings of a long-run relationship among population ageing and real GDP per capita, number of doctors per 1,000 inhabitants, number of graduates per 1,000 inhabitants, female employment rate, unemployment rate, urbanization and net migration rate for the panel as a whole. This implies that the variables are bound together by one long-run equilibrium relationship.

Our findings support the view that an increased level of economic development, higher level of education, improved healthcare system, higher number of emigrants, lower female employment rate, a decreased unemployment rate, and lower urbanization explain significantly the increase in population ageing index at regional level.

These empirical results have important implications for the sample of eight Romanian regions. During the last decades, Romania has experienced decreases in fertility along with increases in population ageing, due to improvements in technology, investments in higher education and health

system, and overall improvements in living standards. A major consequence of ageing population is the increase of health cost of the elderly people, which puts further pressure on the pension, health and social assistance systems. Therefore, from a policy point of view, it is imperative to implement reforms in the labour market, pension and health systems in order to respond to the demographic changes in the structure of population. In this respect, a very important step was made through The National Strategy on Active Ageing Promotion and Protection of Elderly and the Plan of Actions 2015-2020, adopted by the Government in order to deal with the most problematic issues for Romania. Within this context, the strategy recommends a range of measures and policies to be developed in order to encourage longer working life and maintain the ability to work, to reduce the risk of poverty and social exclusion among older persons, to ensure lifelong learning, to promote and safeguard the dignity, health and independence in older age, and last, but not least, to maintain and enhance the intergenerational solidarity. Due to the relatively recent stage of implementation of this national plan of actions, it is difficult to make adequate assessments of its impact on the needs of older persons.

However, the report ‘Ageing Europe - looking at the lives of older people in the EU’, released by Eurostat in October 2019, reveals that the picture of Romania in relation to economic and social situation of elderly persons remains quite the same, *i.e.* the income of older people is low, the health and long term care services are insufficient, the unemployment rate amongst elderly is maintained at high levels, their quality of life is still low, they continue to be considered as assisted persons. Therefore, to ensure and sustain the medium and long term impact of the above mentioned policies, other specific measures should also be taken into account. For instance, the significant influence of net migration exerted on old-age dependency ratio suggests that discouraging emigration, on the one hand, and encouraging immigration, on the other, especially in the working-age population, could be measures that would counteract the ageing population issues. One of the most obvious impact would be on ensuring the public pension system’s sustainability. In addition, aiming for a positive net migration rate would lead to an increase in fertility and, eventually, to a decline in population ageing at regional level. In the same time, a special attention should be put not only on the disparities among the Romanian regions, but also to the imbalances within each region - especially in terms of inequalities between rural and urban areas - related to education, health, employment and socio-economic status that affect not only the elderly, but the entire population.

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Romanian consumer profile of PlayStation games

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Abstract

PlayStation is the market leader of the console industry, with over 90 million active users registered on their platform. It is a remarkable feat to appeal to so many consumers and keep them interested. This study reveals the results of an online survey on 600 Romanian PlayStation console users. The Romanian consumer is loyal, perceiving longevity with the brand as stability and which will encourage their level of loyalty to increase. The main disparity between the Romanian and foreign consumer lies in the average monthly income, which, however, does not hinder the former's buying intention, pointing towards a tendency to sacrifice other needs in order to fulfil playing experience and desires. The study has revealed a complex characteristic behaviour which shapes and constructs the consumer profile of the Romanian PlayStation user.

Keywords: PlayStation console, customer loyalty, customer retention, customer profile

Introduction

The video game industry has become a catalyst in today's society, encompassing a culture of its own and establishing itself both as a point of interest and prosperity. It is much more intricate than it appears to be and has propelled forward, as an extension, the console industry, both becoming compelling and influential aspects of today's society. Both have continuously managed to attract consumers. The figures showcase this fact as the gaming industry has reached \$137.9 billion in revenue in 2018, \$151.9 billion in 2019, \$165.9 billion in 2020 and is expected to grow even more, to an estimation of \$180.1 billion in revenue in 2021 (Tomic, 2018, p. 22). Overall, there are 2.2 billion games around the world, accounting for a third of the population, highlighting the increased level of interest and commitment to playing that has become an usual, much desire and enjoyed experience by people of all ages, from everywhere, worldwide.

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Video games have since long surpassed the notion of being a “fad” or a new technology and became a staple of contemporary entertainment (Bryant and Vorderer, 2013, p. 167). Having engraved themselves in today’s society, video games refined a complex and extended culture of their own. Constantly developing and evolving, it is difficult to homogenize and pinpoint a set of characteristics of video games, their players, their culture and impact (Murray and Crawford, 2018).

Each consumer will have a different perspective on the product and act in a certain way, therefore Romanian consumers may not exhibit the same kind of behaviour, attitudes or emotions as foreign ones. But this is mere speculation and unknown as no studies have delved into the topic in order to provide insight into the matter. Consequently, this study aims to pursue this aspect and “get to know” the Romanian consumer. What is their pattern? What is it that they seek into the PlayStation product and what are the reasons for doing so? To what degree do they showcase loyalty to the brand and what are the reasons for this? These are the questions the study aimed to answer and has, ultimately, provided insight into. The overall purpose is establishing a Romanian consumer profile, seeking to pinpoint the main characteristics that help shape and define attitudes in relation to the PlayStation. The exploration of reasons, attributes and behaviours will be explored in relation to PlayStation in order to acquire better comprehension of their intentions and motivations in the buying process.

1. Theoretical framework

People love playing games for a long time and they will continue to do it. Human history shows that games have been played in all societies since a very long time ago. Game designs are distinct in their conception and each offers a certain degree of choice available to the player of the sequence of actions or the goals and missions which must be undertaken (Ryan *et al.*, 2006, p. 351). Gaming environments have their very own appeal which entices players and motivates them to get involved, but all of this is done voluntarily and to game developer Bartle’s words (2004) “the players must expect to get something out of their experience”. On account of this, it would appear that players need to find video games gratifying and pleasurable in order to engage because, like any other form of entertainment, video games are sought for enjoyment and relaxation, in most part. Their popularization has taken off in the past years, thus it is no wonder that they are adapting and providing players with deeper, impactful and long-lasting experiences that make the game unforgettable for some (Panchal *et al.*, 2017, 966). Players are slowly but surely building a connection with their favourite games and attribute meaningful feelings of nostalgia, joy, amusement or even sadness.

Finishing a video game leaves each individual with a different mixture of emotions, either of anger and frustration that the ending was the complete opposite of what they had expected or in shock at the events that unfolded as the ending credits rolled. It is in the nature of video games to wake strong emotions deep within the player (Abdelmogeth, 2017, p. 52) if all the elements have been correctly aligned and played their part as intended, but, in the end, a good video game should leave players with a sense of satisfaction and accomplishment, feeling that the time invested was in no way a waste, but well spent and dedicated. In spite of all of this, the “motivational pull” of video games has been debated by various scholars, but few formal theories of motivation have actually been applied to video games overall, including to the motivational catalyst of the players and the welfare of gameplay (Ryan *et al.*, 2006, p. 369).

Mood influences the type of game a player will choose at a respective moment because, as consumers, they yearn for games that “elicit appreciated emotional responses” (Brown and Cairns, 2004, p. 1299). As an extension of this, the Seven-Factor Model of player experience has been developed and includes the following: tension, competence, challenge, positive affect, negative affect, sensory/imaginative immersion and flow (IJsselsteijn *et al.*, 2008, p.88). Each of these factors plays its own role in carving player experience and guiding the emotions and impact the player feels in conjunction with the gaming environment and narrative. To these were added puppetry and video-game perception as essential components which further aided shaping up the player experience (Calvillo-Gómez *et al.*, 2015, p.51). The former captures the interactivity of the player with the game in terms of controls and actions, as well as goals and accomplishment. The latter, video-game perception refers to the way in which the environment is observed and “felt” by the player (world-building aspects such as sound effects, aesthetics). Here, immersion is particularly tricky to discuss as it is one of the top elements on which the focus shifts during game design and planning. Each game strives to enhance realism as part of meaningful interactions within the created universe. The final ambition is achieving a world that retains real-life elements so that the player can relate to these, all the while providing them with completely different, unprecedented situations and scenarios (Khaleghi and Lugmayr, 2012, p. 285). Conclusively, what is paramount to the consumer in regards to video games is the immersion level, the control they possess over the gaming environment, alongside the achievements and rewards they are seeking to accomplish and gain, all of which must be met while the player feels a positive effect on themselves from the story, characters, in-game world and experience as an overall package. Additionally, it is imperative to notice that escapism has been found as the best predictor of gaming intensity (Yee, 2006, p. 311)

PlayStation is the market leader of the console industry, with over 90 million active users registered on their platform and the most sold console of all time, globally, in the PlayStation 2. It is a remarkable feat to appeal to so many consumers and keep them interested. Witnessing this and the continuous consumption of the product, it is only rational to wonder what the PlayStation consumer's traits and characteristics are, what their motivations are which drive them towards this type of consumption (Yan and Gilbert, 2018). While previous studies have focused on video games, both the positive and negative effects upon players, no specific study has been conducted and made public on PlayStation and, in particular, its defining consumer. As such, the motivation for this particular study stems, first and foremost, from the dearth of research in relation to consumer behaviour related to consoles specifically. Thus, the image of the PlayStation consumer has been left blank and has not been recognized enough to be studied in-depth. This applies even less to the Romanian consumer in particular, who chooses to engage in video games, specifically through the usage of a PlayStation console. A 2014 study has revealed the "Romanian gamer profile" by analysing casual and serious games, the study reveals an overall perspective on the Romanian gamer in relation to games as a whole, it does not tie into the usage of PlayStation as a product or the perspective of the console consumer (Constantin *et al.*, 2014, p. 329). Moreover, each consumer is complex on their own, displaying their own set of characteristics, motivation and desires in relation to the product they wish to use in order to fulfill different kind of needs.

2. Research methodology

The purpose of this research is analysing and evaluating the consumer behaviour of PlayStation users, specifically from Romania in relation to PlayStation as a consumer product in order to assess contributing factors to loyalty. The study seeks to pinpoint the factors which drive consumers towards developing their loyalty as well as identifying the elements which aid maintaining it. What hopes and looks to be achieved is a careful, detailed introspect of the continuous consumption of the product from the consumer behaviour point of view.

While initially intended as a global study, the sample results have veered the direction of the study towards analysis of the Romanian PlayStation consumer. Consequently, the main premises upon which the basis of this study is build are the following:

1. The Romanian consumer displays a set of behaviour and attitudes which have been left up to question due to the dearth of appropriate conducted research;

2. The Romanian consumer can be described in terms of cultural values, life-style, environment and socio-economic factors (income, occupation, etc.).

While consumer behaviour has been analysed in regards to video games (both positive and negative aspects), from the hedonic vs. utilitarian point of view, as well as psychological approaches to video games as a mere form of entertainment or more meaningful experiences capable of inducing deep stimulus and emotions on the player, there have been no public research studies conducted in relation to the PlayStation consumer specifically. Therefore, there is limited information and insight into the behaviour patterns of console consumers and the way they perceive the brand and choose to act in respect to it from a variety of consumerism focused aspects. This leaves the portrayal of such a Romanian consumer blank and up to debate, questioning the way in which they act and behave in relation to the product.

The main research questions are the following:

1. Can we speak about a loyal Romanian PlayStation consumer and, if so, to what degree?
2. What are the main perceived attributes of the consumer which define loyalty to the PlayStation brand?

Secondary research questions revolve around the following purposes:

1. Is there any perceived difference in terms of loyalty between the Romanian consumer and those belonging to other (sampled) countries?
2. What are the main attributes that hold importance on the Romanian consumer's decision making process when purchasing PlayStation products?

The main goal of the research is the construct and embellishment of a Romanian PlayStation consumer profile. This will consolidate the exploration of the consumer behaviour elements that tie into the related, given topic and help assess factors such as loyalty, involvement and overall opinion on the chosen product in the form of PlayStation consoles. As such, the two main objectives of the analysis, which are split in secondary objectives, are the following:

Objective 1: Identifying the perceived consumer loyalty in relation to PlayStation as a brand and product.

O 1.1: Exploring the longevity as consumers of the brand.

O 1.2: Exploring the degree to which the Romanian consumer can be swayed to make the switch to another brand and which factors influence this decision the most.

O 1.3: Identifying the perceived type of consumption and playing commitment.

Objective 2: Identify the main attributes of importance which cultivate the consumption of PlayStation as a product.

O 2.1: Identifying whether console exclusivity is a strong enough of a factor to sway the consumer's perspective on the brand through its existence.

O 2.2: Identifying the attributes of the product which hold importance to the consumer in the buying, respectively decision-making process.

Subsequently, we have formulated the following hypotheses:

Hypothesis 1: There is a relationship between the perceived loyalty of the Romanian consumer and their longevity with the brand. (Constantin *et al.*, 2014)

Hypothesis 2: There is a relationship between the Romanian's consumer income and their decision to switch to another brand for a more accessible price. (Constantin *et al.*, 2014)

In order to meet and satisfy the objectives of the research, the primary method carried out was the quantitative one - an online survey. After an extended review was conducted from literature in order to gain better understanding of the perception of gaming and its purposes, for entertainment specifically in this study, a survey was subsequently created in order to gain insight on the consumer's perspective and decision-making process in concern with the PlayStation brand and its products. As such, the instrument of use was an online questionnaire, specifically a cross-sectional one, which collects information from a specific sample drawn from a population and involves data collection at one point in time.

The reached sample size was of 600 individuals residing in Romania. The population of interest consisted of gamers who own one or more PlayStation console and are continuous consumers of the brand and its products, in order to be able to analyse their behaviour in relation to the brand and its attributes.

The survey was created online, through Google Docs and distributed with the aid of social media platforms, such as Facebook, Twitter and PlayStation focused forums at the end of the March 2019, remaining available and accepting responses for a period of 2 months. It was posted only once in each respective group and in only one sample, with no duplicates or additional posts needed as a result of the prompt, quick responses. The data collection process was conducted from March 21st to May 21st of 2019, reaching a sample size of 600 participants.

The questionnaire consisted of 17 different questions, which were, with one exception, close-ended and encompassed only one section, focusing on single choice, multiple choice and Likert type

of answers, aimed at finding out the consumers' preferences in terms of product performance, improvement as well as personal, individual data in regards to their commitment to the brand/playing.

The first part contains 4 questions and sought to identify the consumers' position to PlayStation as a brand, as well as product by focusing on simpler elements such as the already bought PlayStation products, competitor's products owned, along with the preferred type of games and the time dedicated to playing solely on a PlayStation console. This helped create an image of the consumer from their standpoint with the brand, in terms of involvement and play-time, to favoured products and perspective on PlayStation competitors in the form of the classic rival consoles (Xbox, Switch) or the vastly used PC.

The second part consists of 7 questions and encompasses the core of the questionnaire as it focuses on the consumer behaviour aspects sought to be analysed. It revolves around a more complex type of questions and the answers required necessitating better thought through answers. The questions ranged from statements which necessitated the consumer's agreement or disagreement based on a Likert scale, as well as multiple choice questions in relation to playing commitment and loyalty to the brand. Moreover, this section explored the factors that come into play from the consumer's perspective in terms of importance in the buying and decision-making process, as well as overall performance. The consumers' opinion on the switch to another brand was assessed, along with the aspects that could lead to such a decision to abandon PlayStation's products, all the while seeking to pinpoint the specific impact of exclusive games into this topic.

The third part concerns the demographic aspects of the targeted sample, including questions such as: age range, gender, current occupation, monthly income (in euro), and country of residence.

3. Research findings

3.1 Demographics

The study comprised of a 600 sample size. The main demographic area of interest investigated was the participant's country of residence. The study was distributed online and hoped to reach individuals on a global scale, but the results accounted for the majority of the individuals partaking in the survey as being from Romania. But because we reached only 90 responses from abroad (which is not concluding in order to make a comparison), we decided to refer only to those 600 Romanian respondents.

The majority of the participants were male, at a staggering over 90%. This was not an unexpected result, as statistics have shown continuously through time that there are more males who

consider themselves “gamers”, than females (Statista, 2018). However, this is not to imply females do not play games, because they do, but the participants of this particular study favored male respondents. The age categories were spread out relatively evenly across the participants but indicated that most of the individuals belonged to two main intervals 18-24 years old (35/7 %, respectively 17.8%) and 25-34 (32.7%, respectively 45.6%), thus marking the target sample to be from their early 20’s to mid-30’s. It is important, however, to notice that there were also participants in the 45-55, respectively over 55 categories of age, where they accounted for 5.6%, respectively 3.3%. While these may not be very high, it proves the fact that gamers belong to all age categories and the appeal does not cease with age, in particular, however, as it appears the average Romanian consumer is of younger age.

In relation to current occupation, most participants registered either as students or full-time workers. The monthly income situation exhibited the first major discrepancy between the two categories as in the case of Romanian consumers, the average income placed them either under a value of 500 or up to 1000 € (41.2 %, respectively 36.8%), which enhances the idea that the Romanian consumer is not as prosperous from the materialistic point of view of income, which may, in turn, affect their buying intention and limit their options.

What occupation and monthly income highlight is an existing concordance between the occupation and income of the participants as the majority of both were full-time workers and students with incomes mostly under the value of 500 €. An expectation of high values in terms of income from participants who have proved to be mostly students and full-time workers is not realistic and would skewer the interpretation in an unfavourable manner.

3.2 Romanian PlayStation consumer perspective as a PlayStation user

- **Stand with the brand**

The consumer’s standpoint with the PlayStation brand was analysed through their answers to the first two questions which targeted current/previously owned PlayStation products, as well as any belonging to competitors. From the analysed data, what can be observed is that the vast majority have not owned any PlayStation product up until the latest model (PlayStation 4), where 558 out of 600 Romanian consumers (93%) have answered with a definitive yes to the question of having owned or owning a PS4 console. This points towards a tendency of the consumer towards the modern and new site of the product as the latest console provide players with new, intriguing and technologically

advanced features which ease and improve their overall experience. Later on, we will take a look at exactly how much each element plays its part in the player's overall experience and outlook.

In the case of products owned alongside and apart from PlayStation, the Romanian consumer does not appear to be entirely or wholly exclusive to one product, but rather expands their choices for gaming devices to a certain extent. As such, for Xbox, Switch or Wii products, over 90% of the respondents gave a negative answer, while in the case of PC, 455 (75,8%) have recognized they do indeed own it along with a PlayStation product. It is important to note that 17% of respondents have confirmed not owning any other gaming system, thus marking the idea that some will, indeed, choose to stick solely to the PlayStation brand for gaming purposes. These results reinforce, however, the notion of consumers branding themselves to a certain console and sticking with it, as there are very few people who own both a PlayStation and a secondary gaming console since they serve the same purpose, more or less and while they rival each other in certain aspects, remain the same product at their core.

- **Longevity of the consumer**

In concern to the period of consumerism, it was found that the larger percentage of respondents (38%) have been consumers for a period ranging between 2 to 5 years, while the rest of the answers were relatively even spread across: 139 (232%) for more than 10 years, followed by 118 (19, 7%) for less than a year, 115 (19,2%) between 5 and 10 years.

- **Playing commitment and involvement**

This section sought to shape the consumers' personality in terms of the commitment they have to the product as a whole by analysing willingness to play, along with time devoted to this activity overall.

The results expose that the average playtime spent by the consumer on a PS console is between 1 and 7 hours, with 245 (40,8%) participants, followed by an increase to 8 - 13 hours of 174 (29%) of the answers. The remaining 30% is evenly spread to 13 - 19 hours and over 20, highlighting the more hardcore, hard commitment nature of some of the consumers who choose to indulge into long daily sessions of playtime over the course of a week. Further, preferences in relation to game genres were evaluated since they are the central, fundamental element of consoles and PS is no exception to this. As such, results showcase a widespread set of data across multiple genres of games, which will be displayed below for a more comprehensive and clear perspective.

Table 1. The preferred genre of games

Genre	Action	Adventure	Roleplay (RPG)	Strategy	Sport	Arcade	MOBA	MMO	Shooter	Other
Preferred	472	440	277	144	288	140	36	75	385	32
Not preferred	128	160	323	456	312	460	564	525	215	588

Source: Data from our own research

As it can be observed, the predominant genre of games that Romanian consumers tend to prefer action driven games, or those encompassing adventure or the classic shooter type of experience. On the other hand, games such as Arcade, MOBA and MMO seem to be the least favoured, perhaps due to their multi-player nature. In theory, it may be that this preference in genres is a result of the consumer's genders, but this was tested and, in fact, the only type of games for which gender accounts as a factor of difference is "Shooter". Independent Samples Test result is 0.760275, which means that that 76% of the variance in preference for the shooter type of games is explained by the consumer's gender, a very high and telling percentage. This difference exists and is undoubtedly statistically significant in the overall outlook of comparison of the consumers, thus further enhancing the idea of females and males having different preferences in the game genres they choose to partake in, with males more focused towards mechanics driven ones.

The last statement which encompassed this segment of analysis focused on the player's own perception of their commitment to playtime. The choices varied from "I play for entertainment/relaxation purposes", thus, casually, to "I play often, but most games I hold particular interest to and have no decisive commitment to finish them" to reach the last stage of a user "I play on a regular basis and consider myself a hardcore type of gamer", within which commitment and involvement is at a significantly increased level in comparison to the other two mentioned categories. Henceforth, the collected data a proportional distribution among the results, with the first statement involving entertainment focused and casual play as the highest percentage at 39,7% (238 respondents) while the remaining two accounted for close percentages at 31,2 % (187 respondents), respectively 29,2% (175 respondents).

As a continuity of the factors which hold importance to the consumer, an assessment of the current features and the perspective on them is necessary for a complete exploration of the product from this aspect. Because elements such as virtual reality (VR) and streaming services are not as important and used by the consumer, the assessment of their performance is average, implying the

need for improvement and novelty to be brought about for the consumer to properly start using them. Further, features such as share and remote play, which allow extension of gameplay with others and push towards group experience, encompassing, as well, a performance which meets expectations pushing towards a better assessment. This may be as a result of the fact that these features, to a certain extent, enhance the playing experience because they offer opportunities to do it together with others or from afar (remote play). These two features allow consumers to share their gameplay with friends anywhere at any time, as well as the option to stream the playing process on other devices. Exclusive titles score the highest in this section, further accounting for the consumer's focus on emphasizing their playing experiencing and thus perceiving the highest performance from the factor which aids this the most out of all the available ones.

Performance assessment will be given to PlayStation features in conjunction to what matters most for the consumer because those factors in question are those that contribute most to the extension and improvement of the playing experience, thus leading to a satisfactory outcome of enjoyment and gratification.

- **Switching away from the brand (reasons and factors of influence)**

The last section of the questionnaire cantered on the prospect of making the switch from the brand while exploring the factors of influence which could sway the consumer in this decision.

In regards to having already made the switch or considering it, a number of 378 (63%) have responded no to either of the possibilities, while 222 (37%) affirmed that they have, indeed, if not made the switch, at least consider it as an option to replace their PS product with another. With reference to the elements significant enough to impact this decision in any form, results have shown that there are only two aspects which the majority of the consumers would contemplate upon in relation to this decision. As such, better features (in the sense of controls/mechanics of use, services provided) and portability (the ability to use the product while on the go and ease carrying it around, anywhere and anytime) are essentials for the majority of the consumers and could potentially convince them to divert from PlayStation and seek another product that could offer them such benefits that will assist them in the overall playing experience.

At the other end of the frame, an extended library of games along with the influence of family and friends emerge as meaningless to consumers and do not represent, for a large number of them, a prospect which could not change their view on the situation or sway their outlook. Moreover, a surprising number of participants, 415 accounting for 69,2% of the total deems a more affordable price negligible. This ties into the results regarding monthly income where it was discovered that the

majority of the participants average 500 - 1000 €, with the highest percentage even 500 €. Intrinsically, with these values in mind, there was an expected importance placed on the price of the product (usually 350€), but that appears to be just the opposite and showcases that the consumer will not shy away from the price of the product as long as it offers them the essentials which they seek and desire for a fulfilling, enjoyable and entertaining playing experience.

Moreover, the last statement of the questionnaire, which sought to discover whether the buying intention and usage of the product is limited (and in what measure) to the existence of the proclaimed “exclusive titles”, which have become the staple, “iconic” elements of each console available on the market and has influenced consumerism in one manner or another.

As it can be assessed, a cumulative percentage of 59% participants agree to a strong extent with the statement and confirm the continuity of their buying intention and usage of the product, even if any kind of exclusive titles would be absent from the product package and overall offered experience. To many, this would not offset or take away from the experience, pointing towards a consumer not veering for exclusivity, but rather for well-rounded, polished features and aspects that can perk and spark interest in the experience as a whole process of entertainment. These results further enhance the ideas portrayed before - video games represent a means of entertainment and the consumer seeks them for enjoyment and pleasurable purposes, thus searching in them features and aspects that can improve and further prolong this state of gratification.

The hypotheses were tested and the results are presented below.

Hypothesis 1: There is a relationship between the perceived loyalty of the Romanian consumer and their longevity with the brand.

The longer a consumer has been with the brand, the more loyal they are expected to be to it. In order to be able to analyse the above hypothesis, a Pearson Correlation test was conducted. A Pearson loyalty-longevity correlation test was run to determine the relationship between longevity as a consumer and loyalty to the brand. According to the p-value $p = 0,000$ which is below the chosen significance level for this case ($\alpha = 0.01$), the test was statistically significant. The coefficient of correlation's strength of $r = 0.213$ ($N = 600$) indicated a moderate, positively linear relationship between the two variables in question: longevity of consumerism, measured in years ($M = 2.46$, $SD = 1.052$) and loyalty ($M = 3.48$, $SD = 0.700$). Conclusively, the longer the Romanian consumer has been with the brand, there is an increase in the likelihood of them considering themselves loyal to the brand as times goes on.

Hypothesis 2: There is a relationship between the Romanian's consumer income and their decision to switch to another brand for a more accessible price.

Given the average lower of the Romanian income in comparison to that of foreign consumers, they would hold more importance on the price factor. In order to interpret this hypothesis, a Chi-square test was conducted. The corresponding p-value of the test statistic is $p = 0.226$, that is greater than our chosen significance level ($\alpha = 0.05$), we can conclude that there is not enough evidence to suggest a statistically significant association between monthly income and considering the switch to another brand for a more affordable price after the concluded Chi-square test $t(5.663)=4$, $p=0.226$. Based on these results, we can state that price holds no impact on the Romanian consumer's decision-making process in the scenario of considering switching to a completely different brand which offers more accessible prices. The Romanian's consumer sense of loyalty and desire to stand, stick continuously with the PlayStation is not influenced by the price they are willing to pay for it, even in spite of average monthly income. We can thus conclude that, for the Romanian consumer, the play experience is worth no matter the price and there are other factors they seek in the product, rather than price, which is negligible at best. They may even choose to sacrifice other needs in order to account for the price of the product which holds more interest to them than other factors, willing to spend even up to half of their monthly income on PlayStation and give up other materialistic necessities.

4. Conclusion: the Romanian consumer profile as PlayStation user

The average Romanian PlayStation consumer is male, belonging to the age interval 20 – 30 years old, either a student or full-time employee with an averagely low income ranging between 500 € and 1000 €. With a penchant for game genres such as classic action, adventure and shooter and less preference towards MOBAs and MMOs, the Romanian consumer's playing commitment is, more often than not, of casual nature and is chosen as a means of relaxation and for entertainment purposes. There is a tendency towards more dedicated engagement, but usually gratification comes in the form of a laid-back experience meant for unwinding and enjoyment purposes.

The Romanian consumer has a high perceived level of loyalty to PlayStation as a brand, which is highlighted through various aspects, such as their longevity with the PlayStation brand and its product, which averages between 2 to 5 years and is, in turn, related to the loyalty they display. The longer a consumer, the higher sense of loyalty and involvement to the brand. As such, it appears that

the Romanian consumer distinguishes a link between stability and loyalty and, while it takes time to as his time with the brand increases, so does their allegiance and devotion to it.

Moreover, the Romanian consumer is not tied down to the PlayStation product as a whole, even if remarkably loyal to it. While he will not limit himself to PlayStation as a gaming system, he will not buy competitor items in terms of consoles and only focus on PCs which are usually multi-functional, further enhancing the sense of loyalty by sticking to PlayStation as a console product. From this perspective, of PlayStation products perception, the Romanian consumer showcases a tendency towards being a “modern” consumer, as they cultivate curiosity and buying intentions for the newer models (PlayStation 4), rather than older models. This speaks for preference in terms of novelty, as the Romanian consumer is on the lookout for technological advancement in their product, which can further enhance their overall playing and entertainment experience as a whole. On this note, the Romanian consumer treasures and holds in high importance the factors related to product quality and enhancement of their playing experience in the form of games library, exclusive titles and graphics quality. Each of these acts as a catalyst for building and augmenting player immersion, enjoyment and involvement through unique elements which build up the experience – PlayStation as a product would not matter as much in the absence of the video games that make it what it is. These influence and push towards meaningful experiences, which, in turn, lead towards consumer satisfaction and gratification, thus happiness with the chosen product and an increase in the level of loyalty. On the other hand, features such as virtual reality (VR), streaming services hold much less value to the Romanian consumer, indicating a move away from technical features that are not strictly related to the playing experience and do not particularly bring any upgrade in that sense, but are merely bonus features which encourage the usage of different services on the same product that are not the core functionalities. The social factors, such as family and friends influence, do not account for much for the Romanian consumer, implying a nature of not being easily swayed or impressionable by those around. Even so, in contrast, professional product reviews appear to be quite crucial for the Romanian consumer and an aspect worth taking into consideration in the decision-making process which will influence the final buying intention to a certain degree. What sets apart the Romanian consumer from this point of view is that, there is a tendency towards placing more reliability on professional product reviews, consequently highlighting the need for a proper, dependable opinion to inspect and scrutinize before diving into making a purchase. As such, the Romanian consumer is a more careful assessor in relation to the product he contemplates buying, choosing a more careful, standardized approach which takes into consideration multiple factors, rather than making a quick, harsh decision that may not turn out to be as beneficial as originally thought.

Perhaps one of the most intriguing characteristics of the Romanian consumer is in relation to the way the perceived product price in their decision-making process as a whole. Even in spite of low, average income per month and occupation of student or full-time employee, the Romanian consumer does not shy away from the high price of the product, believing quality is most important when considering a new product to try out. This showcases commitment to the product and willingness to sacrifice other needs, if the situation arises, for a fulfilling, enjoyable and entertaining PlayStation experience. All features mentioned previously served immersion and enhancement purposes, while price is a mere factor that must be accounted for in the buying decision and make it possible, but for the Romanian consumer it is only there for that reason only and plays no critical role in the final outcome of their buying intention. This further ties into the Romanian consumer's approach to the scenario in which a potential switch to another brand is to be examined as better features (games, graphics, controls) account for the main reason, along with portability (being able to take the product anywhere and at any time) which, once again, over and above strengthen the Romanian consumer's desire for an enhanced and embellished playing experience. Meaningful, entertaining experiences are what the Romanian consumer is looking for the most out of the product and that which attracts him the most towards even another product than PlayStation. Repeatedly, price and family/friends opinion remain standardized factors regarded as less important or relevant in this process and emphasize the meaningful, fulfilling experience focused essence of the Romanian consumer. The Romanian consumer's loyalty does tie into the idea of making the switch to another brand as the relationship is negative, implying that higher levels of loyalty will lead to being more closed to the idea of switching the brand or acknowledging it as a possible opportunity. As a result of the high level of loyalty of the Romanian consumer, he does not overly-dwell on this aspect and is content with the brand and product he chose to dedicate himself through in PlayStation.

Last but not least, as a loyal one, the Romanian's consumer outlook on the essentiality of PlayStation exclusive titles offers insight into the behaviour in relation to this staple concept as the leading, marketing and motivational tool that encourages the consumption of consoles as a whole. The Romanian consumer affirms a clear and strong stand in this matter, willing to continue purchasing and using a PlayStation console even in the event that the product offered no more exclusive games. Fundamentally, the Romanian consumer's focus does not lie within "exclusive" features that set their product apart from others, but rather, what matters is a well-rounded product that can encompass of all their desired elements into one, to offer a seamless, meaningful entertainment experience in the form of video games to which access is made through a PlayStation console.

Conclusively, the Romanian consumer is a loyal, long-time PlayStation customer, with a high focus on factors that enhance the overall playing experience in terms of entertainment and fulfilment. With a preference for novelty in terms of products, the Romanian consumer is a careful assessor and will not rush in their decision making process, but attentively consider factors of importance for him (such as available games library and graphics quality) all the while showing an willingness to sacrifice other needs to fulfil their playing experience as a means for entertainment and enjoyment (price is not a factor, in spite of low average monthly income). While not limiting himself only to PlayStation as a gaming product, the Romanian consumer may consider alternatives but only if they meet the requirements which strengthen the overall experience, as a player choosing to engage in this particular activity through a console. To the Romanian consumer, stability and longevity with the PlayStation brands points towards a tendency in an increased level of loyalty, highlighting a time-window when the Romanian consumer needs to ensure the brand is what they are seeking for before becoming loyal and committing to it. The Romanian consumer displays a complex, characteristic behaviour which shapes up the buying intentions and carves the perspective on PlayStation as a brand and product he has chosen to commit to for playing purposes and entertainment fulfilment reasons. Exclusivity is not an appeal to the Romanian consumer and neither is a measure of the loyalty level to the brand, made apparent by the decision to continuously buy and use PlayStation products in the theoretical absence of console exclusives. The Romanian consumer is highly and entirely aware of what he seek and desire from a product and what to focus on in order to choose the most suitable product and achieve this. Meaningful, entertaining experiences are what the Romanian consumer is looking for the most out of the product and that which entices the most towards the product and shapes up the behaviour in relation to PlayStation as a means for entertainment and play, usually casual in nature and relaxation focused, looking to achieve a state taken over by a gratifying and satisfactory experience as a whole.

While initially intended to be a global study, respondents from outside Romania did not meet the expected, hoped for number, thus restraining the manner of interpretation of the results. A larger sample of foreign consumer could have accounted for more reliable, error-free comparison and results.

The research findings have portrayed a Romanian consumer profile before the pandemics. However, future studies during or post-pandemics may achieve more in terms of reliability and discover novelties in regards to the topic.

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The effects of epidemics on capital markets volatility: A case study of Borsa Istanbul***

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Abstract

This study examines the effects of epidemics like H1N1, MERS and EBOLA on the volatility of capital markets through the case of Borsa Istanbul. The data set covers the period from 1/2/2009 – 8/11/2020 and consists of daily frequency observations. In the study, first, the appropriate volatility model for BIST 100 Index, which is the main market index of Borsa Istanbul, was determined. ARCH, GARCH, T-GARCH and E-GARCH models were tested to estimate the appropriate volatility model. According to the findings, E-GARCH (1,1) is more suitable for modelling the BIST 100 Index volatility. It was found that the H1N1 pandemic caused an increase in BIST 100 Index volatility, and negative news rather than positive news was effective on BIST 100 volatility. In addition, the effects of COVID-19 pandemic on BIST in the current situation were evaluated. During the pandemic period, the excessive increase in volatility and the negative trend in the return series are remarkable compared to previous periods.

Keywords: H1N1, MERS, Ebola, COVID-19, Stock Market Volatility, Borsa Istanbul

Introduction

Stock markets are the lifeblood of the economy due to their resource allocation function. Transactions carried out within stock markets are under the influence of many factors. Especially since the 2000s, many epidemics began to be considered as a powerful factor affecting the economies and the stock markets. McKibbin and Sidorenko (2006) examined the effects of pandemic influenza on the global economy under different scenarios and reported that GDP losses would be \$ 330 million to \$ 4.4 trillion. Ma *et al.* (2020) examined the effects of 1968 Flu, SARS, H1N1, MERS, Ebola and Zika health crises on the economy. It was stated that the GDP decreased by 3% in the countries where the crises were experienced, compared to the ones that were not experienced, and it would take about

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five years to return to the previous level. It has been reported that the global economic impacts of COVID-19 will be much greater, and the impact of previous crises can be expressed as the lower limit for COVID-19. Sharif *et al.* (2020) stated that the COVID-19 and oil price shocks had unprecedented effects on geopolitical risk, economic policy uncertainty and stock market volatility.

H1N1, Ebola and MERS occur recently and directly or indirectly affected Turkey due to geographic proximity or first-hand experience. Lastly, at the end of 2019, the world faced the threat of COVID-19. By August 31, COVID-19 spread in over 180 countries, 25.484.767 cases were reached, and 850.535 died due to COVID-19 (John Hopkins University, 2020). Due to COVID-19, countries have started to implement social, economic, psychological precaution and restrictions in a short term (Şenol and Zeren, 2020; Ahmad *et al.*, 2020). These precautions and restrictions will continue to be implemented depending on the course of the disease. Long-term effects are predicted to be more than previous outbreaks. It is predicted that long-term effects will be more severe than previous outbreaks (Ceylan and Ozkan, 2020; Ma *et al.*, 2020; Zhang *et al.*, 2020). This study analyses the effects of previous outbreaks and the current COVID-19 pandemics on Borsa Istanbul (BIST), which represents capital market of Turkey as developing country. Turkish economy is open structure due to both geographical position and implemented economic policies. In addition, the distribution of domestic and foreign investors and their transaction volume is almost equal within BIST (Dünya, 9/7/2020). Therefore, BIST has the capability to represent the motivation of different geographies for investors.

In this study the effect of outbreaks on BIST volatility is examined. H1N1, MERS, Ebola and COVID-19 outbreaks were included in the study. Augmented Dickey Fuller and Phillips Perron tests were used for the analysis of stationarity. ARCH, GARCH, E-GARCH and T-GARCH were used for modelling volatility. H1N1, MERS and Ebola were added to the model as dummy variables. Since the VIX Index (Volatility Index) generally represents the current and expected reactions of the markets, it is included in the analysis process as a control variable. Lastly, COVID-19 effects on BIST and sectoral indices examined in a separate framework. The rest of the study consists of the relevant literature, data set and methodology, findings, and conclusion, respectively.

1. Literature Review

McKibbin and Sidorenko (2006) examined the effects of pandemic influenza on the global economy under mild, moderate, severe, and ultra-scenarios with the Asia Pacific G-Cubed model. As a result, it reported that deaths would be 1.4 million to 142.2 million, and GDP losses would be \$ 330

million to \$ 4.4 trillion. Prager *et al.* (2017) examined the effects of influenza outbreak on the US GDP under different scenarios such as the availability of vaccine, seasonal or pandemic form for the period of 2005-2013. Computable general equilibrium model simulations reported that outbreaks could create between \$ 19.9 billion and \$ 45.3 billion losses in GDP.

Del Giudice and Paltrinieri (2017) investigated the impact of Ebola outbreak and the Arab Spring on investment funds that take African countries as reference for the period 2006-2015. It is concluded that Ebola outbreak and the Arab Spring have greatly affected the fund performance and caused investors to withdraw their savings from the relevant funds. Withdrawals in funds increase as the rate of coverage in the media increases. Ichew and Marinč (2018) examined the effects of the Ebola outbreak on companies in the perspective of the geographical proximity of the company's activities and locations to the disease region and the intensity of media coverage. As a result, it is stated that the effects of the outbreak are closely related to geographical proximity, company size (small companies), industry and media publications. Jalloh (2019) investigated the economic conditions of countries affected by the Ebola outbreak and stated that Ebola negatively affected the economies of the countries where the outbreak occurred. However, the isolation of the countries where the outbreak was experienced greatly contributed to the worsening of the economic conditions. Baker *et al.* (2020) examined stock and commodity markets since 1900 and compared COVID-19 with previous infectious disease outbreaks. It has been reported that COVID-19 has a much larger impact on both the stock and the good markets compared to previous infectious disease outbreaks, and the effect on market volatility is approximately twice as much as the 2008 financial crisis. Zhang *et al.* (2020) examined the interaction of 12 country stock markets under the COVID-19 pandemic. When the data up to March 27, 2020 are evaluated with binary correlation and minimum spanning tree method, it has been stated that the structure of the interaction between stock market has changed greatly. Sharif *et al.* (2020) examined the interaction between COVID-19, oil price shocks, the stock market, geopolitical risk, and economic policy uncertainty for the US. The data for the period of January 21, 2020 - March 30, 2020 were evaluated with the wavelet method and the wavelet-based Granger causality tests. It was stated that the COVID-19 and oil price shocks had unprecedented effects on geopolitical risk, economic policy uncertainty and stock market volatility. It also has been reported that COVID-19 should be interpreted differently in the long and short term, but it can currently be described as an economic crisis. Ruiz Estrada *et al.* (2020) examined the time and spatial patterns of outbreaks and analysed the impact of COVID-19 on financial markets. The findings obtained are that COVID-19 can produce similar results to the 1929 crisis and the current situation may begin to improve at the end of 9-12 months. It has been reported that the stock market

performance index created with the data of 10 countries' stock markets was 1.88 at the beginning of the epidemic but reached 0.45 on the 140th day of the epidemic. The bull market view at the beginning of the epidemic turned into a bear market. Rabhi (2020) investigated the reactions of China, India, Indonesia, Malaysia, Philippines and Thailand stock markets to COVID-19. It has been found that fatality affect the stock markets more than the number of cases, and in general, COVID-19 affects the stock markets negatively. In addition, in times of turmoil and uncertainty, it has been observed that the oil price, gold price, exchange rate and US stock markets are the determinants of Asian stock markets. Ma *et al.* (2020) examined the effects of 1968 Flu, SARS, H1N1, MERS, Ebola and Zika health crises on the economy. It was stated that the GDP decreased by 3% in the countries where the crises were experienced, compared to the ones that were not experienced. It would take about five years to return to the previous level. It has been reported that the global economic impacts of COVID-19 will be much greater, and the impact of previous crises can be expressed as the lower limit for COVID-19.

Şenol and Zeren (2020) examined the impact of COVID-19 on stock markets within the framework of MSCI Global, Emerging Markets, Europe and G7. According to the Fourier cointegration results, the existence of a cointegration relationship between COVID-19 and indices was determined. Ashraf (2020) measured the response of 64 countries' stock market to COVID-19 for the period between January 22, 2020 and April 17, 2020. It has been concluded that COVID-19 negatively affects the markets, and the markets take the number of cases into account compared to the fatality number. In addition, it has been stated that the markets react quickly to the outbreak and the response changes over time depending on the outbreak stage. Ali *et al.* (2020) examined the impact of COVID-19 on China, USA, UK, Italy, Spain, France, Germany, Switzerland, South Korea stock markets, corporate bond index (S&P 500), US treasury bond core index (ICE core), Bitcoin, Oil (WTI) and gold prices. It has been reported that stock markets and financial instrument returns were negative during the outbreak period, volatility increased and the current situation worsened during the moving from epidemic to pandemic. Ngwakwe (2020) examined the change of Shanghai Stock Exchange Composite Index, Euronext 100, S&P 500 and DJIA Indices with reference to 50 days before and after the COVID-19 outbreak. It was stated that the indices reacted differently to the outbreak. While DJIA decreased and SSE increased in the period before the outbreak, the S&P 500 and Euronext 100 did not show a significant change. It was reported that only the average of the SSI Index increased in the period after the outbreak. Al-Awadhi *et al.* (2020) investigated the effects of COVID-19 on the Hang Seng Index and the SSE Composite Index. It was stated that the outbreak

negatively affected the markets, and there was a strong negative relationship between the number of cases and fatality and indices.

2. Data Set

BIST 100 Index, which is an indicator of Borsa Istanbul, was used in the study as a dependent variable. The VIX Index was taken as the control variable. MERS, H1N1 and Ebola outbreaks were taken as dummy variables. As a whole MERS, H1N1, Ebola and VIX are explanatory variables in the equation. The data were obtained from BIST Data Store and the CBOE official website. The date of dummy variables are the periods when the spread of epidemics peaked. The relevant dates have been created by considering the publications and notifications of the World Health Organization (WHO). The effects of COVID-19 were evaluated for the period December 31, 2019 and August 11, 2020. The data set covers the period between January 02, 2009 and August 11, 2020. The series are converted into return series with the formula ($r = \ln(P_t/P_{t-1}) * 100$). Descriptive information about the series is included in Table 1.

Table 1. Information on Variables

Variable	Symbol	Period
BIST 100	BIST 100	1/2/2009 – 8/11/2020
VIX	VIX	1/2/2009 - 8/11/2020
Influenza A	H1N1	4/27/2009 – 8/9/2010
Ebola	Ebola	3/10/2014 – 3/28/2016
MERS	MERS	3/24/2014 – 10/30/2015
COVID-19	COVID-19	12/31/2019 – 8/11/2020

There are two selection criteria for epidemics; it must occur recently and directly or indirectly affected Turkey. The H1N1 pandemic was effective between 2009 and 2010 (WHO, 2009; WHO, 2010b). The number of deaths announced by WHO is 18.449 (WHO, 2010a), and the estimated number of deaths is between 151.700-575.400 (Dawood *et al.*, 2012, p. 690). Ebola emerged in Africa in 1976 and 1.590 people died of Ebola by 2012 (WHO, 2017). The Ebola outbreak started in 2014 and 11.310 people died between 2014 and 2016 due to Ebola, the PHEIC (Public Health Emergency of International Concern) status for Ebola was lifted by WHO on March 29, 2016 (WHO, 2016a; CDC, 2016). MERS first appeared in Saudi Arabia in 2012 and peaked in 2014 and 2015. It was reported by WHO that 858 people died due to MERS (WHO, 2019; WHO, 2016b). COVID-19 emerged in China on December 31, 2019 and was described as a pandemic by WHO on March 11, 2020. The number of cases was 20.405.695 on August 13, 2020 (WHO, 2020).

3. Methodology

In the study, Augmented Dickey Fuller and Phillips Perron tests were used for the analysis of stationarity. ARCH, GARCH, E-GARCH and T-GARCH (ARCH family models for short) were used for modelling volatility. Since the VIX Index generally represents the current and expected reactions of the markets, it is included in the analysis as a control variable.

In the time series analysis, first, the stationarity test is performed to eliminate the spurious regression problem. In the case of spurious regression, the high correlation detected between variables is erroneous and the regression established does not reflect the real relationship (Granger and Newbold, 1974, p. 111). The results of the stationarity tests also affect the subsequent analysis process. For the analysing stationarity, mostly unit root tests are used. Augmented Dickey Fuller (ADF) (1981) and Phillips Perron (PP) (1988) tests are among the commonly used unit root tests. ADF and PP tests were applied for stationarity in the study. ADF and PP are testing the presence of unit root in the null hypothesis. If the test statistic is greater than the critical values, it means that the null hypothesis is rejected. In this case, the series are stationary (see Table 3).

Variance, one of the criteria of stationarity in time series, changes over time and Autoregressive Conditional Heteroscedasticity (ARCH) models are used in the modelling of time series. The first model that provides a systematic framework for volatility modelling is Engle's (1982) ARCH model. Due to reasons such as the method of determining the number of lags of the error squares to be included in the model is not clear, the high number of lags reduces the efficiency of the model, the existence of very strict restrictive criteria for the coefficients, and the asymmetry effect of shocks is not considered (Brooks, 2014, p. 428; Tsay, 2010, p. 119), ARCH models leaved its place to the improved versions. By adding the conditional variance's own lag values to the ARCH model, a Generalized ARCH (GARCH) model was created by Bollerslev (1986). ARCH and GARCH models assume that shocks have the same effect on volatility. Therefore, they are regarded as symmetrical models. Investors' different responses to positive and negative shocks have led to the development of asymmetric models suggesting different effects of positive and negative shocks in volatility modeling. Asymmetric volatility models are considered extensions of the GARCH model, and among these models, E-GARCH and T-GARCH are frequently used.

The GARCH model is good at capturing the thick tail and volatility cluster. However, since the error terms are defined as a function of their magnitude in the GARCH model, they fail to capture the asymmetry in the variance structure (Songül, 2010, p. 18). Nelson (1991) developed the Exponential GARCH (E-GARCH) model that considers the magnitude and effect aspects of lagged error terms.

The E-GARCH model formulates the conditional variance equation instead of the variance itself. It allows the coefficients to be negative since it uses logarithmic values. The model provides an advantage in that the coefficients are not constrained to be negative and allows asymmetric peaks of conditional variance with exponentiation (Alexander, 2008, p. 151). Another model that considers asymmetry in volatility modelling is the Threshold GARCH (T-GARCH) model proposed by Zakoian (1994). T-GARCH model, which indicates that the effect of positive and negative shocks is not symmetrical, is obtained by adding the leverage parameter to the GARCH model (Baykut and Kula, 2018, p. 286). Table 2 contains information on ARCH, GARCH, T-GARCH and E-GARCH models (Engle, 1982; Bollerslev, 1986; Nelson, 1991; Zakoian, 1994).

Table 2. Overview of ARCH Family Models Used in the Study

Model	Equation	Model Specification
ARCH	$h_t = \alpha_0 + \sum_{i=1}^q \alpha_i \varepsilon_{t-i}^2$	$\alpha_0 > 0, \alpha_1 \geq 0$
GARCH	$h_t = \alpha_0 + \sum_{i=1}^q \alpha_i \varepsilon_{t-i}^2 + \sum_{i=1}^p \beta_i h_{t-i}$	$\alpha_0 > 0, \alpha_1 \geq 0, \beta_1 \geq 0, \alpha_1 + \beta_1 \leq 1$
E-GARCH	$\log(h_t) = \alpha_0 + \sum_{i=1}^q \beta_i \log(h_{t-i}) + \sum_{i=1}^p \alpha_i \left \frac{\varepsilon_{t-i}}{\sqrt{h_{t-i}}} \right + \sum_{i=1}^r \gamma_i \frac{\varepsilon_{t-i}}{h_{t-i}}$	$\gamma \neq 0 \Rightarrow$ asymmetry effect exists, $\gamma < 0 \Rightarrow$ leverage effect exists
T-GARCH	$h_t = \alpha_0 + \sum_{i=1}^q \alpha_i \varepsilon_{t-i}^2 + \gamma_i \varepsilon_{t-i}^2 d_{t-i} + \sum_{i=1}^p \beta_i h_{t-i}$	$\gamma \neq 0 \Rightarrow$ asymmetry effect exists, $\gamma < 0 \Rightarrow$ leverage effect exists, $d_{t-i} = \begin{cases} 1, \varepsilon_{t-i} < 0, & \text{negative effect} \\ 0, \varepsilon_{t-i} \geq 0, & \text{positive effect} \end{cases}$

The parameters in the equations are; h_t is conditional variance, α_i and β_i are ARCH and GARCH effects respectively, ε_{t-i}^2 error term, γ leverage effect, and d is the dummy variable for positive and negative shocks.

4. Findings

For BIST 100 Index and VIX Index, the stationary test was first performed. ADF and PP unit root tests were used to determine stationarity. Results are reported in Table 3.

Table 3. Unit Root Test Results for BIST 100 and VIX Index Return Series

Unit Root Test	ADF	PP
	Level	Level
BIST 100	-51.875***	-51.877***
VIX	-54.997***	-65.432***

Notes: Critical values are taken from MacKinnon (1996). ***, **, and * show statistical significance at 1%, 5% and 10% significance level, respectively. Critical values for ADF and PP tests are -2.567, -2.863 and -3.433 at the 10%, 5% and 1% significance level, respectively.

ADF and PP unit root tests produced results that support each other. The test statistics of BIST 100 and VIX Index return series are statistically significant at 1% significance level. In other words, the H_0 hypothesis stating that the series have unit root at level value was rejected. Series are zero degree integrated or stationary at level.

The appropriate ARMA (p, q) model should be determined after the stationary test for the BIST 100 return series. The Schwarz Bayesian Information Criteria (SIC) was taken as reference. Combinations up to the 4th lag number were created for ARCH and GARCH effects and 25 models in total were tested. Table 4 shows the ARMA model results.

Table 4. BIST 100 Return Series ARMA (p, q) Model Selection According to SIC

Model p / q	0	1	2	3	4
0	1.924888	1.927826	1.929973	1.930113	1.933271
1	1.927826	1.930557	1.932293	1.931921	1.933271
2	1.930056	1.932479	1.93227	1.933747	1.935414
3	1.930513	1.931901	1.933628	1.937729	1.93704
4	1.931316	1.932871	1.935193	1.936791	1.937871

When Table 4 is examined, it is seen that the model with the lowest coefficient according to SIC is ARMA (0, 0). ARMA (0, 0) has the lowest coefficient value with 1.924888 coefficient. It is the model decided to be used for analysis. After choosing the ARMA model, ARCH-LM test was applied to determine whether the model has heteroscedasticity problem in error terms. Detecting heteroscedasticity is required to use the ARCH family model. ARCH-LM test results applied for BIST 100 ARMA (0, 0) are shown in Table 5.

Table 5. ARCH-LM Test Results for BIST 100 ARMA (0, 0)

Lag Lengths	χ^2 Table Value	Observed R^2	F Statistic
1	3.84146	29.16304***	29.46120***
2	5.99146	52.15006***	26.56180***
4	9.48773	105.7473***	27.47026***
8	15.50731	114.4853***	14.89930***
12	21.02607	121.9724***	10.59822***

Notes: ***, **, and * show statistical significance at 1%, 5% and 10% significance level, respectively. H_0 : There is no ARCH effect up to q in the residuals. $a_i = 0$ for all $i = 1, \dots, q$.

When Table 5 is examined, it is seen that the R^2 values obtained as a result of the ARCH-LM test performed for different lag lengths are greater than the χ^2 table values. In addition, the significance of the R^2 values confirm that there is ARCH effect in the residuals and thus the series face heteroscedasticity. In this case, ARCH family models can be used to eliminate the heteroscedasticity problem and to make volatility calculations. Four different ARCH family models are used for volatility estimation for the BIST 100 Index return series. ARCH and GARCH models are used as symmetric models. E-GARCH and T-GARCH models are used as asymmetric models. In the models created, the problem of negativity (negative coefficient), stability (coefficients bigger than 1) and heteroscedasticity were checked again, and it was decided that the appropriate model was E-GARCH (1, 1). The rankings of the models are shown in Table 6. The best fit model was chosen by highest log-likelihood and lowest information criteria. ARCH model has autocorrelation and heteroscedasticity, so ARCH model is not taking place in Table 6.

Table 6. Ranking of Appropriate Models

Rankings	Model	Log likelihood	AIC	SIC
1.	E-GARCH (1,1)	9926.768	-7.385	-7.374
2.	T-GARCH (1,1)	9926.131	-7.384	-7.373
3.	GARCH (1,1)	9909.291	-7.373	-7.364

After determining the appropriate volatility model for the BIST 100 Index return series, three dummy variables were added to the model, taking as reference the H1N1, Ebola and MERS outbreaks. Later, the VIX Index was added to the model as a control variable, and it was tested whether the effects of dummy variables were caused by other factors. In Table 7, Panel A contains the effect of outbreaks² on the stock market index volatility and Panel B contains the results of the model in which the VIX Index is added to the main model as a control variable

When the diagnostic tests of both models are examined, it is seen that there is no autocorrelation in the standardized error ($LB - Q(36)$) and standardized error squares ($LB - Q^2(36)$). The ARCH effect disappears. The validity of the models is thus also confirmed by the autocorrelation test results. When the effects of the dummy variables were analyzed, it was determined that the MERS and Ebola outbreaks did not have a significant effect on the BIST 100 Index volatility. That the results indicate that the effectiveness of H1N1 on BIST 100 Index volatility was significant at 5% level and increased the volatility by 1.7%. According to the E-GARCH (1, 1) model, the coefficient is negative (-0.079)

² The reason why we could not include the COVID 19 pandemic as a dummy variable in the equation is that, unlike previous epidemics, the pandemic is still ongoing and even has not completed its peak period during analysis. As a result, its impact on BIST is likely to change.

and significant at 1% level. Therefore, this result suggests that negative news has more impact on volatility than positive news.

Table 7. The Effect of H1N1, Ebola and MERS Outbreaks on BIST 100 Index Volatility

Period: 2/1/2009 – 31/12/2019						
	Panel A			Panel B		
	Mean Equation			Mean Equation		
	Coefficient	Standard error	z Statistics	Coefficient	Standard error	z Statistics
φ	0.026**	0.011	2.382	0.024**	0.011	2.217
ν	-	-	-	-0.040***	0.003	-13.017
	Variance Equation			Variance Equation		
	Coefficient	Standard error	z Statistics	Coefficient	Standard error	z Statistics
ω	-0.166***	0.016	-10.182	-0.169***	0.019	-9.103
α_1	0.145***	0.016	9.246	0.138***	0.016	8.468
β_1	0.948***	0.007	134.551	0.941***	0.009	105.662
D_{H1N1}	0.016**	0.008	2.172	0.017**	0.008	2.131
D_{Ebola}	-0.004	0.013	-0.321	-0.012	0.014	-0.866
D_{MERS}	0.000	0.014	0.016	0.005	0.015	0.345
γ	-0.078***	0.007	-10.613	-0.079***	0.008	-10.367
$LB - Q(36)$		22.651			26.166	
$LB - Q^2(36)$		38.858			32.823	
$ARCH - LM(12)$		0.815			0.822324	

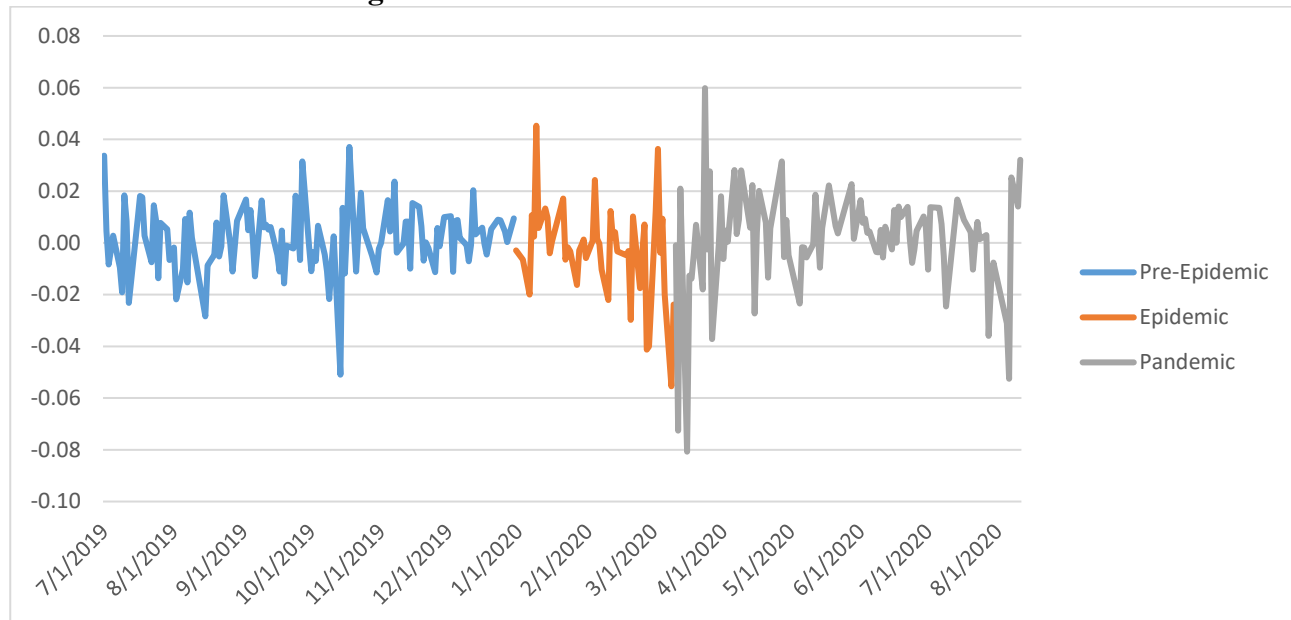
Notes: ***, **, and * show statistical significance at 1%, 5% and 10% significance level, respectively. φ and ω are the constant terms in the mean and variance equation, α_1 is ARCH effect, β_1 is GARCH effect and ν is VIX Index. D_{H1N1} , D_{Ebola} , D_{MERS} are dummy variables for H1N1, Ebola and MERS, respectively.

5. The Effects of COVID-19 on Borsa Istanbul

The COVID-19 pandemic continues as of January 2021. In Turkey, along with June, the travel ban, the restrictions that apply, such as curfew has been lifted in a large part, and economic and social life flows in a controlled manner. Although the pandemic has not yet ended, it is observed that the general trend in BIST 100 Index followed a horizontal course, especially as of June, when some of the restrictions were lifted (Ministry of Internal Affairs, 2020). Therefore, in order to examine the effects of COVID-19 on BIST under current conditions, BIST 100 Index data are interpreted over three periods; 6 months before the outbreak (as of 7/11/2019), the epidemic period between 12/31/2019 and 3/10/2020 and the pandemic period covering current data from 3/11/2020 to 8/11/2020.

First, the effects of COVID-19 outbreak on the return series of the BIST 100 Index for the period examined were considered. Two series, both unitary and cumulative³, were created for the index's return series. Figure 1 includes the return series of the BIST 100 Index.

Figure 1. Return Series of the BIST 100 Index

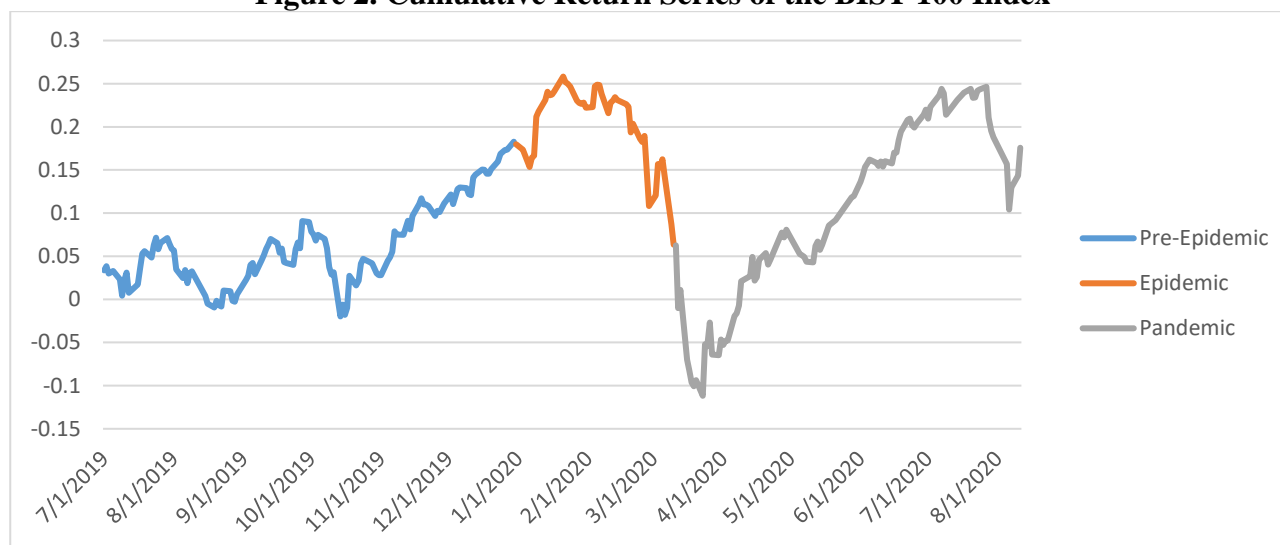


Source: own representation

When Figure 1 is analysed, it is seen that the return series showed an intense movement especially during the epidemic and pandemic period. The return series reached its highest and lowest levels in the period under review. On 3/11/2020 outbreak is declared as a pandemic and the date pose a particular importance for Turkey. The first case detected on 3/11/2020 in Turkey. In the pre-epidemic period, the highest daily returns and losses were 3.7% and 5%, respectively. This situation reached 4.5% and 5.5% in the epidemic period and 6% and 8.1% in the pandemic period. The pandemic has presented opportunities along with risks.

When the change in the return series is compared in terms of periodic return, it is 18% in the pre-epidemic period, - 12% in the epidemic period and 11% in the pandemic period up to 8/11/2020. The process can be monitored within Figure 2. While the BIST 100 Index was at 1147.54 on 12/30/2019 before the onset of the outbreak, it was at the level of 1110.05 as of 8/11/2020. In the relevant period, huge losses were experienced and the index fell to 842.46 (26% loss). However, losses in the index were largely compensated.

³ Unitary return series refers to individual change in the variable. Cumulative return series refers to total change in the variable over a period.

Figure 2. Cumulative Return Series of the BIST 100 Index

Source: own representation

In Table 8, market movements in the period examined are given quantitatively. The period of 2/4/2009-8.11.2020 was divided into two parts as before and after COVID-19 as of 12/31/2019. Market movements in both periods were calculated. In the period before COVID-19, market movements above 2.5% were 200 and their share in the total was 7.5%. In the COVID-19 period (a period of 1/20 of the previous period), the market movements realized above 2.5% were 20 and their share in the total was 13.2%. Although the outbreak contains many threats, it has also offered opportunities compared to previous periods. Considering the period after 2009, it is understood that COVID-19 has had a great impact on the BIST 100. When the COVID-19 period compared with previous epidemics peak periods, the comments will be made on Ebola, since Ebola and MERS cover the same dates and the effects of Ebola are broader. The number of observations analyzed is half of the H1N1 period and one third of Ebola. Compared to the H1N1 period, the index movements' share in total by 20% more. Compared to the Ebola period, the index movements' share in total 2.5% by 140% more.

Table 8. Classification of the BIST 100 Return Index Movements

Period		A	B	C	D	E
Number of Observations		2664	318	495	404	151
Movement of	+2.5%	100	21	16	11	9
BIST 100 return	-2.5%	100	14	14	10	11
Share in Total		7.5%	11%	6%	5.2%	13.2%

A: Before COVID-19 period covers the dates 2/4/2009-12/30/2019.

B: H1N1 period covers the dates 4/27/2009 – 8/9/2010.

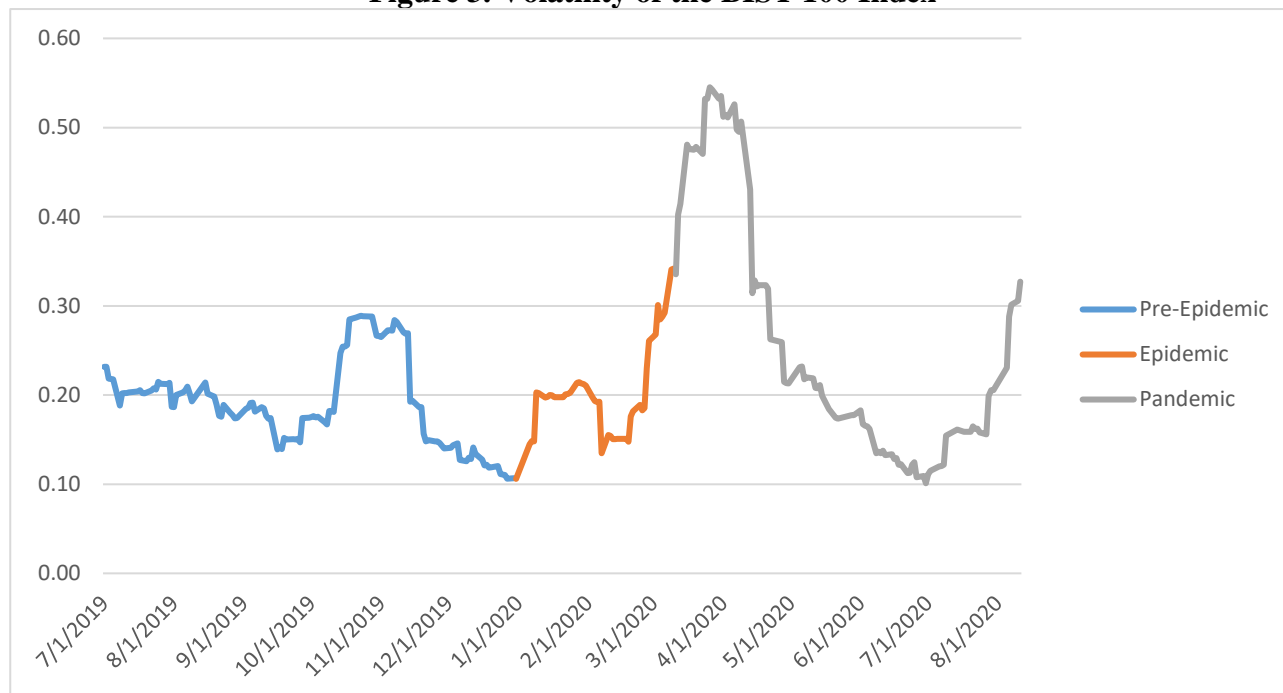
C: Ebola period covers the dates 3/10/2014 – 3/28/2016.

D: MERS period covers the dates 3/24/2014 – 10/30/2015.

E: COVID-19 period covers the dates 12/31/2019-08/11/2020.

Figure 3 shows that market volatility reached its highest levels especially during the pandemic period. Generally, COVID-19 has increased market volatility. Volatility is a cumulative measure and is created based on historical data. Therefore, it expresses the previous period response of the index. Based on the volatility change, it can be said that the index has an intense response from the beginning of the outbreak.

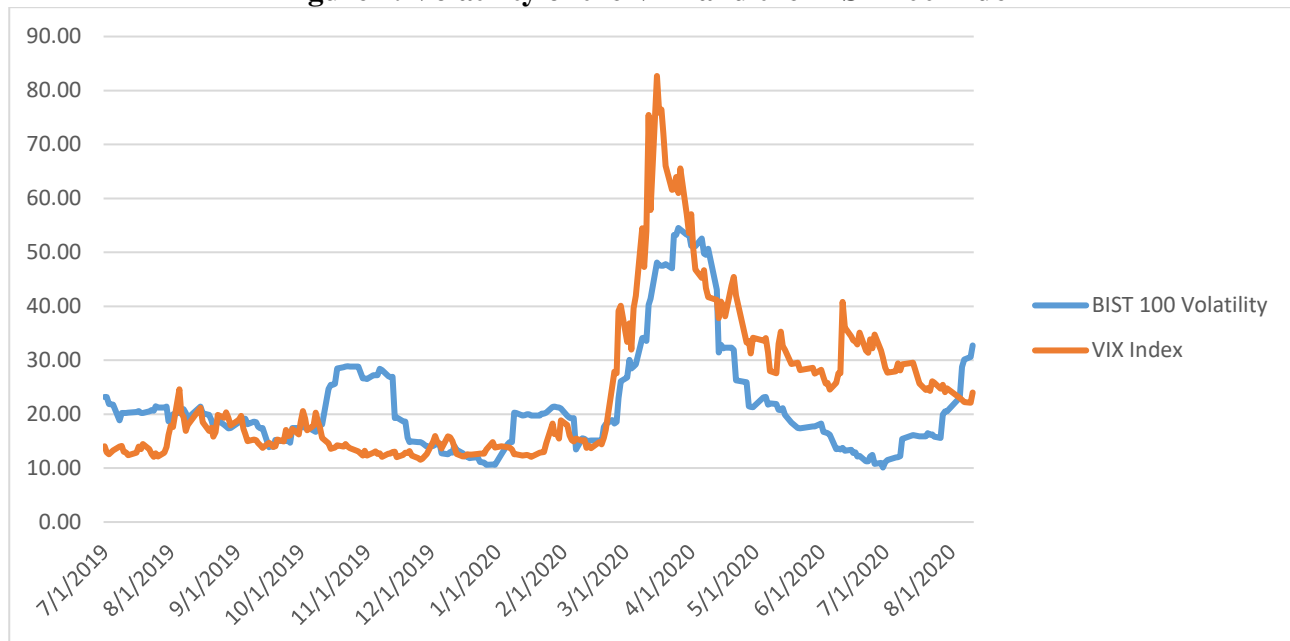
Figure 3. Volatility of the BIST 100 Index



Source: own representation

In Figure 4, the VIX Index and the BIST 100 Index volatility are seen together. The VIX Index measures the implied volatility by taking the relationship of option prices to market volatility as a reference. Hence, the VIX Index is a forward indicator. As indicated in Figure 4, it is seen that the VIX Index exhibits leading movements. With the help of the established regression, there was a 71% correlation between the two indices. When only the outbreak period is taken as reference, the correlation increases to 77%. From this point of view, it can be said that the BIST 100 Index gives similar reactions to the developments in the world and is greatly affected by the COVID-19.

Figure 4. Volatility of the VIX and the BIST 100 Index



Source: own representation

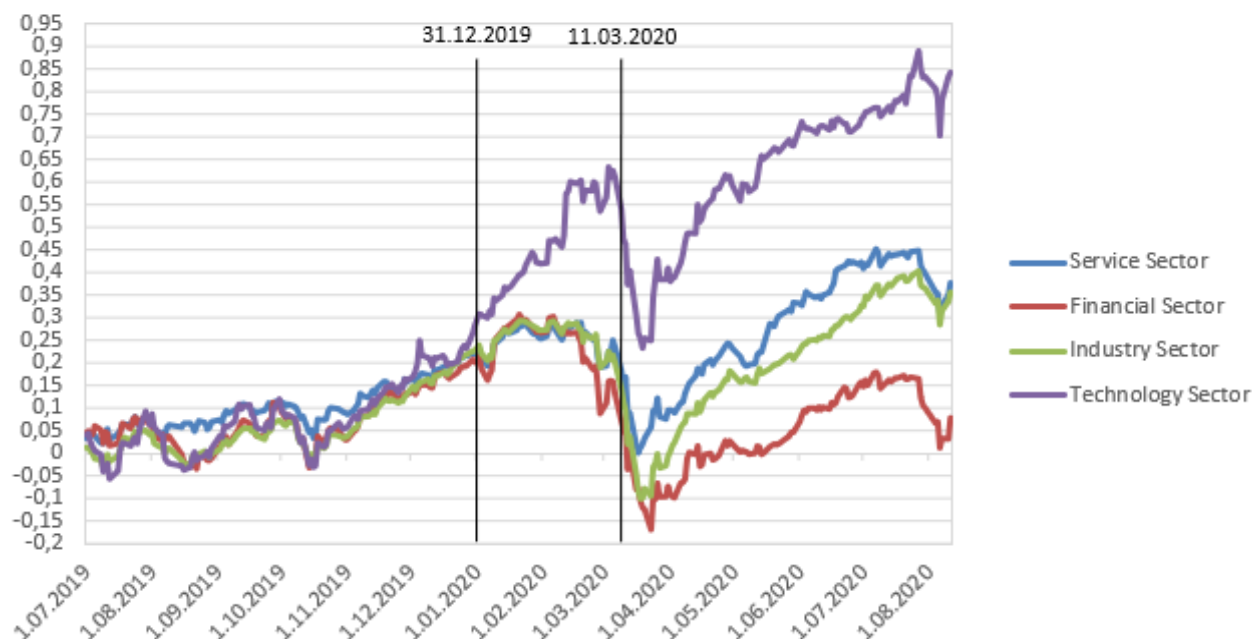
The COVID-19 pandemic has not yet ended. It has created a more devastating effect than previous outbreaks. By August 31, COVID-19 spread in over 180 countries. 25.484.767 cases were reached, and 850.535 people died due to COVID-19 (John Hopkins University, 2020). Factors such as the spread of the virus, the fatality rate, the general course of the outbreak, the experience of recent outbreaks, the development of the information network, liberalization and the intensity of cross-border trade in modern economies (Baker *et al.*, 2020) makes COVID-19 a greater pressure element on financial markets compared to previous outbreaks. As a matter of fact, the same situation is predicted for the BIST.

5.1. The Effects of COVID-19 on BIST Sectoral Indices

Companies quoted on BIST can be grouped under four sectors. These are service, financial, industry and technology sectors. When the change in the return series for the relevant sectors is compared in terms of periodic return, it is 22%, 23%, 26% and 38% in the before COVID-19 period; - 11%, -22%, -16% and 5% in the epidemic period and 23%, 2%, 24% and 37% respectively in the pandemic period up to 8/11/2020. The process can be monitored within Figure 5. The service, financial, industrial and technology sector indices were at 90422.28, 144555.49, 145390.04 and 116989.96 on 12/30/2019 before the onset of the outbreak. The relevant indices were at the level of 99509.00, 115142.00, 154132.00 and 167986.00 as of 8/11/2020. In the relevant period, service, industrial and technology sector indices increased by 10%, 6% and 44% respectively. But financial

sector indices decreased by -20%. At the perspective of cumulative returns from highest to lowest, technology sector has 42%, service sector has 12%, industry sector has 8% and financial sector has -19% return. Losses in the service, industry and technology indices were largely compensated. However financial sector index returns neutralized and nearly zero.

Figure 5. Cumulative Return Change of the BIST Sub-Indices Throughout COVID-19



Source: own representation

In Table 9 market movements in the period examined are given quantitatively. The period of 2/4/2009-8/11/2020 was divided into three parts as before COVID-19 (2/4/2009-12/30/2019), epidemic period (12/31/2019-3/10/2020) and pandemic period (3/11/2020-8/11/2020). Market movements in all periods were calculated. In the period before COVID-19, market movements above 2.5% were 134, 355, 131 and 331, and 20. Their share in the total was 5%, 13.3%, 4.9% and 12.4% for service, financial, industry and technology sector, respectively. In the COVID-19 epidemic period, which is a period of 0.9/50 of the previous period, the market movements above 2.5% were 7, 10, 6 and 12. Their share in the total was 14%, 20%, 12% and 24% for service, financial, industry and technology sector, respectively. In the COVID-19 pandemic period, which is a period of 1.7/50 of the before COVID-19 period, the market movements above 2.5% were 14, 18, 11 and 28. Their share in the total was 14%, 18%, 11% and 28% for service, financial, industry and technology sector, respectively. In the COVID-19 full period, which is a period of 2.8/50 of the before COVID-19

period, the market movements above 2.5% were 21, 28, 17 and 40. Their share in the total was 14%, 19%, 11% and 26.5% for service, financial, industry and technology sector, respectively.

Table 9. Classification of the BIST Sectoral Indices' Movements

		Period	A	B	C	D	E	F	G
Service Sector	No of Observations		2664	318	495	404	151	50	101
	Movement of BIST 100 return	+2.5%	64	12	5	2	10	3	7
		-2.5%	70	10	13	9	11	4	7
	Share in Total		5%	6.9%	3.6%	2.7%	14%	14%	14%
Financial Sector	Movement of BIST 100 return	+2.5%	187	34	31	25	11	3	8
		-2.5%	168	25	27	21	17	7	10
	Share in Total		13.3%	18.5%	11.7%	11.4%	19%	20%	18%
Industry Sector	Movement of BIST 100 return	+2.5%	57	9	7	5	5	1	4
		-2.5%	74	14	9	7	12	5	7
	Share in Total		4.9%	7.2%	3.2%	3%	11%	12%	11%
Technology Sector	Movement of BIST 100 return	+2.5%	192	35	29	20	26	8	18
		-2.5%	139	13	13	9	14	4	10
	Share in Total		12.4%	15.1%	8.5%	7.2%	26.5%	24%	28%

A: Before COVID-19 period covers the dates 2/4/2009-12/30/2019.

B: H1N1 period covers the dates 4/27/2009 – 8/9/2010.

C: Ebola period covers the dates 3/10/2014 – 3/28/2016.

D: MERS period covers the dates 3/24/2014 – 10/30/2015.

E COVID-19 total period covers the dates 12/31/2019-8/11/2020.

F: COVID-19 epidemic period covers the dates 12/31/2019-3/10/2020.

G: COVID-19 pandemic period covers the dates 3/11/2020-8/11/2020.

Although the outbreak contains many threats, it has also offered opportunities compared to previous periods. Considering the period after 2009, it is understood that COVID-19 has had a great impact on the BIST sub-indices. When COVID-19 period and before were compared, price changes in the service sector remained stable. Negative price changes in the industrial sector became more dominant. The majority of price changes in the financial sector turned from positive to negative. Positive price changes became more dominant in the technology sector.

When the COVID-19 period is compared with the H1N1 period, it is seen that the excessive market movements ($\pm 2.5\%$) in all sectors has increased the excessive movements in the service and technology sector are also increased more than twice. When the COVID-19 period is compared with the Ebola period, it is seen that the excessive market movements in all sectors has increased. The excessive movements in the service, industry and technology sector are also increased tree times

more. It is seen that there is only a dramatic change in the rate of positive and negative market movements of the financial sector compared to previous epidemic periods.

Conclusions

In this study, the effects of recent outbreaks on the Borsa Istanbul were investigated. First, the effects of H1N1, Ebola and MERS outbreaks on BIST 100 Index volatility were examined. ARCH family models were used for analysis and it was decided that the appropriate model was E-GARCH (1, 1). The results suggest that only the H1N1 pandemic had a significant effect on BIST 100 Index volatility. Particularly, the H1N1 pandemic caused the increase of BIST 100 Index volatility by 1.7%. However, positive news had more impact on volatility than negative news.

It was also aimed to evaluate the current situation of COVID. H1N1, Ebola and MERS outbreaks have arisen in nearby geography of Turkey. They have influenced the rest of the world intensively. However, Turkey has not heavily or directly affected from relevant outbreaks. COVID-19 is in a very different position. H1N1 caused the most fatality among the other outbreaks. But COVID-19 caused 40 times more fatality than H1N1 (WHO, 2010a). The number of cases has exceeded 25 million. 270.133 cases and 6.370 fatality are already reached in Turkey (John Hopkins University, 2020). Turkey gives a successful test by the means of numerically when assessing the overall situation of the world. However, the markets are under great pressure and the pandemic has negatively affected the markets. When the current process is evaluated, it has been determined that the service and industry sector has caught the acceleration of before COVID-19. The technology sector is positively separated and provides surplus value. The financial sector is negatively separated and its cumulative return is zero. In addition, there are many studies in the literature like Rabhi, 2020; Ashraf, 2020; Awadhi *et al.*, 2020; Ali *et al.*, 2020; Sharif *et al.*, 2002; Şenol and Zeren, 2020; Jalloh, 2019 etc. which report that the impact of epidemics on the markets increases with the number of cases and fatality. The COVID-19 pandemic is particularly devastating for some sectors and is unlike any previous crisis (IMF, 2020). COVID-19 recession has the worst scenario and forecast among global recessions since 1990 (World Bank, 2020). Stock markets experienced double-digit percentage declines. The VIX Index exceeded 80 level. The volatility of financial markets has reached extraordinary levels since 2008. (Ma *et al.*, 2020). No epidemic in the last century has had such an impact on stock markets, including the Spanish flu (Baker *et al.*, 2020; Goodell, 2020).

The COVID-19 outbreak has already created a global impact and pressure in social, psychological, political, economic and many other aspects. The same effects are also seen in Turkey.

However, restrictions have devastating effects on the financial sector. However, this situation is a double-edged sword. The easing of restrictions also makes it difficult to control the pandemic. Restrictions should be directed to the social life rather than the working environment. Societies, on the other hand, must obey the rules in terms of both health and economic well-being. The date when the pandemic will end is a mystery. However, history is repetitive. Throughout history, epidemics have destroyed the entire population and societies. But paradoxically paved the way for innovations and advances in the sciences, economics and political systems (Huremović, 2019, p. 7).

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2020: a year of uncertainty for South Caucasus states

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Abstract

The South Caucasus region has a strategic geopolitical significance due to its importance for energy transports to Europe, but the conflicts, the pandemic and the instability affect people's safety. Moreover, these conflicts are an obstacle to the economic and social development of these countries, and the bilateral and multilateral relations with the West are affected due to influence that Russia has in these countries. In 2020, Azerbaijan seeks new ways for developing economic and commercial linkages with the West and identifies new opportunities for investment, as well as extend cooperation at international level. For Armenia, one of the main goals for 2020 was to identify the best solution for the Nagorny-Karabakh resolution conflict, but things have changed rapidly at the end of September 2020 when the latest Nagorny-Karabakh conflict broke out. Georgia had a lot of protests and social unrest starting with 2019; changing the electoral system was one of the most important requirements for the citizens and after a long period, the Government decide to change the law of electoral system in June 2020. All of these events from South Caucasus and the pandemic also have an important impact on the countries development in the process of establishing new relations with different actors and improving their linkages with the European Union.

Keywords: Black Sea Region, South Caucasus, Eastern Partnership, European Neighbourhood Policy, frozen conflicts

Introduction

South Caucasus occupies a small area on the world map, but the region is very important for the actors which have interests in this region. The collapse of the Soviet Union changed dramatically and fundamentally the geopolitical dynamics all over the world and mostly in the post-soviet countries.

The wider Black Sea is located at the intersection of Europe, Central Asia and Middle East and this region is important from a geographical and geopolitical perspective because during the time this

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area become the linkage between the Euro-Atlantic community and the strategic part of the Middle East - Caspian Sea and Central Asia (Triantaphyllou, 2009, p. 228).

The wider Black Sea area is geographically defined as the shore and seascape between the Balkans and the Caucasus, and as a Russian and Ukrainian steppe, the region stretches to Anatolia (King, p. 1 *apud.* Hamilton, Mangott, 2008). In the South and West part are located Romania, Bulgaria and Turkey (member states of the North Atlantic Organization) and in the East and North part are the member states of Commonwealth of Independent States (Asmus, 2004, p. 19).

At international level is hard to have only one definition of what region term means, because the definition is linkages with different point of view of different researchers and authors (economical, politics, cultural, security etc).

Due to Alexander Goncharenko, the wider Black Sea region is “the testament of geopolitical modernization” (Triantaphyllou, 2009, p. 227). He defined the region: “From a geopolitical classical perspective, the wider Black Sea is one of the most important cornerstones of Euro-Asiatic security and stability (Goncharenko 2005, p. 23 *apud.* Triantaphyllou, 2009, p. 227).

10 years after the break-up of the Union of Soviet Socialist Republics (USSR), European Union started the East enlargement and EU become more and more active and present in its neighbourhood.

In 2003, EU launched the **European Neighbourhood Policy** with the aim to consolidate the security, the stability and prosperity of the countries from EU neighbourhood (Pop, 2016, p. 198). Initially, the European Neighbourhood Policy have addressed only to the states located in the Eastern European area, but later this initiative was extended to the states located in the southern and eastern part of the Mediterranean area and in the South Caucasus. The long perspective of this initiative were established in order to help the countries from the East and South Caucasus region in their transition to democracy and market economy. Thus, the aim of EU was to be surrounded by “a ring of friends”, as Romano Prodi said in December, 2001, when discussed about the basis of the future of European Neighbourhood Policy (Pop, 2016, p. 198).

Erik Grossman, in the chapter *Russia's Frozen Conflicts and the Donbas*, made five arguments that highlighted the situation in the South Caucasus region (Grossman 2018, pp. 52-63).

First, the Russian Federation created so-called buffer zones through which it outlined its identity and strategy in the former Soviet region in order to expand its power and impose a barrier on its borders (Grossman 2018, pp. 52-63).

Secondly, although the European Union and the North Atlantic Alliance have promoted an open-door policy towards accession to the Euro-Atlantic structures of the South Caucasus states,

frozen conflicts in the region and relations with the Russian Federation are an impediment for achieving the Euro-Atlantic integration process (Grossman 2018, pp. 52-63).

Thirdly, the existence and especially the perpetuation of the phenomenon of corruption in the region is a practice often used especially at government level, and the Kremlin administration exercises control over energy resources and channels, Russian investments being indispensable in this area (Grossman 2018, pp. 52-63).

Fourth, frozen conflicts are an additional reason why the Russian Federation justifies the presence of Russian military troops in regions such as South Ossetia or Nagorny-Karabakh (Grossman 2018, pp. 52-63).

Fifth, the renewal of Vladimir Putin's term as president is expected to lead to the initiation of new directions of action by the Russian Federation in its relations with the states of the South Caucasus (Grossman 2018, pp. 52-63).

The aim of this article is to highlight the main important events which took place in the South Caucasus region in 2020. Coronavirus pandemic challenges and the changes of security and stability after the latest conflict in Nagorny-Karabakh are the most important things that happened in this region during the last year and the consequences will be present over the 2021 and even more.

This analysis is guided by the following research questions:

1. How can the South Caucasus maintain peace and security after the latest conflict in Nagorny-Karabakh?
2. What are the main important actors than have interests in South Caucasus?
3. How the 2020 influence the region and the evolution in the future?

The methodological framework of the paper is represented by qualitative and historical research. In this regard, I have started with the descriptive approach, so I presented the main events relevant to highlight the evolution of the South Caucasus countries during the 2020.

Secondary data analysis is the research method I have chosen for carrying out this work. In this regard, I analysed the main scientific papers, articles, publications, etc. that have an impact on the chosen field of study and that have been published by reputable scholars and experts. I have also analysed social documents and used historical analysis. In order to create this article, I have processed, analysed and interpreted quality materials to achieve the best results. Based on these documents that I used, I took notes, data, and observations. Finally, this research focuses on the interdependence between the textual elements.

1. Theoretical framework

Barry Buzan and **Ole Waever** in their book “**Regions and Power: The Structure of International Security**” present a vision of the world order and exemplify a method that can be used for studying the regions by applying the *Theory of the Regional Security Concept* at the level of the international system. Starting with Huntington's thesis "The Clash of Civilizations", Barry Buzan and Ole Waever create their own vision of the regions and imagine its contemporary structure of international security. In their theory, Buzan and Waever consider that the regional security is composed of many little systems and between these little systems there are interactions of security. Also, in this situation, countries formed alliances with regional actors in order to protect themselves from their neighbors seen as enemies” (Buzan, Waever 2003, pp. 40-41).

Security complexes are dynamic: there are a number of factors that can produce effects on their evolution. They can be mainly two types: external and internal factors. External factors can influence the evolution of a security complex through two ways: on the one hand, they can join the security complex; and on the other, they can align. Joining involves redefining the security complex. Also, other factors may produce changes in the evolution of security complexes in the sense that the different ways in which the actors in a system progress determines the change existing relations between states (Buzan 2014 [1991], pp. 217-219).

In 1983, Barry Buzan formulated the first definition of the security complex, as follows: “a group of states whose primary security concerns link together closely enough that their national securities cannot realistically be considered apart from one another” (Buzan, Waever 2003, p. 44).

The definition was reformulated by Barry Buzan and Ole Waever in 1998 in order to eliminate the emphasis on the state-centric character and the politico-military dimension, but also to reformulate the concept of the existence of more actors and more levels of security. Thus, the concept of regional security complex in Buzan and Waever work is defined as: “...a set of units whose major processes of securitization, de-securitization, or both are so interlinked that their security problems cannot reasonably be analyzed or resolved apart from one another” (Buzan, Waever 2003, p. 44). Important parts of the regional groups highlight securitization and desecuritization processes, encountered at the level of the international system. These groups are different from the existing securitization processes globally (Buzan, Waever 2003, p. 44).

Barry Buzan and Ole Waever formulated three reasons why they consider useful the theory of the regional security complex. First, this theory provides the closest level of analysis in the field of

security studies. Secondly, empirical studies are possible; and thirdly, the theory is based on scenarios that are formulated taking into account all possible forms and alternatives (Buzan, Waever 2003, p. 45).

Starting from the **theory of the regional security complex** formulated by Barry Buzan and Ole Waever, in the post-Soviet space, the new independent states formed local interstate systems that took the form of regional security sub-complexes. Thus, in Europe the sub-complex was formed by Latvia, Lithuania, Estonia, Ukraine, Belarus and Moldova. In the South Caucasus, the regional security sub-complex consists of the three states in the area: Armenia, Azerbaijan and Georgia, while the Central Asian sub-complex consists of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan (Eyvazov, 2014, pp. 8). In some of his analyses, Jannatkhan Eyvazov uses the concept of the Post-Soviet Security Macrocomplex (PSM) (Eyvazov, 2013, p. 38) to highlight the structural changes that have taken place in this area in the 2000s.

According to Eyvazov, the Russian Federation is the only actor whose influence increased in the post-Cold War period, thus becoming a key player in ensuring the security of the new independent states, grouped into subsystems (Eyvazov, 2013, p. 38). Thus, the development of local security complexes, the dynamics of security between regional actors, as well as the links of these new independent states established with other external actors were determined by the actions taken by the Russian Federation. Actors such as the European Union, the USA, Turkey, Iran and China have formed a platform for the political environment specific to this post-Soviet macro-security complex (Eyvazov, 2013, p. 38).

Following the accession of Estonia, Latvia and Lithuania to the European Union, this macro-complex has undergone several changes, and currently its structure is as follows: the Central European sub-complex consists of Belarus, Moldova and Ukraine; the Central Caucasian sub-complex consists of Armenia, Azerbaijan and Georgia, and Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan make up the Central Asian sub-complex (Eyvazov, 2013, p. 56).

After the disintegration of the USSR and the enlargement of the EU to Eastern Europe, two types of guidelines on the construction of Russia's identity were discussed, namely pro-European or pro-Eurasian (Eyvazov, 2013, p. 398). According to Barry Buzan and Ole Waever, today's attempts by Russia to maximize its position and influence outside its region and to legitimize its regional empire in the new global arena are far more important actions than Europe (Eyvazov, 2013, p. 398).

Regarding the Caucasus region, some authors consider this region as an independent regional security complex (Mammadov, Garibov, 2018, p. 112), while others perceive it as a two-part sub-complex: South Caucasus and North Caucasus. In the South Caucasus, relations between states are conflicting, as all three republics face a series of frozen conflicts that have erupted since the early 1990s and tend to thaw lately. In the book "Regions and Powers: The Structure of International

Security”, Buzan and Waever characterize the South Caucasus area as a “separate security sub-complex” (Buzan, Waever 2003, p. 4), so the three states in this region form a "A group of states whose main security concerns are closely linked, so that their national values cannot be analyzed separately" (Buzan 1983, p. 106).

2. Challenges, opportunities and evolution of South Caucasus countries

2.1. South Caucasus Frozen conflicts

After the end of the Cold War, the frozen conflicts become more important and they are characteristic to modern societies. More than that, the frozen conflicts that emerged in the post-Soviet region have received new attention after 1990.

But, the phenomenon of frozen conflicts had existed before the collapse of the Soviet Union. Nowadays this term is associated with unresolved conflicts. But what is a frozen conflict? This type of conflict even if it is ended through a ceasefire agreement, it is not ended through a peace/treaty agreement.

In the post-Soviet area there are many frozen conflicts that have arisen due to intervention of the Russian Federation and that have led to the creation of separatist areas near the Russian periphery (Grossman 2018, pp. 51-52).

In countries that are facing with frozen conflicts, the political order is unstable and the potential of violence is very huge. In the latest Nagorny-Karakah conflict, more than 6000 soldiers and 200 civil people deaths during the conflict. Regarding the conflict between Abkhazia and South Ossetia, after the war between Russia and Georgia in August 2008, Georgia`s Euro-Atlantic integration remained become almost impossible to achieve. After the Russo-Georgian war, Kremlin recognized Abkhazia and South Ossetia as independent states (de Waal, von Twickel 2020, p. 18).

2.2. South Caucasus between Russia and European Union

At the becoming of 1990, the relations between Russia and West were good after the Cold War, but under the presidency of Vladimir Putin, the foreign policy of Russia become more and more aggressive (de Waal, von Twickel 2020, p. 18).

Even if the Cold War was ended, Russia tried to maintain its influence in the post-Soviet space and to grow its power more and more. In 1990, Russia Federation started the project of Commonwealth

of Independent States (CIS). This project was created with the aim of growing the cooperation between the Russia and the CIS member states. The main important goal of Russia after the end of the Cold War was to defend the states that had been part of the Soviet Union. As far as the South Caucasus states, this region is considered by Russia a buffer zone and the frozen conflicts represent an important element for maintaining the Russia influence in the region (Kakachia 2010, p. 88).

So, after the Cold War, the policy adopted by Russia was “divide and conquer” (Kakachia 2010, p. 89). After the end of the Cold War, the Russian Federation was recognized as the legal heir of the Soviet Socialist Republic by the United Nations. The 14 former socialist states that have entered the world political scene since the last decade of the last century are known to form Russia's close neighbourhood. This concept was first used by the Russian actor and is addressed exclusively to the new independent states created in the context of USSR disintegration. The Russian Federation expected the Member States of the Commonwealth of Independent States to form an economic sphere in which to act jointly, free of borders and barriers and in which there would be a single currency, as well as a uniform system of debt settlement between companies. acting within this common union (Shevel, 2014, pp. 1-15). After that, in 1992, Russia used for the first time the “Near Abroad” term in relation with the countries situated near the Russia (de Waal, von Twickel, 2020, p. 18).

However, there were two factors that destabilized the creation of a common economic union between the CIS Member States and Russia. First, the Russian Federation has used its position of dominant economic power in the immediate vicinity as an instrument of political leverage against the states in the region. For example, Georgia has been threatened with economic sanctions if it does not agree to a ceasefire and an end to the civil war with Abkhazia. In the case of Ukraine, Russian pressure was exerted as a result of the energy debts that the Ukrainian actor had. As a result, in exchange for paying these debts, Ukraine relinquished its rights over the Black Sea Fleet, rights granted to the Russian Federation (Shevel, 2014, pp. 1-15). Second, a number of barriers to trade emerged as the leaders of the Commonwealth of Independent States sought various means to protect their own economic interests (Shevel, 2014, pp. 1-15).

The geopolitical expansion of Russian Federation achieved its high point at the beginning of 2007. The 2008 war between Russia and Georgia showed Moscow's vulnerability to Euro-Atlantic expansion to the east. Moreover, the credibility of the Russian state was undermined with the opening of the former Soviet republics to the West. The development of the Georgian state economically and politically thus became a challenge and a threat to the Russian Federation, as the takeover of the Georgian model by the other republics in the region would have led to the loss of Russian influence and an increase in Western influence (Kushnir, 2017, p. 89).

With the outbreak of the Russian-Georgian war, the Russian Federation launched all operations by which military bases were stationed on the territory of the Georgian state, showing its dissatisfaction with its pro-Western aspirations (desire to join NATO and the participation of Georgian military forces in the exercises). made as a result of the United States military cooperation with Georgia) (Kushnir, 2017, p. 89).

In 2009, the Russian Federation increased its military presence on Georgian territory. By this action, Russia violated the ceasefire agreement signed with the European Union, and later the Kremlin administration started the measures that laid the foundations of a legislative project that allowed Russia to deploy military troops in the region of Georgia in order to defend Russian citizens in the area, but also to prevent the aggression of another state against Russian values and citizens (Kakachia, 2010, p. 91).

The destabilization of the Russian Federation's neighbouring countries through secessionist conflicts had become the goal that characterizes Russia's foreign policy following the annexation of the Crimean peninsula and the war in Donbass. After the events that took place in Ukraine in 2014, Russian Federation president spoke about the reintegration of the "New Russia" (Novorossiia). This suggested that the territorial expansion of Russian power in the region is supported by the principles of nationalism (Fischer, 2016, p. 9).

The Russian Federation has adopted a revisionist policy towards its neighbours. The post-Soviet area is characterized by ethnic and political conflicts in Transnistria, Abkhazia, South Ossetia and Nagorny-Karabakh. Due to these frozen conflicts, the sovereignty and territorial integrity of the republics of Moldova, Georgia and Azerbaijan are affected. The involvement of the Russian Federation in the region is multiple. On the one hand, Russia has an important role as a mediator, being actively involved in peace processes. On the other hand, the Russian state is active in the region through its military presence and political interventions. Conflicts in the Wider Black Sea Region escalated in the early 1990s, and with their emergence, the Russian Federation used them to exert its influence on affected states both domestically and internationally (Fischer, 2016, p. 9).

With regard to the **European Union's presence in its Eastern Neighbourhood**, the EU has begun an extensive process in this regard since 2003, when the European Neighbourhood Policy was set up, an initiative that has grown in the context of the accession of ten East European countries to the European Union.

The aim of this initiative was to help strengthen security, stability and prosperity in the European Union's common neighbourhood, as the large-scale effect of EU enlargement could easily lead to an increased risk of instability (Pop, 2016, p. 198). Initially, the European Neighbourhood

Policy addressed only the states located in the Eastern European area, but later this initiative was extended to the states located in the southern and eastern part of the Mediterranean area and in the South Caucasus. The long-term perspectives of this initiative have been set so that these states in the common neighbourhood of the European Union are supported in their process of transition to a democratic regime, a market economy and respect for the rule of law. Thus, the states in this region, with well-established regimes and good relations with the EU, would have surrounded the borders of the Union "as a ring of friends", as Romano Prodi declared in December 2002, when the foundations of the European neighbourhood (Pop, 2016, p. 198).

The idealistic vision of the EU to surround itself with prosperous and stable states has not been successfully implemented due to the particular contexts that took place within 10 years from the creation of the European Neighbourhood Policy initiative (Pop, 2016, pp. 198-199).

The European Neighbourhood Policy has been critical, as it has not been built in a complex way that can meet the needs of all 16 states targeted by this initiative. Thus, the only common point of these states was their geographical position, but the existing situations at national level were far too different for the same mechanism to be applied. The European Union has also been criticized for its naive behaviour in approaching the Russian Federation (Pop, 2016, p. 199).

Building on previous experience in strengthening cooperative relations with its Eastern Neighbourhood States, the European Union laid the foundations of the Eastern Partnership, an initiative launched on 7 May 2009 and addressed to six former Member States: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. The aim of this initiative was to accelerate the process of political association and European integration between the European Union and the six partners in Eastern Europe and the South Caucasus. Moreover, the Eastern Partnership represents the image of an ambitious partnership that the European Union wanted to implement in its common neighbourhood (Korosteleva. 2011, p. 2).

In the last decade, the European Union has invested billions of euros in aid or loans in its neighbourhood. Over time, the EU has strengthened its diplomatic presence, implemented and promoted a number of initiatives to establish free trade areas, EU has improved energy security and liberalized travel and visa regimes in the neighbourhood.

Although many achievements have been made, all of these can be affected by eroded security. In the EU's neighbourhood, propaganda, corruption, illegal financing of political parties, cyber-attacks on critical infrastructure, information subversion, but also open military aggression are actions often used and encountered in Eastern Europe. The transformation of the Union into a geopolitical power is an important and necessary step in order to be able to face all the challenges posed by the new world order.

Based on the above information, we note that both the European Union and the Russian Federation use a holistic approach to the six states located in Eastern Europe and the South Caucasus (Lebanidze, 2013, p. 199).

From a geopolitical point of view, the wider Black Sea region is important because it is a bridge between Euro-Atlantic actors and the strategic area of the Middle East. Specific to the extended Black Sea region is the fact that new realities and old tensions coexist (Nuriyev, 2002, pp. 1-2 *apud*. Triantaphyllou, 2009, p. 228). Characteristic of this area are the conflicts that have erupted over time, as well as the frozen conflicts that have been triggered and can become hot conflicts at any time. These tensions and violence have led to a deep division of the region. The region has evolved in the absence of an institutional framework, where there have been various separatist movements that have been a major factor in the democratization process of the states in the area (Gnesotto, Grevi 2006, pp. 7-8 *apud*. Triantaphyllou, 2009, p. 228).

3. South Caucasus and its frozen conflicts

3.1. Nagorny-Karabakh conflict

Nagorny-Karabakh is a region geographically located in the South Caucasus Mountains, on the border between Armenia and Azerbaijan, and has been a tense area since its formation. This region is home to a mixed community of ethnic Armenians and Azeris and is perceived by both nations as having important significance in the history and creation of the national identities of Armenia and Azerbaijan.

After three decades of war, Armenia and Azerbaijan are in a position to move from an era of frozen conflict to an era of short-lived wars. The purpose of these wars is to lead to diplomatic concessions or to obtain territories side by side from the adversary. The Nagorny-Karabakh region has been a centre of tension from the beginning, as the mountainous region had hosted a mixed community of Armenians and Azeris and had been seen by both nations as a central point that has played a major role in creating history and national identities specific to each culture.

In the last six years, the frequency of conflicts and the number of deaths resulting from clashes between Armenia and Azerbaijan as a result of escalating conflicts in the Nagorny-Karabakh region have increased exponentially. One of these clashes also took place in 2016 (Broers, 2016, p. 3) and lately it seems that these clashes turn into wars that last several days and that cause damage to the two

territories that are in conflict. One of the most worrying aspects of the mini-wars is that they signal a slow but irresistible shift towards a new era of hostile relations between Azerbaijan and Armenia.

Recently, especially after the 2000s, due to the increase in oil revenues, Azerbaijan has initiated new actions regarding the trading of heavy weapons. Their strategy was to change the balance of power by any means and to destroy the status quo. Azerbaijan has openly stated that it reserves the right to regain its territories by military means if negotiations fail. And the talks have failed for more than two decades. However, Azerbaijan's strategy is not to launch a major war whose outcome could be uncertain. The Azerbaijani side does not want to start a large-scale conflict, as such a situation would condemn the Azerbaijani family that holds power today to the loss of power and thus the country's leadership, which is a situation that is not intended to happen. That is why the strategy of the Azerbaijani side is to start short-term conflicts, lasting a few days and after which it will succeed in conquering new territories under Armenian administration.

Azerbaijan's goal is to trigger a series of more frequent and intense outbreaks in conflicts that seem inevitable. One of the main objectives of these wars is to reclaim at least one territory. The Azerbaijani leadership believes that this is something that needs to be shown and presented to the Azerbaijani people, showing them that their lives matter to those in leadership positions.

The second goal is to increase pressure on Armenia — even if the recapture operations fail — making the situation uncomfortable for Armenian leaders and, thus, drawing concessions to the negotiating table.

In theory, the role of the international community is to mediate the conflict, to control the situation, and to avoid any escalation that could endanger people's lives.

In practice, the international community cannot initiate too many actions in this regard. What it can do is move from mediation offers considered fair and advantageous for both sides to more aggressive actions to force a compromise between the two parties to the conflict, Armenia and Azerbaijan.

The chronology of the Nagorny-Karabakh conflict

Located on the border between Armenia and Azerbaijan, Nagorny-Karabakh is a region located in the South Caucasus Mountains, which until 1991 was part of the Soviet Socialist Republic of Azerbaijan, but with a fairly high degree of autonomy (Klever, 2013, p. 4).

In the early 1980s, the population in this region was 70% Armenian (Zartman *apud*. Hopmann, Zartman, 2013, pp. 1-2). Following the adoption of the Glasnost policy supported by then-Prime Minister Gorbachev, the majority of the population expressed its desire to proclaim its right to self-determination in 1988 (Migdalovitz, 2003, p. 1).

The conflicts between Armenia and Azerbaijan begin this year following the refusal of the Soviet authorities to approve the request made by the Soviet of the Nagorny-Karabakh Autonomous Region demanding the separation of this region from Azerbaijan to create the premises for union with the Republic of Armenia (Karabakh, 1988 *apud.* de Waal, 2003, p. 10). The armed forces of the Socialist Republic of Azerbaijan intervened in Nagorny-Karabakh to discourage other similar actions (Zartman *apud.* Hopmann, Zartman, 2013 p. 2). Following a referendum, the Nagorny-Karabakh region declared independence in 1992. As a result, Armenian forces intervened against the Republic of Azerbaijan and managed to occupy Nagorny-Karabakh, as well as a number of regions in the geographical proximity of this area.

Subsequently, a ceasefire agreement was concluded in 1994 between the Republics of Armenia and Azerbaijan. According to this document, a new border would be drawn, being known as the "line of contact" between the territories occupied by the two states involved in the conflict (Klever 2013, p. 4). In the Nagorny-Karabakh region, under the presence of the Armenian armed forces, a *de facto* republic would be established, which would not benefit from international recognition.

The Nagorny-Karabakh region was described by Thomas de Waal as "a province of Armenia" (de Waal 2010 *apud.* Klever, 2013, p. 4). Following the signing of the peace agreement, the OSCE Minsk Group was established with the aim of establishing cooperation and dialogue between Azerbaijan and Armenia. However, this group did not work according to the objectives initially set (Klever, 2013, p. 4).

The ceasefire agreement signed by Armenia and Azerbaijan has been violated several times since its signing and, so far, so we can characterize the situation in the Nagorny-Karabakh region as "neither peace nor war" (Klever, 2013, p. 4).

In 2016, tensions between Armenia and Azerbaijan led to an escalating conflict, known as the "Four-Day War" (Broers 2016, p. 3), which took place between April 2 and 5. The armed forces of the Republic of Azerbaijan have managed to occupy areas that Armenia controlled prior to the outbreak of this dispute. Although, on April 3, 2016, the Minister of Défense of Azerbaijan unilaterally announced the ceasefire, the fighting between the two parties involved in the conflict continued. However, on April 5, both the Armenian armed forces and those belonging to the Azerbaijani state agreed to an end to the violence. Russia has obtained the role of mediator of this conflict (Broers, 2016, p. 3).

Following the four-day war, rapprochement with Russia was one of Armenia's top priorities. As for the Nagorny-Karabakh region, Armenian interest has intensified. Although from 2018 until now, the conflict between the two parties involved has gone through the longest non-conflicting

period in the approximately 30 years since its inception, we are facing a situation that is likely to turn into a real war. In 2018, after the Armenian Velvet Revolution took place, which led to the change of government and the appointment of Nikol Pashinyan as Prime Minister, both Armenia and Azerbaijan went through a period of silence, the Nagorny-Karabakh conflict is almost forgotten.

In 2019, for the first time in the approximately 30 years since the outbreak of the conflict, we witnessed the most peaceful year. This is highlighted by official data. Thus, while in 2017, 39 soldiers were killed, in 2019 eight soldiers and one civilian were killed.

This happened amid secret negotiations initiated and conducted between the governments of Armenia and Azerbaijan. According to recently unclassified information, the Prime Minister of Armenia, Nikol Pashinyan, indirectly expressed his desire to resolve the conflict through negotiations that took place in secret in an unspecified European country. It later became clear, however, that Pashinyan could have aimed for some stability on the front lines while busy with internal power struggles. It soon quickly abandoned its peace-building initiatives and demonstrated a more radical nationalist position on the conflict. However, things have not evolved in the desired direction.

This summer, we witnessed a clear erosion of the negotiation process. Thus, on July 6, 2020, the President of Azerbaijan Ilham Aliyev criticized the international mediators dealing with the negotiations on the settlement of the Nagorny-Karabakh conflict that the peace process has "become meaningless".

On September 19, the Azerbaijani president warned that Armenia was preparing for a new war, concentrating its forces near the Nagorny-Karabakh contact line. In response to these actions initiated by Armenia, Azerbaijan replied that it would initiate all necessary actions to be able to defend itself against a possible conflict.

Less than ten days after this statement, the contact line was attacked by the Armenian armed forces on the morning of 27 September. Both the homes of civilians living in the conflict zone and the military settlements are in danger of escalating this conflict.

Although most states and international organizations have called on the parties to cease fire immediately, a ceasefire is not expected or it is not clear how this cessation of the conflict could be achieved in the current conditions. Both sides have imposed martial law and declared general or partial mobilization as they prepare for longer and larger military operations.

On the morning of September 27, at six o'clock in the morning, the Armenian armed forces fired on the Azerbaijani armed forces using large-calibre weapons, as well as artillery of various calibres. The areas targeted by the Armenian armed forces were the front area, as well as the surrounding civilian settlements. As a result of this situation, in order to prevent any activity carried out by the Armenian

army, but also not to endanger the life of civil society, the command of the Azerbaijani armed forces decided to launch a counter-offensive operation of troops along the entire front.

Azerbaijan mobilized personnel, tank units, as well as missiles and artillery, special aviation used on the front and unmanned aerial vehicles to deal with the situation. On the afternoon of September 29, Armenia said it would use equipment and ammunition designed to attack a large area, intended for large and non-discriminatory destruction of the workforce, as well as static and mobile properties alike. Minutes after the statement, Azerbaijan's defence ministry warned that Yerevan was preparing to transfer S-300 missile defence systems from Armenia to Karabakh, adding that Azerbaijan would destroy them as soon as they crossed Azerbaijan's borders.

From this particular moment, the conflict is doomed to escalate, unless Armenia decides to comply with the resolutions of the United Nations Security Council and to withdraw its military forces from the occupied territories of Azerbaijan.

Azerbaijan warns that Nagorny-Karabakh and the surrounding territories currently under Armenian occupation are not contested territories, as described by some quasi-neutral third parties, but are an integral part of its internationally recognized territories and is determined to liberate those territories.

As long as these periodic clashes remained unobtrusive, even as fighting continued, the outside world paid little attention to other issues and conflicts whose impact was stronger on the regions and civil society.

However, both Armenia and Azerbaijan have been preparing for a military confrontation for years. Armenia has maintained and maintained large arsenals of heavy weapons from the Soviet era: tanks, cannons, armoured personnel carriers (APC), multi-launch missile systems (MLRS), tactical ballistics R-17 (SCUD-B) missiles, anti-aircraft batteries, and so on. Armenia has done so because it does not have the necessary and sufficient financial capacity to purchase new weapons.

At the opposite pole is Azerbaijan, which is rich in hydrocarbons and whose annual defence spending has exceeded Armenia's entire state budget, which has given the Azerbaijani state the opportunity to purchase large quantities of weapons from Russia (which simultaneously sold weapons and arsenals). Armenia), Israel, South Korea and Turkey.

3.2. Abkhazia and South Ossetia conflict

Georgia's domestic and international stability is hampered by the situation in the self-proclaimed republics of Abkhazia and South Ossetia which are under the Moscow's protection following the 2008 Russian-Georgian war.

Tensions between Georgia and the separatist republics have recently risen along the line. A relevant example in this regard is the Akhgori crossing point, located in the Cskhinali region, which has been closed since September 2019.

In addition to these issues, there is also the issue of “border” policy (Kakachia, 2018, pp. 1-8). Moscow is also pursuing increased militarization through its actions in the region.

Following agreements between Russia and local representatives in the region, the Kremlin administration has set up several military bases in the area to ensure “peace and security.” A number of civil rights and freedoms are violated.

The former KGB structure, which functioned before 1990 and was created by the USSR, is the one that acts to restrict civil rights and freedoms and imposes the measures taken by the Kremlin administration in the regions of Abkhazia and South Ossetia.

Thus, the right to property of citizens is limited without being offered good reasons in this regard. Another practice used by Russian military forces is the arrest of those who cross the border “illegally”. After they are arrested because they do not follow the rules, their families are forced to pay a “fine” for “illegal crossing of the state border.” Using this type of behaviour, the Kremlin shows Georgian citizens that Western partners do not have the power to oppose its aggressive policies. Finally, those who suffer are Georgian citizens living in the conflict region.

The Kremlin continues to work to change the borders of the autonomous regions of Abkhazia and South Ossetia every time elections are held in Georgia. The actions taken by Russian forces to change borders are intimidating for citizens and, in addition, cause panic among citizens. Russia uses a number of hybrid tactics in this regard, such as: propaganda, funding of certain non-governmental organizations and funding of certain television stations that broadcast programs and news in Russian. The purpose of all these actions is to promote a pro-Russian policy among the citizens.

The Georgian government is aware of the disinformation actions initiated by the Kremlin on the territory of the country it governs, but efforts to counter the false news and information have been minimal. Over time, the Russian-funded media has taken advantage of every situation to influence to some extent the pro-Western course of the country and the trend towards liberalization and democracy. Thus, misinformation and the spread of conspiracy theories have contributed to the division of society in terms of both domestic and foreign policy. Moreover, public confidence in democratic institutions, civil society organizations and liberal values has been undermined.

However, there is a growing presence of civil society organizations in Georgia. Thus, they initiated and promoted a series of measures that placed them at the forefront of the fight against the misinformation actions initiated.

4. Scenarios

Nagorny-Karabakh conflict between Armenia and Azerbaijan is one of the oldest frozen conflict from post-Soviet area. After the latest conflict between these two actors, the Russian Federation become an important actor due to its implications in the mediating the ceasefire agreement.

The Abkhazia and South Ossetia conflict become more acrimonious after the russo-georgian war in 2008 and Kremlin recognized these two territories as independent states (de Waal, von Twickel 2020, p. 4).

The main reason than the frozen conflicts are not resolved until now is due to Russian obstinacy. In order to maintain deep leverage with the South Caucasus states, Russia prefers to keep the conflicts frozen (de Waal, von Twickel, 2020, p. 7).

Russia presence in the wider Black Sea region is obvious and Moscow uses hard power for achieving his interests. Thus, in Abkhazia and South Ossetia are present more than 7000 troops that have the role to maintain peace and security. In Nagorny-Karabakh, Russia is more present through the diplomatic linkage because Kremlin has an important role in the OSCE mediation process and works alongside with the Western partners. This aspect was better highlighted during the latest conflict in the region when Russia become the mediator and now there are also troops in Nagorny-Karabakh region (de Waal, von Twickel, 2020, p. 7).

What can Armenia, Azerbaijan and Georgia do to become more democratic and independent of Russia and to strengthen their domestic policy and also their relations with the West?

Armenia and Azerbaijan: first of all, these countries need peace, security and stability. The EU could become an important actor for assisting a future Karabakh peace process, but Armenia and Azerbaijan need to request this help. Second, the projects for supporting civil societies development it is also an important point that Baku and Everan could develop in the near future.

Following the elections of February 9, 2020, the ruling party, the New Azerbaijan Party (NAP), won the new legislature by a majority — obtaining after the elections 70 of the 125 seats available in the Parliament (Bayramli, 2020). The elections on February 9 were due in November 2020. However, on December 5, 2019, the Azerbaijani Parliament was dissolved following the opinion of the Constitutional Court. Thus, the new date for the elections was set to be on February 9, 2020 (Kucera, 2019).

There are not many expectations regarding the work of the new parliament. Activists remain sceptical of the measures the regime claims it will take in the coming period. Azerbaijan's ties with the European Union have recently been strengthened, although the European Parliament has harshly criticized human rights violations, abuses and the poor organization of elections held under Aliyev's

regime. The Partnership and Cooperation Agreement between Azerbaijan and the EU is the legal framework governing bilateral cooperation between the Azerbaijani state and the European Union. The European Neighbourhood Policy, the Eastern Partnership, represented the initiatives supported by the EU in order to strengthen cooperation relations with the states in the vicinity of the Union's borders.

In the near future, the Baku administration needs to facing the economic problems (Bentzen, Guzzini, 2020). Also, the political changes in Armenia have worried the Baku authorities over the conflict between the two states. The Baku authorities view this conflict from the perspective of one between a democracy and a dictatorship; and in the event of escalation, the international community would tip the balance toward a democratic regime.

Regarding **Armenia**, at the beginning of 2020, the main important problem for Armenia was the rising gas prices due to official discussion led by Vladimir Putin and Nikol Pashinyan who visited Moscow in December 2019.

The Armenian state is dependent on energy imports because the state does not have its own fossil fuel resources and is not a transit country for oil or gas. The most important resources that Armenia imports from the Russian Federation are: natural gas, nuclear fuels, petroleum products, and limited amounts of coal. As a result of efforts to diversify energy supplies, in 2016 the Armenian government signed an agreement with Iran to regulate natural gas imports and electricity exports. In addition to Iran, Armenia exports electricity to Georgia and the Nagorny-Karabakh region. But the power plants that supply electricity to Armenia are old, being put into operation about 40 years ago: their modernization is necessary so that Armenia can continue to export electricity to the states with which it has concluded cooperation ties in this regard (Mgdesyan, 2020).

The concept of energy security adopted on October 23, 2013 and the Energy Sector Strategy of Armenia for 2025 are the key elements that will lead to strengthening the country's energy security. The following objectives have been set: diversification of primary energy sources and supply routes, regional integration of the energy system, development of nuclear energy and greater use of geothermal, solar and other renewable sources (Energy Community Secretariat, 2017, pp. 1-30).

However, the new Covid-19 and the new clashes with Azerbaijan are the most important factors which contribute to destabilizing the political and the economic systems.

Georgia: first of all, need to work more in what concern the non-recognition policy on Abkhazia and South Ossetia, the two separatist republics. Second, a good relation with European Union is needed because through the European Union Monitoring Mission, Georgia has the help to continue to work for ensuring the stability and the peace in the region. Georgia has a lot of internal problems due to political instability that has hindered the country's development in many important areas.

Even though the parliamentary elections took place in October 2020, and the citizens expected an improvement in the situation, the internal situation is currently characterized by instability both politically and especially economically, the crisis caused by the new coronavirus applying this situation. The level of dissatisfaction is very high among citizens. The election results showed that the Georgian Dream Party does not want to diminish its influence and is working to maintain its power.

The change in the electoral system was perceived as an opportunity for state democracy and had all the preconditions for building a government collaboration and a coalition, but the reality looks more different.

30 years after independence, Georgia has taken a number of steps in the transition to democracy and a market economy. According to statistics, Georgian citizens have high expectations for the democratic process, but internally there are a number of concerns about the integrity of the electoral process. Thus, citizens' confidence in the election results is reduced due to the various situations that have existed in the country in the past.

It is noteworthy that in the face of the political crisis that Georgia has been going through since last year, following protests initiated by civil society and the opposition, the Kremlin administration has decided to suspend flights to and from Georgia in the Federation. Russia and even threatened to stagnate imports of products. Moreover, other less obvious actions aimed at instigating the already tense atmosphere (such as when Vladimir Putin falsely accused Georgians of genocide of the Ossetians or when Sergei Gavrilov, a Russian politician, spoke in Russian during his visit) to the Georgian Parliament).

Conclusions

Regarding the role of European Union in this conflict region, it is hard to decide. European Union has struggled to establish a hard and important role in this area. The three countries from South Caucasus region are facing frozen conflicts on their territories and these conflicts are closely monitored by the Organization for Security and Cooperation in Europe. These conflicts are factors that can destabilize and endanger the security of the wider Black Sea Region (Nichol, 2012, p. 2).

The economies and the democratic regimes of the South Caucasus countries are in course of developing, and the European Union is an asset in continuing this process that began 30 years ago. Also, NATO is involved in this process. During these times, the Alliance repeatedly claimed the possibility of accession of the three states. However, things are not so simple. The presence of actors such as the Russian Federation, China and Turkey, all of whom have diverse interests, complicates

the trajectory of these countries. Their domestic and foreign policy decisions being, of course, influenced by the three actors present in the region.

In the South Caucasus region, the main geopolitical player is the Russian Federation. Since 2012, the President of the Russian Federation, Vladimir Putin, has accelerated the country's transformation process in order to consolidate its position of superpower as it existed during the Cold War. Thus, we can see that the actions taken by the EU and NATO in the Eastern neighbourhood, as well as the Colourful Revolutions that took place in the region after the 2000s, led Vladimir Putin to adopt an assertive and proactive foreign policy toward "western hostility" (Tuncel, 2018, p. 17).

The United States and the European Union are secondary players, but they are of increasing importance. States in the geographical proximity of the region, such as Turkey and Iran, have strategic interests in the area. China is a new player that has started to be more and more present in the region.

In the short term, peace and stability are ensured by the Russian Federation and Turkey in Nagorny-Karabakh, but it is difficult to say that there will be lasting peace. As for Georgia, the political crisis is deepening and in the near future there may be a new government and new opportunities for this country. We will have to turn our attention to the events here in the near future to observe how things will evolve politically and economically, especially after the pandemic caused by Covid-19.

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Developing civil society in Ukraine. What is the role of the mechanisms for implementing the association agreement with the EU?

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Abstract

The aim of this study is to assess the implementation of the principles of the Association Agreement between Ukraine and the European Union (hereinafter - the Agreement) in Ukraine in the field of civil society development, in particular in the implementation of the National Strategy for Civil Society Development for 2016-2020 (hereinafter - the National Strategy - 2020). A comparative analysis of ensuring in Ukraine the principles of stability and effectiveness of democratic institutions, rule of law, respect for human rights and fundamental freedoms, as agreed by the Parties to the agreement in the field of domestic policy. The analysis revealed certain deviations from the provision of these democratic principles. Requirements for the content of the new National Strategy, which is being formed for 2021-2026 (hereinafter - the National Strategy - 2026) by joint efforts of the Ukrainian government and civil society organizations (CSOs) have been formulated. Based on the study, specific recommendations were made on the implementation of the principles of the Agreement in the draft of the new National Strategy - 2026 and on the further development of civil society in Ukraine.

Keywords: civil society, democratic principles, National Strategy, implementation mechanisms, intersectoral cooperation

Introduction

On September 16, 2014, the Verkhovna Rada of Ukraine adopted the Law on Ratification of the Agreement (Verkhovna Rada of Ukraine, 2014). This Agreement recognizes that Ukraine, as a European country, shares a common history and common values with the Member States of the European Union (EU) and is committed to upholding those values.

On the other hand, the EU has recognized Ukraine's European aspirations and supports its European choice, including its commitment to building a developed and sustainable democracy and market economy.

Based on the recent difficult situation in Ukraine due to the pandemic, external aggression and

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economic crisis, in order to adequately respond to these and other challenges, the leading CSOs of Ukraine offered their leadership and government their analytical support to analyze the situation in civil society and making recommendations on the effective implementation of the objectives of the Agreement in this sphere.

As part of civil society, in addition to active citizens, we consider the following CSOs: NGOs and public unions, religious organizations, trade unions and their associations, creative unions, charities and self-organization bodies.

As of April 1, 2021, there were 171,477 such CSOs in Ukraine. It is important to note that during the last year the number of CSOs in Ukraine increased by 3.0%, and the number of public organizations increased from 89,896 to 92,479, or 4.1% (State Statistics Service of Ukraine, 2021). All these organizations affect the state of Ukrainian society and its development.

The aim of this study is, first, to assess the degree of implementation in Ukraine of the principles of this Agreement in the field of civil society development, in particular, in the implementation of the National Strategy - 2020 (President of Ukraine, 2016) and, second, to reflect the principles of this Agreement in the draft of the new National Strategy - 2026, which is formed by the joint efforts of the Ukrainian government and CSOs.

In the course of this study, we sought to answer the following questions:

1) What are the principles and objectives of the Agreement and to what extent they relate to the sphere of civil society development and what mechanisms are provided in the agreement for the successful implementation of these principles and the implementation of tasks in this area.

2) What are the reasons for the improper organization of the tasks of the state policy to promote the development of civil society, which were clearly formulated in the National Strategy - 2020.

3) What measures and at what level of governance should be taken by the Ukrainian government to properly implement the objectives of the Agreement and the development of civil society in Ukraine.

The research was based on a systematic approach and was carried out by combining general scientific and special methods, including comparative, methodological and functional-structural analysis and relied on the use of a significant array of empirical data obtained in monitoring the National Strategy - 2020 by state institutions and non-governmental think tanks.

1. The main objectives of the Agreement for the Development of Civil Society in Ukraine

The agreement marked the desire of the parties to achieve closer rapprochement of positions on bilateral, regional and international issues of mutual interest, in order to advance the reform process

and adapt Ukrainian legislation to European norms.

There is also a commitment to strengthen people-to-people contacts and to strengthen dialogue based on common values, fundamental principles of solidarity, the rule of law and respect for human rights and fundamental freedoms, mutual trust, shared responsibility and partnership (preamble, Article 2 of the Agreement).

The Parties shall cooperate to ensure that their domestic policies are based on principles common to the Parties, such as the stability and effectiveness of democratic institutions, the rule of law and respect for human rights and fundamental freedoms (Article 6).

In order to properly implement the Agreement, certain institutions are established to support this process - the Association Council, the Association Committee, the Parliamentary Committee of the Association, as well as the Advisory Groups of each of the Parties on Sustainable Development. These Advisory Groups consist of independent NGOs and other stakeholders that meet in open Civil Society Forums, which are usually held once a year (Article 299).

The Parties shall promote the involvement of all stakeholders, in particular the social partners and civil society organizations, in the context of the implementation of reforms in Ukraine and cooperation between the Parties under this Agreement (Article 420).

The Parties encourage intercultural dialogue between individuals and organizations representing the interests of civil society and cultural institutions of Ukraine and the EU (Article 438).

The parties promote dialogue and cooperation between civil society actors on both sides as an integral part of relations between Ukraine and the EU, by:

- strengthening contacts and mutual exchange of experience between civil society organizations in Ukraine and EU Member States, in particular holding professional seminars, professional development, etc.;
- promoting the process of institution building and consolidation of civil society organizations, including, inter alia, lobbying, informal communication, visits and seminars, etc.;
- ensuring that Ukrainian representatives are informed about the organization of consultations and dialogue between the social and public partners within the EU in order to involve civil society in the political process in Ukraine (Article 444).

The parties agreed to intensify the exchange of information between national, regional and local authorities, socio-economic entities and representatives of civil society (Article 446).

The Parties also facilitate the holding of regular meetings of civil society representatives in order to inform them on the implementation of this Agreement and to take into account their contribution to its implementation (Article 469).

To this end, a Civil Society Platform is being set up, consisting of representatives of Ukrainian civil society, on the one hand, and members of the European Economic and Social Committee (EESC), on the other, as a forum for meetings and exchanges.

The meetings of the Civil Society Platform are held on a regular basis, which it determines independently. The civil society platform sets its own rules.

The chairmanship of the Civil Society Platform is carried out alternately by representatives of civil society on the Ukrainian side and a representative of the European Economic and Social Committee in accordance with the provisions set out in its regulations.

The Association Council informs the Civil Society Platform about its decisions and recommendations. The Civil Society Platform may make recommendations to the Association Council.

The Association Committee and the Parliamentary Association Committee should liaise regularly with representatives of the Civil Society Platform in order to obtain their views on the achievement of the objectives of the Agreement (Article 469).

Thus, the Civil Society Platform, which in cooperation with other institutions ensures compliance with the terms of the Agreement, is one of the influential mechanisms for implementing in Ukraine the principles of stability and effectiveness of democratic institutions, rule of law, respect for human rights and fundamental freedoms.

2. Disadvantages of the current National Strategy

In the course of the research a comparative analysis was made of the extent to which the implementation of the current National Strategy for 2016-2020 meets the above principles. This analysis revealed many deviations in the field of ensuring these democratic principles. In particular, the main tools for implementing the National Strategy - the annual government Action Plans - usually cover only part of the tasks of the National Strategy and do not contain criteria and indicators for monitoring the implementation of the National Strategy.

Regional programs on promoting the development of civil society are in no way related to the government's Action Plans and only partially cover the tasks of the National Strategy. Thus, the analysis of regional programs that were approved and operated in 2017, together with the draft Programs of Odessa and Mykolaiv regions, which were published for that period, aiming to reflect the main objectives of the National Strategy for the regional level, showed that in these programs to some extent, only a little more than half of these tasks of the National Strategy are reflected (Krupnyk, 2018).

Regional Action Plans, which are developed and approved annually by oblast state administrations and the Kyiv City State Administration, have not been linked to either the annual government Action Plans or the regional programs.

The National Coordination Council, which was formed from representatives of the government and NGOs to coordinate and monitor the process of implementation of the National Strategy, has not been working for a long time and has not been performing its functions.

This situation arose after the 2019 presidential election and the change in the status of the Presidential Administration (which was transformed into the Office of the President and limited its direct influence on political processes). Besides, the change of the Government and, accordingly, the change of the personnel of the central executive bodies led to the loss of legitimacy of the majority of the representatives of these bodies in the Coordination Council.

The regional coordination councils which were established under the oblast state administrations and the Kyiv city state administration have not yet found themselves accompanied by the implementation of the National Strategy in the regions and have not built their relations with other actors in civil society development. In particular, they competed to some extent with public councils established under these administrations.

There was also the inadequate information support for the implementation of the current National Strategy. In particular, there is no information support plan for the implementation of the National Strategy. On the Unified web portal of executive bodies in Ukraine, in the section "Promoting the development of civil society" there are some materials on this topic, but there is no systematic coverage of the implementation of the National Strategy regarding its main areas and specific tasks.

At the same time, the level of information support for the implementation of the current National Strategy in different regions and in different central executive bodies differs significantly. In particular, the analysis of the sites of oblast state administrations and Kyiv city state administration showed that these sites meet only 63% of the regulatory requirements for openness and accessibility of public participation (Krupnyk, 2018, pp. 25-29).

And the analysis of the sites of regional councils and the site of the Kyiv City Council showed that these sites meet 65% of the above requirements (Krupnyk, 2018, pp. 29-32).

There is no stable source of resources for state support of CSO activities and development. At present, at the national, regional and local levels there is a mechanism for competitive determination of programs (projects, activities) developed by civil society institutions, for the implementation (realization) of which financial support is provided at the expense of budget funds (Cabinet of

Ministers of Ukraine, 2011). But, according to experts, this mechanism is imperfect and does not encourage CSOs to participate in these competitions.

National CSO Forums are held sporadically, and they have not yet become effective factors in the implementation of the National Strategy, as they are mainly devoted to the presentation of CSO opportunities and donor projects. In addition, these Forums are held mainly at the initiative of NGOs and mostly at the expense of donors.

At the regional level, CSO forums have not been held for several years - due to lack of resources for their preparation and conducting. As a result, regional public authorities know little about CSOs operating in the regions, let alone CSOs operating in local communities, and cannot establish partnerships with them.

Systematic cooperation of the participants of the National Strategy implementation with international organizations has not been established. One of the mechanisms of such cooperation could be the Civil Society Platform, which was established in Ukraine in accordance with Art. 469 of the Agreement. But it is not yet systematically included in the process of implementing the National Strategy.

The procedure for monitoring the implementation of the tasks of the National Strategy is not standardized, the criteria and indicators of their implementation are not defined through governmental and regional action plans, through regional programs. At the same time, the possibilities of modern information technologies are almost not used. Without them it is impossible to plan the process of implementation of the National Strategy and assess the degree and effectiveness of its tasks.

The vertical of subdivisions of public authorities, which should ensure communication with the public in the process of implementation of the National Strategy, has practically disintegrated, and its specialists have actually "dissolved" in the system of PR support of governmental activities.

Civil society organizations in Ukraine currently do not have an organized influence on the implementation of state policy to promote the development of civil society. In addition, systematic cooperation of responsible participants in the implementation of the National Strategy with international organizations for the purpose of exchanging experience and conducting external monitoring of the processes of civil society development in Ukraine has not been established.

Educational institutions of the system of the National Academy for Public Administration under the President of Ukraine and institutions of higher education do not systematically study issues of government-public interaction and measures to promote the development of civil society. Although now, under conditions of greater independence of higher education institutions, some of them have introduced training courses "Civil Society and Power" on their own initiative.

There is currently a lack of scientific research in Ukraine, including of applied nature, devoted to civil society and public relations. And research on the implementation of the National Strategy is carried out mainly by non-governmental think tanks: the All-Ukrainian Association for the Promotion of Self-Organization of the Population, Odessa Institute of Social Technologies, Ukrainian Independent Center for Political Studies, Laboratory of Legislative Initiatives and others.

The Verkhovna Rada of Ukraine is in fact removed from the processes of systemic development of civil society in Ukraine and does not deal comprehensively with this issue. The Verkhovna Rada does not have a single committee or even a subcommittee whose responsibilities would include the development of civil society. This topic is also absent in the Verkhovna Rada's program of interparliamentary relations.

Most of the efforts of the central executive bodies involved in the implementation of the National Strategy are focused on creating legislative conditions at the national level for the formation and operation of CSOs. Regional (oblast) executive bodies work mainly with regional CSOs and are engaged in the implementation of regional civil society development programs, which only briefly relate to the local level - the level of local communities, which is essentially the basic level for civil society development.

At this level of local communities, in particular, in rural areas today there is almost no systematic work on the development of civil society. In the process of reforming local self-government and creating amalgamated local communities, the issues of promoting the development of civil society have been pushed to the background.

With regard to the normative regulation of local democracy development at the local level, currently only a quarter of local communities have their own statutes, which should set requirements for openness and transparency of government, mechanisms for public participation.

The law on general meetings (conferences) of members of local communities at the place of residence has not been adopted yet, which significantly limits the opportunities of local communities to resolve issues of local significance.

The current law "On bodies of self-organization of the population" (Verkhovna Rada of Ukraine, 2001) is imperfect and inhibits the creation of such bodies at the level of houses, neighbourhoods and separate villages that are part of the amalgamated local communities. These bodies should become instruments of representation and protection of interests, in particular, of peripheral territories within the united territorial communities, of which almost 1500 are now formed in Ukraine and in which peripheral territories occupy almost 90% of the area of these communities.

3. Suggestions for solving the existing problems

To eliminate these shortcomings and significantly improve the situation in the study area, it is proposed to pay special attention to the implementation of democratic principles provided by the Agreement in the practice of public authorities and CSOs, in particular, through detailed elaboration and implementation of National Strategy mechanisms.

These mechanisms should ensure the achievement of the goals and objectives of the Agreement in the field of democracy development and human rights protection, as well as the creation of a strong civil society in Ukraine as a guarantor of democracy and building a democratic, social and legal state in Ukraine.

In particular, it is proposed to entrust the main work of the National Strategy to the government, namely its Secretariat, which should work in close cooperation with non-governmental think tanks and other CSOs.

In addition, it is proposed to introduce a set of mechanisms by which it is possible to systematically and effectively address these issues. These mechanisms include:

Government Action Plans for the Implementation of the National Strategy.

The Secretariat of the Cabinet of Ministers of Ukraine must ensure the development of annual or biennial Action Plans for the implementation of the National Strategy no later than January of this year, organize their public discussion and submit them to the Government for approval. This Government Action Plans should provide for the implementation of the priority tasks of the National Strategy at the national, regional and local levels by public authorities with the participation of coordination councils, public councils and CSOs.

The Action Plans should provide for quarterly and annual reporting on the implementation of the National Strategy of public authorities at all levels - in accordance with the Guidelines developed by the National Coordinating Council with the participation of the Secretariat of the Cabinet of Ministers of Ukraine and CSOs. The Government, with the direct participation of the Secretariat of the Cabinet of Ministers of Ukraine, with the involvement of national and regional coordinating councils and CSOs, organizes the implementation of government Action Plans.

The Regional programs on promoting the development of civil society are developed by oblast and Kyiv city state administrations for 2021-2026 with the participation of regional coordinating councils and CSOs and approved by regional councils and Kyiv city council, respectively.

The Ministry of Economy, Trade and Agriculture of Ukraine on behalf of the Government develops together with the National Coordinating Council and approves Guidelines for the development of regional and local programs to promote civil society, including indicators of regional programs developed with the National Coordinating Council and CSOs, on the basis of which the rating of regions is carried out.

The Secretariat of the Cabinet of Ministers summarizes the best practices in the development of regional and local programs and organizes, with the help of the National Coordinating Council and CSOs, the dissemination of this experience in the regions.

Regional and local action plans for civil society development.

Oblast and Kyiv city state administrations with the participation of regional councils, public councils and CSOs develop and approve of the planning year Annual action plans for civil society development in the region, combining measures to implement regional government action plans to implement the National Strategy and measures to implement regional civil society development programs.

Oblast and Kyiv city state administrations with the participation of regional councils, public councils and CSOs prepare quarterly and annual reports on the implementation of civil society development action plans in the region.

Executive bodies of city, village, settlement councils can develop with the participation of CSOs and approve Annual action plans for the development of civil society in local communities and post information on their implementation on their official websites at the same time as oblast and Kyiv city state administrations.

An important link in the mechanism of implementation of the National Strategy are the *communication units of the executive authorities and local governments*. The Secretariat of the Cabinet of Ministers of Ukraine should be such a unit responsible for the implementation of the National Strategy within the Government.

The government should amend the relevant regulations concerning the staffing structure of the executive branch, aimed at strengthening the structural units for public relations. Central executive bodies, oblast and Kyiv city state administrations, by their orders and instructions, should bring in accordance with governmental tasks to form specialized units for communications, as well as appoint commissioners for public relations in other structural units.

City, village, township councils are recommended to create divisions (to appoint separate experts) on communications and to form a network of the authorized persons on communications with the public in the executive bodies.

The National Coordination Council for Civil Society Development is established and operates under the Cabinet of Ministers of Ukraine. The Secretariat of the Cabinet of Ministers with the participation of CSOs has to develop an updated version of the Regulation on the National Coordinating Council for Civil Society Development, which is approved by the Cabinet of Ministers of Ukraine.

The National Coordinating Council is formed from the representatives of state and executive bodies (at the level of heads or their deputies) and representatives of authoritative CSOs consisting of 50/50.

The National Coordination Council serves as a platform for communication between government and the public, is a link between national, regional and local levels of civil society development, provides control over the implementation of the National Strategy and methodological assistance in this process, using both face-to-face and remote forms. The Coordinating Council has two co-chairs - from the government and the public, and its working groups are formed in the areas determined by it.

The Regional coordinates for promoting the development of civil society are created by orders of the heads of regional and Kyiv city state administrations consisting of representatives (ex officio) of executive authorities, local governments and half of the members from reputable CSOs in the region.

The Secretariat of the Cabinet of Ministers with the participation of CSOs should develop, and the Cabinet of Ministers of Ukraine should approve the model Regulation on the regional coordinating council for the development of civil society. The National Coordination Council together with the Secretariat of the Cabinet of Ministers develops and adopts Methodological recommendations on the organization of work of regional coordinating councils and delimitation of their functions with public councils and other subjects of civil society development.

The Verkhovna Rada of Ukraine should be more systematically involved in the development of civil society in Ukraine. To this end, a subcommittee on civil society development should be established under one of the committees of the Verkhovna Rada of Ukraine (or the functions of one of the existing subcommittees should be supplemented with civil society development issues).

The said subcommittee with the participation of the Secretariat of the Cabinet of Ministers together with the National Coordinating Council and with the support of the relevant subcommittee of the Verkhovna Rada shall organize parliamentary hearings on the topic "Civil Society in Ukraine: Achievements and Problems". The Verkhovna Rada of Ukraine, with the active participation of the relevant subcommittee, establishes inter-parliamentary relations with foreign parliamentary

structures, promotes the establishment of a relevant parliamentary group, and includes the development of civil society into the Action plan of the Verkhovna Rada and its bodies.

The key to the successful implementation of the National Strategy should be a *system of monitoring and evaluation of the implementation of the National Strategy*. This monitoring is carried out quarterly by the Secretariat of the Cabinet of Ministers with the participation of the National Coordinating Council and CSOs. The implementation of the Government Action Plans for the implementation of the National Strategy is being assessed. The results of monitoring are presented at the annual Civil Society Forums of Ukraine in the form of annual Reports on the implementation of the National Strategy and the state of civil society in Ukraine, prepared with the participation of the National Institute for Strategic Studies.

Central executive bodies involved in the implementation of the National Strategy, quarterly and annually prepare and submit reports to the Secretariat of the Cabinet of Ministers of Ukraine. And at the regional level, quarterly monitoring of the implementation of the tasks of regional programs to promote civil society development and regional action plans for civil society development is carried out by oblast and Kyiv city state administrations with the participation of regional councils, public councils and CSOs.

Oblast and Kyiv city state administrations prepare annual reports on these issues, which are considered at the boards of these administrations and at meetings of regional coordinating councils, after which they are submitted to the Secretariat of the Cabinet of Ministers and publicly presented at regional civil society forums.

At the level of local communities, their executive bodies carry out current monitoring of the implementation of local programs to promote the development of civil society, the results of which are reviewed annually at sessions of local councils and local civil society forums; reports and information on the results of the review are published on the official websites of these bodies.

The National Coordinating Council together with the Secretariat of the Cabinet of Ministers with the participation of CSOs develop and approve Methodological recommendations on reporting and on the reporting forms themselves; it is necessary to use the system of criteria and indicators developed with the participation of the author of this article (Krupnyk and Orlova, 2020).

The Secretariat of the Cabinet of Ministers with the participation of the National Coordinating Council and CSOs summarizes and analyses the results of monitoring and annual reporting of central, regional and local authorities using modern IT technologies and ranks them according to their level of achievements in civil society development.

The Secretariat of the Cabinet of Ministers, the National Coordinating Council promote the creation, testing and implementation of a comprehensive automated system of multilevel monitoring and evaluation of action plans, regional and local programs, the National Strategy as a whole using modern IT and integrated within the Ministry of Transport online platform for interaction between executive authorities and CSOs "VzaemoDiya".

We propose to continue the tradition of including a special section on the state of development of civil society in the annual address of the President to the Verkhovna Rada of Ukraine within the monitoring system.

Information support for the implementation of the National Strategy should be based on the "Information Support Plan for the Implementation of the National Strategy for Civil Society Development", developed by the Secretariat of the Cabinet of Ministers together with the National Coordinating Council with the participation of CSOs. Regional and Kyiv city state administrations, executive bodies of local self-government develop and approve action plans for information support of the National Strategy implementation, including as part of regional and local civil society development programs.

The following should be posted on government websites: interactive resources for the survey; platforms for online communication of citizens and CSO representatives; interactive maps of the best experience and platforms for their exchange; information on ongoing national projects and grants offered; information on international and national conferences, forums and other useful information on civil society development.

It is advisable to resume the monthly issue of the socio-political almanac "Civil Society"- in paper and electronic forms published for several years by the Ukrainian Independent Center for Political Studies, as an analytical and scientific-applied publication of the "third sector" - for the "third sector" and others stakeholders.

It is proposed *to include the issue of civil society development in the priority areas of development of domestic science*, with state funding of academic and sectoral research in this area. Scientific, applied and analytical research, as well as conferences, round tables, seminars on relevant topics, publications in special and general scientific publications, published topical collections on civil society development should be conducted, the ranking of publications in scientific journals on this topic is to be evaluated.

For state support of CSO development, the law of Ukraine (or an amendment to the current Law "On Principles of Domestic and Foreign Policy") proposes to create a State Fund for Civil Society Development. This Fund has accumulated financial resources from various sources and

directed them on a competitive basis to the organizational development of CSOs at the national, regional and local levels, CSO forums and conferences, information support for civil society development, as well as funding research, publications and other activities in this area.

It is necessary to organize *training of public authorities and CSO leaders*.

The Ministry of Education and Science of Ukraine, institutes of the system of the National Academy for Public Administration under the President of Ukraine, humanitarian institutions of higher education, regional centres of advanced training should introduce standard (model) training courses on "Civil Society and Government" within educational programs and short-term training programs for civil servants, local self-government officials and CSO leaders.

The regional and local programs to promote the development of civil society should provide funds for the study of the same short-term course by public authorities and civil society activists.

It is proposed to establish a *Coalition of CSOs* to monitor the implementation of the National Strategy, which should monitor the implementation of the National Strategy at the national, regional and local levels, representing civil society in relations with the government, the Verkhovna Rada, central executive bodies, and provide methodological assistance to public authorities. and CSOs in fulfilling the tasks of the National Strategy.

The CSO coalition should be formed on the basis of the Cooperation Agreement from among professional public analytical organizations representing all regions of Ukraine. This CSO Coalition should work closely with the National Coordinating Council and other actors involved in the implementation of the National Strategy and the development of civil society in Ukraine.

An important condition for the successful implementation of the National Strategy is the establishment of interaction between CSOs and other actors in the development of civil society. It is proposed to create and promote offline and online *platforms for intersectoral interaction* of CSOs with the population, authorities and businesses to jointly identify problems and solve them at all levels of government - local, regional and national.

An example of such interaction is the activity of a consortium of CSOs consisting of "Youth Community" and "Youth Corporation" to implement the system architecture "Smart Interaction", which has been successfully tested in a number of local communities of Vinnytsia, Volyn, Dnipropetrovsk, Lviv, Odessa and Khmelnytsky regions (Smart interaction).

The National Strategy for 2021-2026 should provide a guaranteed "green light" to the social order with the involvement of CSOs in the implementation of local projects and programs in the field of providing all types of services, not just social services, as is the case now.

In order to *legislate mechanisms for involving local self-government in the implementation of the National Strategy* at the regional and local levels, the Coordinating Council, together with the relevant committee of the Verkhovna Rada of Ukraine with the participation of CSOs, should develop amendments to the Law on Local Self-Government in Ukraine. opportunities for local self-government to participate in the implementation of the National Strategy, on the other hand - to increase its responsibility for the proper implementation of the tasks of the National Strategy.

It is proposed to initiate *the inclusion of the task of promoting the development of civil society in Ukraine in the priority tasks of the EU Delegation to Ukraine*. Partnerships should be further developed with the Council of Europe Office in Ukraine, the OSCE Office in Ukraine, and other international and donor organizations for the exchange of experience, external monitoring, methodological and analytical assistance, and technical support for the implementation of the National Strategy.

It is proposed that the Secretariat of the Cabinet of Ministers together with the National Coordinating Council, with the support of donor organizations, organize *annual national Civil Society Forums* with the participation of CSOs and international organizations in December this year - January next year. These Forums should consider the Government Report on the State of Civil Society, the co-report of the CSO Coalition, make proposals to improve the implementation of the National Strategy and, if necessary, changes to the National Strategy itself, present new initiatives in civil society development.

At the regional and local levels, regional and local CSO forums provided by regional civil society development programs should be held annually, organized by oblast and Kyiv city state administrations with the participation of regional councils and community councils, local council executive bodies, and CSOs. These CSO forums are organized to publicly summarize the implementation of the National Strategy and the implementation of local programs, presentation of new initiatives, coordination of the “third sector” movement.

4. "Accompanying wind" of civil society development in Ukraine

In October 2020, the 22nd EU Summit was held in Brussels, at which a joint statement was adopted by the President of the European Council, the President of Ukraine and the Vice-President of the European Commission (European Council, 2020, 6 October).

In this Statement, the parties testify that they share the common values of democracy, the rule of law, respect for international law and human rights.

Commitment on strengthening Ukraine's political association and economic integration with the EU in order to strengthen the rule of law and promote reforms towards the realization of Ukraine's European aspirations and its European choice was reaffirmed. It was emphasized that further support for Ukraine by the EU will depend on the continuation and further acceleration of Ukraine's implementation of its reform commitments.

The EU underlined the important role played by civil society, youth and independent media in all spheres of public and political life and announced new programs to support civil society. The EU also supported the financing agreements between Ukraine and the Eastern Partnership on civil society.

The parties agreed to improve relations between Ukraine, the EU and other Eastern Partnership countries and to conduct a comprehensive review of the achievement of the Agreement's goals in 2021.

Therefore, it is hoped that the EU's position and Ukraine's readiness to follow these principles will be an additional incentive for the entire system of public authorities in Ukraine to intensify support for the development of civil society as a reliable partner in overcoming existing challenges and solving urgent problems of the Ukrainian state.

Conclusions

The analysis of the process of implementation of the current National Strategy in 2016-2020 for compliance with the principles enshrined in the Agreement of stability and effectiveness of democratic institutions, rule of law, respect for human rights and fundamental freedoms revealed many deviations in ensuring these democratic principles.

The main reason for these deviations is the improper organization of the implementation of the National Strategy in the relevant planning and program documents of national, regional and local levels, as well as inadequate executive discipline in the system of public authorities together with the lack of effective monitoring mechanism.

The way out is seen in more detailed tasks of the National Strategy to prevent the possibility of their distortion, introduction of a comprehensive set of mechanisms for its implementation with the development of a system of criteria and indicators for regular evaluation of the National Strategy with ranking of regions of Ukraine.

An active position and effective participation of CSOs at all stages of formation and implementation of the National Strategy at the national, regional and local levels is a prerequisite for proper implementation of the principles of stability and effectiveness of democratic institutions, rule of law, respect for human rights and fundamental freedoms in the implementation of the National Strategy.

Building a strong civil society in Ukraine is certainly impossible without socially active citizens who directly or through CSOs defend public interests, are capable of consolidation and are responsible for their actions. Therefore, the main goal of all those who are interested in the development of civil society in Ukraine should be to promote the transformation of residents into such citizens.

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The role of good governance principles in fostering civil society. The case of Ukraine

Alla ORLOVA*

Abstract

The principles of good governance, approved by the Committee of Ministers of the Council of Europe in 2008, are seen as markers that determine the level of implementation of democratic values in Ukraine, which is confidently moving along the European path of social development chosen by the people. The role of civil society as a subject of implementation in Ukraine of the principles of good governance and its influence on the state policy on the implementation of European democratic values is substantiated. In order to identify the state of implementation in Ukraine of the principles of good governance contained in the European Strategy for Innovation and Good Governance at the local level, an analysis of the process of their implementation in Ukraine through the National Strategy for Civil Society Development for 2016-2020 (hereinafter - National Strategy). 2020). In particular, the current state of reflection in the legislation of Ukraine of the recommendations of the Committee of Ministers of the Council of Europe on the implementation of the principles of good democratic governance is analysed. It is revealed to what extent the freedom of expression of different opinions and participation of citizens in the processes of social development during the implementation of the National Strategy 2020 is ensured in Ukraine. The article substantiates a set of measures to update the process of implementing the principles of good governance in the implementation of state policy to promote the development of civil society. In particular, the ways of further implementation of the principles of good democratic governance in Ukraine in the next National Strategy for 2021-2026 (hereinafter - the National Strategy-2026) are proposed.

Keywords: public policy, civil society, good governance, National strategies

Introduction

The joint statement of the 22nd EU-Ukraine Summit, held on 6 October 2020, reaffirmed the important role played by civil society in all spheres of public and political life (Joint Statement of the 22nd EU-Ukraine Summit, 2020).

The results of the summit confirmed Ukraine's course towards European integration, which envisages, in particular, the implementation of the principles of good democratic governance. These principles are contained in the European Strategy for Innovation and Good Governance at Local

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Level, which was approved by the Committee of Ministers of the Council of Europe in 2008 (European Strategy for Innovation and Good Governance, 2007).

To clarify the conditions under which it is possible to ensure the effective implementation of the principles of good democratic governance in Ukraine, it is necessary:

- assess the current state of implementation of state policy to promote the development of civil society and its compliance with these principles;
- to explore the historical retrospective of the process of implementation of the principles of good governance in Ukraine, in particular, through the introduction of the European Week of Local Democracy;
- to study what measures for the implementation of the European Strategy for Innovation and Good Governance have been implemented on the basis of compliance with the principles of the European Strategy and within the framework of grant support;
- to analyse domestic scientific research that has been done recently in the field of implementation of the principles of good democratic governance in Ukraine.
- to analyse the reflection of the principles of good democratic governance in the National Strategy for the Promotion of Civil Society Development for 2016-2020 in Ukraine.

The purpose of this study is to assess the implementation of the principles of good democratic governance in Ukraine in the implementation of state policy to promote civil society, in particular, in the implementation of the National Strategy for Civil Society Development for 2016-2020. In addition, the aim of the article is to develop proposals for the implementation of the principles of good democratic governance in the draft of the new National Strategy, which is formed for 2021-2026 with the joint participation of government and civil society in accordance with the paradigm of good governance.

1. Assessment of the current state of implementation of the principles of good democratic governance in Ukraine

The principles of good democratic governance, approved by the Committee of Ministers of the Council of Europe in 2008, are a guide for the development of civil society in democracies, including Ukraine, in particular through the implementation of state policies to promote civil society.

Theoretical and methodological analysis of the essence and main approaches to the definition of "state policy to promote the development of civil society" found that some scholars understand this concept as a set of strategic objectives and targeted measures implemented by public authorities to

create or improve conditions and opportunities for the influence of citizens on the development of the state and society, solving social problems, meeting their own interests and needs " (Volynets, 2018, p. 62).

We consider it necessary in this definition to supplement the purpose of this policy with the consolidation of society, which should become the cornerstone of interaction between government and society in the process of state formation. As we view this policy as a set of goals, objectives and measures that are formed and implemented jointly by at least two actors - public authorities and civil society itself - this is in line with the objectives of the European Strategy for Innovation and Good Governance, where "citizens must be at the heart of all the most important democratic processes in society".

The basic document for the implementation of this policy in Ukraine is the National Strategy 2020 (President of Ukraine, 2016). The mechanisms of implementation of the principles of good governance at all levels of public administration to ensure effective participation of citizens in decision-making and implementation of decisions in the field of state policy to promote the development of civil society have been studied through a comprehensive combination of general and special methods.

Analysis of the state of reflection in the legislation of Ukraine of the recommendations of the Committee of Ministers of the Council of Europe on the implementation of the principles of good governance in Ukraine revealed that from 2008 to 2010 this process took place in Ukraine at the national level comprehensively and systematically. Relevant normative-legal acts were adopted, basic scientific researches were carried out, pilot projects on the issues of applied application of principles of good governance in public administration were implemented.

However, over the last decade, the process of implementing the principles of good governance has taken on new forms and content, possibly due to the signing of the Association Agreement with the European Union in 2014 and a significant reform of the system of local self-government.

The principles of good governance are implemented mainly by public organizations through the implementation of international projects, but "point by point" and unsystematically. For example, the Bloggers for Good Governance project runs a series of blogs on Good Governance. Council of Europe expert blogger Vadym Proshko explains what the first of the 12 principles of good democratic governance means - Fair elections, representation and participation.

It is possible that these principles are scattered in different areas of public policy and sectors of the economy. For example, the principle of spatial planning is implemented by the All-Ukrainian Network of Specialists and Practitioners in Regional and Local Development "REGIONET".

At present, spatial planning in Ukraine as an industry is in a transition phase from centralized policy and approaches in planning to modern integrated and strategic approaches. Currently, this sector is one of the priorities of the Parliament and the Government, in particular the Ministry of Regional Development and Construction of Ukraine (hereinafter - the Ministry of Regional Development). In fact, until the adoption in 2020 of the Law of Ukraine "On Amendments to the Land Code of Ukraine and other legislative acts on land use planning", the term "spatial planning" was not defined in the legislation. Instead, the term "urban planning" was used in the planning of all types of territories - rural, urban, districts, oblasts, etc., and spatial development plans were called "urban planning documentation" (Verkhovna Rada of Ukraine, 2020).

These issues are also very relevant for the U-LEAD with Europe Program, which actively supports the development of spatial planning in Ukraine, especially at the level of rural communities. Data on the availability of such documentation is collected on the web platform "PMAP", created in 2018-2019 by the Office of Effective Regulation (BRDO) with the support of the MATRA Program (Netherlands) and the Ministry of Regional Development.

Data is added to this platform by specialists responsible for spatial planning at their level. In general, the Ministry of Regional Development regularly conducts such quantitative monitoring - the results for 2019 can be found on the website of the Ministry of Regional Development.

Such cooperation between the government and the public gives an effective result. Therefore, the study of the current state of implementation of the principles of good governance in Ukraine is relevant and requires additional scientific research.

2. Research of historical retrospective of the process of implementation of the principles of good governance in Ukraine

Pursuant to the Council of Europe Resolution of 31 May 2007 № 238, the 14th session of the Congress of Local and Regional Authorities adopted the "Proposals for a European Week for Local Democracy", a policy initiative of the Council of Europe aimed at promoting local democracy and promoting democratic participation of citizens in socio-political life at the local level.

In support of this initiative of the Council of Europe, the President of Ukraine issued a Decree of 27 September 2007 № 922 "On the European Week of Local Democracy" (President of Ukraine, 2007) and instructed the Government of Ukraine of 14.08.2008 № 39918/1 / 1-08, on the basis of which the Action Plan for the European Week of Local Democracy in Ukraine was developed and agreed.

The first European Week of Local Democracy was held in Ukraine on October 15-22, 2007. In most regions, a number of events were successfully held, which contributed to the involvement of young citizens in socio-political life at the local level and better understanding of the citizens of Ukraine of the objectives of European integration policy.

In 2008, the Ministry of Regional Development, as the national coordinator for the implementation of this initiative in Ukraine in cooperation with other central and local authorities, provided more than 60,000 events, which were attended by more than 2 million citizens of Ukraine.

The most active participants in the European Week of Local Democracy in 2008 were Donetsk, Kyiv, Kirovohrad, Lviv, Mykolaiv, Rivne, Sumy, Kharkiv, Kherson, Cherkasy and Chernihiv regions, as well as the city of Odessa, which was awarded by the Parliamentary Assembly of the Council of Europe. four European pilot cities for the implementation of the mentioned initiative by the Board of Honour of the Council of Europe - an award for significant contribution to the development of local and regional democracy, strengthening twinning relations with European cities.

The results of the European Week of Local Democracy were summed up at a national round table on 10 December 2009.

In pursuance of the decisions of the III Warsaw Summit of Heads of Government and Heads of Council of Europe (hereinafter - CoE), the Center for Expertise and Reform of Local Self-Government of the Council of Europe has developed a European Strategy for Innovation and Good Governance at Local Level (hereinafter - Strategy). 15th European Conference of Ministers Responsible for Local and Regional Government (Valencia, 15-16 October 2007) and approved by the Committee of Ministers of the Council of Europe in 2008. The implementation of the Strategy was to contribute to the achievement of the following results:

1. Citizens must be at the centre of all the most important democratic processes in society.
2. Local governments must constantly improve the management and delivery of services in accordance with the 12 principles set out in the European Strategy.
3. Central authorities (national governments) should ensure the establishment and maintenance of institutional preconditions for the development of local democracy and the improvement of the system of local self-government in accordance with the European Charter of Local Self-Government and other European legal instruments in the field of local and regional development.

The Strategy also identified 12 principles of good democratic governance.

In order to properly implement the Strategy in Ukraine, the Ministry of Regional Development in cooperation with other public authorities, local governments and their associations, NGOs and

scientific institutions, experts formed a working group and approved a detailed plan for implementing the Strategy by order of the Ministry of Regional Development dated 09.02.2009 № 62.

Measures to implement the Strategy were initiated by holding an international conference on January 27, 2009. During the event, the experience of the pilot countries (Bulgaria and Norway) on the implementation of the Strategy in 2008 was presented, as well as the recommendations of the CoE experts on the implementation of measures to implement the Strategy.

In order to ensure consistent implementation of the above-mentioned initiative of the Council of Europe, a coalition of NGOs "For Promoting Decentralization Reform and Implementation of the European Strategy for Innovation and Good Governance at Local Level" was formed in Ukraine. and promoting administrative reform and the Mayors' Club).

As a result of consultations with national associations of local self-government bodies, public organizations, international donor organizations, a list of 39 pilot communities for the implementation of the European Strategy and its basic principles was formed. In 2010, this list already included more than 50 communities.

The Working Group also agreed that in the first phase of the Strategy implementation (during 2009) measures should be taken to implement the following two principles of the Strategy: fair elections, representation and participation, and ethical conduct to ensure that the public interest prevails. over private.

Interim results of the Strategy implementation were presented during the national round table held by the Ministry of Regional Development on July 1, 2009. During the event, further actions on the implementation of the Strategy, the role of pilot communities in promoting its principles were discussed.

The implementation of the European Strategy for Innovation and Good Governance at the Local Level in Ukraine was also facilitated by the 5th session of the CoE Forum "For the Future of Democracy" (Kyiv, October 21-23, 2009), which was an event of European significance. from the CoE member states to discuss the most pressing issues of democracy development and civil society development.

As part of the Forum, a working section "Local elections and the practice of citizen participation in socio-political life at the local level" was held.

To implement the principle of № 1 of the European Strategy for Innovation and Good Governance at the Local Level "Fair Election, Representation and Participation", the CoE Diagnostic Tool on Citizen Participation in Local Political Life (CLEAR) (prepared by the European Committee for Local and Community Policy) was presented. regional democracy of the Council of Europe).

The CLEAR tool aims to help local and regional authorities better understand the resident (citizen) in order to more actively involve him / her in socio-political life at the local level. It is a

diagnostic tool that helps to identify problems of involvement of citizens in socio-political life at the local level in order to develop appropriate recommendations.

In order to implement Principle № 6 of the European Strategy for Innovation and Good Governance at Local Level "Ethical Behavior", in 2006 the Center for Expertise and Reform of Local Self-Government of the Council of Europe prepared a textbook on best European public ethics at local level, summarized by the Council of Europe Steering Committee local and regional democracy.

During 2007-2008, the Center for Expertise and Reform of Local Self-Government of the Council of Europe in cooperation with the NGO "Club of Mayors", the Center for Research on Regional and Local Development and Promotion of Administrative Reform implemented the project "Modeling and Mechanism of Local Ethics at the Local Level". there is a promotion of public ethics at the local level.

Five pilot urban communities (Artemivsk, Vinnytsia, Kamianets-Podilskyi, Slavutych and Trostyanets) were selected to participate in the project. preparation and implementation of municipal anti-corruption strategies and implementation of public ethics standards.

On March 15-16, 2007, the first meeting of the working group on the implementation of this project took place in Kyiv, where the participants discussed the mechanisms proposed by European and Ukrainian experts.

Experts from the Centre for Regional and Local Development and Administrative Reform Assistance have implemented a number of important measures, including the translation of the European Handbook on Public Ethics into Ukrainian, the preparation of a Ukrainian Handbook on the Implementation of Public Ethics Standards, and training for a group of experts. pilot communities that have municipal codes and implement ethical standards at the local level.

A concrete result of the implementation of the mentioned project was the preparation by 5 pilot communities of their own codes of ethical behaviour of local government officials, which are different from each other. They reflect the specifics of each community and are the product of the work of each individual working group.

The project also prepared recommendations for the development of a national (standard) code of ethical conduct for local government officials, as well as a municipal strategy for the prevention of corruption and the implementation of public ethics standards.

As a result of hard work in 2016, the Order of the National Agency of Ukraine for Civil Service dated 05.08.2016 № 158 "On approval of general rules of ethical conduct of civil servants and local government officials" was issued (National Agency of Ukraine for Civil Service Affairs, 2016).

The Ministry of Regional Development has also started preparations for the implementation of the following two components of the Strategy: sustainable development, focus on long-term results and sound financial management.

Thus, on June 11-12, 2009 the Ministry of Regional Development in cooperation with the Council of Europe organized an international conference SEMAT on "Integrated approach to balanced sustainable spatial development of the European continent", as well as studied, translated and adapted for use in Ukraine. local finances.

Activities to implement the principle № 9 of the European Strategy for Innovation and Good Governance at the local level "Sustainable development and focus on long-term results" provided for the introduction of a basic document in this work - Guiding Principles for Sustainable Spatial Development of the European Continent, adopted in Hanover 7-8 September 2000 at the 12th Conference of European Ministers responsible for Regional Development and Spatial Planning (CEMAT) of the Council of Europe. Ministers also approved a program for closer integration of European regions.

The implementation of the Guiding Principles in Ukraine was initiated by the Ministry of Regional Development on June 11-12, 2009 in cooperation with the Council of Europe, the German Technical Cooperation Office in Ukraine GTZ and the Embassy of the Kingdom of Norway in Ukraine in the international conference.

Due to the need to finance projects, the Ministry of Regional Development established a Regional Development Fund in 2015, which could financially support infrastructure projects on a long-term basis. The presence of such a fund has allowed to expand Ukraine's opportunities to participate in cross-border projects and implement global programs to create European corridors.

An important aspect of the implementation of the principle of sustainable development was the creation of pilot regions of CEMAT / Council of Europe in Ukraine, including in the cross-border dimension (for example, the Dnipro Euroregion, the Tisza River Basin, etc.). The training module "International Legal Standards of Local Self-Government" was also developed.

3. Introduction of the principles of good governance through the implementation of the state policy of promoting the development of civil society in Ukraine

The research review of scientific developments on this topic and suggested ways to implement the principles of good governance at all levels of public administration. The issue of introduction of the principles of good governance in Ukraine was considered by both scientists and representatives

of the expert community of civil society in various spheres of state policy: culture, education, information, economy.

Our study concerns the implementation of these principles through the implementation of state policy to promote the development of civil society in Ukraine.

Among the scientific researches the Practical collection of V. Kuybida and others stands out. "Experience of implementing good governance standards at the local level in Ukraine and other European countries" (2010), which gathers Ukraine's experience in implementing the principles of good governance by 2010 (Kuybida, 2010).

V. Tolkovanov made a significant contribution to the study of this topic, who researched the tasks, history, implementation experience, standards and principles of good governance at the local and regional levels. "European strategy for innovation and good governance at the local level: main tasks, history and implementation experience", "Standards and principles of good governance at the local and regional levels as a common European value" (Tolkovanov, 2011, 2012).

Kh. Kokhalyk analysed the interpretations of "good governance", highlighted the basic principles, explored the views of citizens on the characteristics of "good local governance" in Norway and the Netherlands (Kokhalyk, 2012). I. Drobush emphasized the need to ratify a number of international standards of local self-government, and criticized domestic legislation that hinders the decentralization of governance, does not contribute to the effective functioning of local and regional self-government, and thus the implementation of social human rights (Drobush, 2013). O. Zarechniy considered the legal problems of public participation in the exercise of public power. Particular attention is paid to the system of "good governance" as the latest form of communication between the public and the government (Zarechniy, 2015).

In 2018, a practical guide "Benchmarking of good governance" was published, based on the materials of the Center for Expertise on Local Government Reform of the Council of Europe under the Council of Europe Program "Decentralization and Territorial Consolidation of Ukraine", which contains the necessary tools to implement the principles of good democratic governance (Huk, 2018).

It was found that the Principles of Good Governance are being implemented in Ukraine, mainly through grant programs. Thus, at the end of 2014, the Academy of Public Participation was launched in Ukraine - training within the framework of the Council of Europe Program "Strengthening the Institutional Capacity of Local Self-Government Bodies in Ukraine". It aims to ensure a more effective dialogue between government and the community using the principles of good governance. The participants of the Academy had the opportunity to get acquainted with the work of the Center for Expertise of Local Self-Government Reforms of the Council of Europe, the European Platform of

CoE member states on good governance, the legal framework of the Council of Europe on local and regional democracy. They share their knowledge and information with residents of Ukrainian cities⁴.

In search of the ideal of good society, the Aspen Institute Kyiv held a Good Governance Forum in 2019, which focused on the main challenges facing democratic societies due to the rapid penetration of digital technologies, as well as institutional and regulatory changes that should be implemented for safe and free digital space.

The Good Governance Forum 2019 is part of the Good Governance Program and is organized with the support of a grant from Luminate and the OSCE Project Co-ordinator in Ukraine. The panel discussions focused on the main digital challenges to democracy⁵.

“Stakeholder Dialogue” as a component of the Good Governance Program included thematic seminars, round tables and other events aimed at forming practices and traditions of “participatory democracy” in Ukraine: discussion of the content of state policy as the most inclusive dialogue of stakeholders: those affected public policy decisions; those responsible for their implementation (civil servants and municipal officials), industry experts, politicians, international organizations / projects, representatives of business associations, NGOs and the media.

The purpose of this component is to disseminate knowledge about the principles of good governance and best practices in this area by creating a dialogue platform for national and local leaders in various public spheres on decentralization reform.

Thanks to the program activities, two two-day seminars (September 2019 and May 2020) were held on the methodology of dialogue with stakeholders, as well as four two-day dialogue sessions (from October 2019 to March 2020) with key stakeholders of decentralization reform.

The partners of the program are: Luminate - a global charitable organization focused on empowering people and institutions to build just and open societies and the National Endowment for Democracy (NED) - a private non-profit organization founded in 1983 to strengthen democratic institutions throughout the world.

In 2020, at the initiative of Luminate, within the framework of the Good Governance Program, the Aspen Institute Kyiv together with Luminate established a working group "Digital Threats to Democracy". The aim of the working group is to create a center in Ukraine to discuss in a free format a wide range of issues related to the current digital threats to democracy.

In 2020, seven meetings were held to determine the range of issues to be discussed, five thematic discussions on specific issues of digital threats, a final meeting to summarize the results and

⁴ See <http://fs.edukit.vn.ua/news/id/327/vn>

⁵ Including <https://aspeninstitutekyiv.org/event/ggf2019/>

work of the working group, reflections of participants and discuss possible vectors of the topic in Ukraine.

5. Reflection of the principles of good democratic governance in the National Strategy for Civil Society Development for 2016-2020 in Ukraine

Currently, the tool for implementing the state policy to promote the development of civil society in Ukraine is the National Strategy for the Development of Civil Society for 2016-2020. The National Strategy has 4 strategic directions of implementation, which provide for the implementation of 42 tasks. A systematic analysis of the tasks of the National Strategy for compliance with the principles of good governance revealed that it to some extent reflects the vast majority of the principles of good democratic governance.

1.The principle of fair elections, representation and participation - to ensure real opportunities for all citizens to have the right to vote in local public activities is provided by the strategic direction of public participation in the formation and implementation of public policy, which is reflected in the the public in the development of draft regulations; initiating and holding general meetings (conferences) of TG members at the place of residence and implementation of their decisions; the presence in territorial communities of their statutes, which determine, in particular, the procedure for organizing public hearings, introducing local initiatives and implementing other forms of participatory democracy.

2.The principle of feedback, sensitivity - to ensure that the EOM bodies meet the legitimate expectations and needs of citizens is ensured by the introduction at the level of local self-government public examination of their activities and the activities of their executive bodies, officials, utilities, organizations and institutions; mandatory public consultations in the process of preparation of draft local budgets; the existence of a mechanism for exercising the right of citizens to apply to local self-government through electronic petitions and the effectiveness of this mechanism.

3.The principle of efficiency and effectiveness - to ensure the achievement of goals with the most optimal use of resources is ensured by creating favorable conditions for intersectoral cooperation; inclusion in the curricula of general education, vocational, higher education institutions of courses and topics on the development of civil society; providing methodological, advisory and organizational assistance to the executive authorities and local self-government bodies on issues of interaction with CSOs and civil society development.

4. The principle of openness and transparency - to ensure public access to information and

promote understanding of how local public activities are implemented, there are mandatory procedures in local councils to ensure information transparency and openness, including public involvement in the preparation of draft acts; creating favourable conditions for intersectoral cooperation; public access to consultations and legal aid, including free) on the establishment and operation of CSOs; regular informing the population and stakeholders about the implementation of the National Strategy.

5. The principle of the rule of law - to ensure fairness, impartiality and predictability is ensured by: creating favourable conditions for the formation and institutional development of CSOs; reduction of deadlines and simplification of registration procedures for CSOs, in particular procedures for submitting documents in electronic form or on a "single window" basis; the order of creation, organization of activity and termination of bodies of self-organization of the population.

6. The principle of ethical conduct - to ensure that public interests prevail over private ones is not yet reflected in the National Strategy.

7. The principle of competence and capacity - to ensure that local (elected) representatives and officials can perform their duties well is provided by educational activities and social advertising on interaction with CSOs and the development of civil society; conducting research, publications, communication activities in the field of civil society development and intersectoral cooperation.

8. The principle of innovation and openness to change - to ensure the benefits of new solutions and best practices is ensured by the implementation of measures aimed at improving civic education to protect their rights and interests through various forms of participatory democracy.

9. The principle of sustainable development and strategic orientation - to take into account the interests of future generations is ensured by introducing the practice of purchasing social and other services through social procurement and ensuring equal access of CSOs and budgetary institutions to these services at the expense of budget funds; stimulating the development of social entrepreneurship, in particular improving the mechanisms of financial support for such activities; involvement of CSOs in the implementation of regional and local target programs, including on a competitive basis; involving CSOs in assessing the needs of citizens in social and other socially significant services; providing CSOs that provide social services at the expense of budget funds, the right to use communal property on a preferential basis.

10. The principle of sound financial management - to ensure the prudent and productive use of resources of the state and local communities is provided by a competitive selection of CSO projects for implementation at the expense of budget funds on the basis of priorities developed with public participation; introduction of other effective mechanisms for providing financial support to public

initiatives aimed at implementing the National Strategy.

11. The principle of human rights, cultural diversity and social cohesion - to ensure that all people are protected and respected, and that no one is discriminated against or excluded or ignored, fraud and other abuses in the field of charitable assistance are prevented and counteracted; expanding the scope of public-private partnerships with CSOs; stimulating volunteering.

12. Principle of accountability - to ensure that local (elected) representatives and officials are accountable and accountable for their activities, it is ensured by mandatory reporting by CSOs receiving budget support and by ensuring public access to such reporting.

Conclusions

The principles of good democratic governance contribute to the implementation of Ukraine's European choice and require comprehensive and systematic implementation, including through the implementation of state policy to promote the development of civil society.

The basis of state policy in the field of promoting the development of civil society should be respect for its autonomy (self-government). Therefore, public authorities, avoiding interference in the formation and operation of civil society organizations (institutions), should offer citizens and relevant institutions (organizations) favourable conditions for civic activity, transparent mechanisms to support socially useful activities, tools for public participation in decision-making and implementation.

Formation and implementation of state policy in the relevant field should be carried out on the principle of "no solutions for civil society without civil society" and provide for cooperation of public authorities and organizations (institutions) of civil society at all stages - formulating problems, finding solutions, developing draft decisions, their implementation and implementation monitoring.

Despite the sufficient reflection of the principles of good democratic governance in the current National Strategy, it is necessary to take this factor into account when developing the National Strategy for Civil Society Development for 2021-2026 and improve its implementation mechanisms, including full and quality implementation of the principles of good democratic governance in the process of implementing state policy to promote the development of civil society.

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Creating and measuring the impact of a content strategy

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Abstract

A company's online presence is more than random advertising materials that promote its products or services. Instead, every piece of content that gets published on the internet needs to align to a clearly laid out strategy which should enable the business to become more visible in the online environment. The article explores the process of creating a strategy for content generation by looking at the goals of the business, at who the dream buyers are and how they can be identified. The first part of the paper emphasizes how the goals of the business must be clearly laid out in order to create a buyer persona. The needs of the customer can be better understood by using the Pareto principle and the Halo strategy. The latter part of the article focuses on how the content producing efforts can be measured.

Keywords: content marketing, content strategy, dream buyer

Introduction

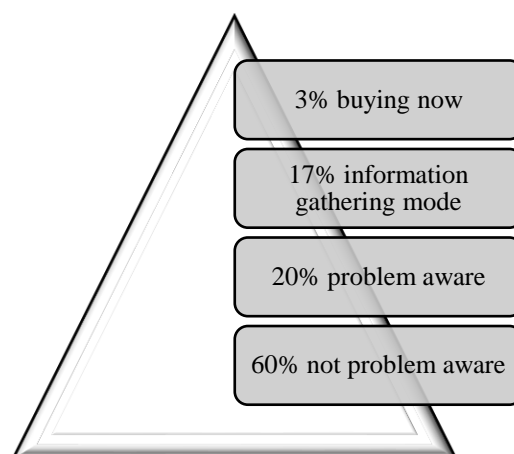
Establishing an online presence for a company is easy these days thanks to all of the available options that range from websites, blogs, social media platforms and video sharing platforms. However, making this online presence stand out from an overly crowded internet implies more than getting increased traffic. As online competition keeps reaching new highs, companies without a solid online marketing strategy need to keep up with ever increasing costs per click on Google's and Facebook's ad platforms, spend more for SEO services and content creation. In addition, most companies make another mistake, and that is that their online strategies are specifically aimed at the people who are most likely to buy their services or products.

Narrowing down your marketing strategy so it only targets the people who are most likely to buy is a mistake. Instead, all efforts should be aimed at appealing to a larger market, as it is described by the larger market formula (Figure 1). It establishes four key categories that can be used to show how the entire audience of buyers looks like.

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Figure 1. The larger market formula



Source: Ivanovs, 2019

Why is this formula useful? Because it offers an overview of how every market looks at any given time. Starting from the top, we have 3% of people who are in the ‘buying now’ mode. These are the people who are most likely to buy a product if they see it advertised. For example, most ads that run on TV or in newspapers look something like: ‘We have the best prices and the largest range of products!’ and they are targeted at the 3%. To get an idea of how this conversation would look like, picture the following dialogue:

‘I’m thirsty.’

‘Would you like to have a glass of water?’

‘Yes, please.’

As you can expect, a high percentage of the 3% will purchase what is being offered. Some people might have some objections or extra requests like ‘Room temperature water isn’t good. I would like to have it chilled.’ However, these demands can easily be met.

The problem with targeting the ‘buying now’ crowd is that the same people are also targeted by competitors. Having to split up this group of people between companies that are offering the same product or service will lead to little sales for all.

The larger market formula proposes that a marketing strategy should be aimed the 37% of people who make up the gathering information – 17% - and the problem aware – 20% - groups. The rest of 60% should also not be ignored, but educated instead. The goal of the marketing strategy should be to increase the speed with which the remaining 97% of potential customers move up the pyramid. The common mistake which most companies make is that they use the same marketing tactics for the 3% on the remaining 97% and the fact of the matter is that these potential customers are not ready to buy.

1. Approaching prospective buyers

The 97% should be approached as people who are not ready to buy, but they might do so at a later date. The main idea is that when people are not informed or lack knowledge regarding a subject, they are in a state of uncertainty. When this uncertainty is present, the odds of someone buying a product is quite low or even zero. However, as people become informed or educated about a subject, the likelihood of them buying increases.

The content strategy that a company uses must focus on educating the prospective buyer because, when he/she is ready to buy, he/she is more likely to buy the products or services of the respective company. Therefore, the content must carry a message that goes beyond simply promoting company products. Instead, the message should be education-based and insightful. As soon as this happens the dynamics of the relationship between customer and company are modified or even reversed. Normally, the company is chasing the customer's attention, but by educating the customer, he/she will request the company's attention. By employing this technique, the customers are the ones who are making calls or sending emails enquiring about the products and services that the business is offering. This approach is highlighted by Rebeca Lieb in her book *Content Marketing: Think Like a Publisher - How to Use Content to Market Online and in Social Media*: "Instead of advertising, the shift is toward publishing. Instead of buying media, you can roll your own and 'be there' when potential customers are researching purchase decisions and gather information about products and services. (...) Companies that successfully address customer needs and questions with content add value to conversations that take place online. They position themselves not as 'buy me!' banners, but as trusted advisors. Content can shape and create a brand voice and identity. Most of all, content makes a company and its products relevant, accessible, and believable." (Lieb, 2012, p. 15).

In short, the main points of a content strategy should be to: attract, educate, nurture and get potential customers to act. This strategy works wonders online as it makes sure that when prospects find their way onto a landing page that is designed to push them over the edge, they are already interested in what is being sold. As the prospect has already been educated on the matter by the content that has been published, he/she is predisposed to buying. For this to happen, the marketing should focus on a number of steps. First of all, prospects should be educated so they understand the process involved in solving the problem. This can be achieved using various tools and methods that provide value such as videos, free reports and templates, case studies. Secondly, the most commonly asked questions need to be included in the sales pitch or their answers should be readily available in the supporting published content. The third step implies positioning the product or service as the

obvious choice for solving the customer's issue. Lastly, the presented offer needs to be as irresistible as possible in order to push the consumer over the edge.

What this process is able to achieve is that it moves part of the 97% who are not buying at the moment or who perhaps are not even considering it up the pyramid described in the larger market formula. The obvious advantage is that these prospective customers are addressed way before the competition is able to connect with them.

The best way in which prospects can be moved up the pyramid is through a sales funnel. This marketing technique manages to shift the consumer through every stage of the pyramid over a period of time. For example, setting up a sales funnel requires that an online user is first drawn into visiting a website. Then through the content that the website offers, he/she is transformed into a prospective buyer, and, in the end, through the value or the education that has already been offered he/she is convinced to become a customer. These customers will be happy to work with the company that has taken the time to understand their problem and provide a suitable solution. But how does a company get to understand its potential buyers? By employing the Halo strategy.

1.1. Halo strategy

The Halo strategy is based on a psychological concept known as the halo effect. This is defined as “the influence of a global evaluation on evaluations of individual attributes of a person (...). Global evaluations might color presumptions about specific traits or influence interpretation of the meaning or affective value of ambiguous trait information” (Nisbett and Wilson, 1977, p. 250). It is the idea that if a person A likes an aspect of person B, they tend to be predisposed to thinking positively about other aspects associated with person B, even if these aspects are completely unrelated. As an example, think of how when you find someone intelligent, that person suddenly becomes more attractive physically. Another example is how a student who is good at sports is somehow considered to be the leader of a classroom. The opposite of the halo effect is the horns effect where, for example, the negative impression of the design of a can of soda might lead some people to believe the soda tastes bad.

In terms of marketing, the halo effect shows a consumer's favouritism toward a line of products because of previous positive experiences with other products belonging to the same brand. This concept is also associated with brand loyalty and brand strength. Similarly, if a consumer has had a bad experience with a product of a certain brand, they correlate the negative experience with everything associated with that brand.

Companies strive to achieve the halo effect because it helps establish brand loyalty and it also makes customers buy the same product over and over. Another advantage to the halo effect is that companies who make it work are perceived as industry leaders. Creating the effect requires that all the marketing efforts are focused on the most successful products that a company offers, increasing their visibility and thus the brand's equity.

When the consumer has a positive experience with the products of well marketed brands, he/she tends to form a brand loyalty bias in favor of the brands. This is how the consumer ends up believing that if a company is very good at something, it will probably also be good at something else. The advantage in this case is that the brand can expand into a totally different field and its products will still be thought of as exceptional.

Establishing the halo effect cannot be done without intimately knowing the customer. Once this happens, the marketing message can be specifically tailored. Many companies assume that by simply gathering data like age, gender and location they know enough about the consumers and it is just a matter of flooding them with ads until they decide to buy. In this day and age, the aforementioned data is no longer enough for a successful marketing campaign. That is why we must delve deeper into the customer's desires, dreams, hopes and even their fears. As marketers, we need to understand how people feel, how they think and how they react. That is what Robert Collier meant when he said that we should "Always enter the conversation already taking place in the customer's mind" (Collier, 2019).

2. The dream buyer

To identify the dream buyer, we need to apply Pareto's principle of the 80-20 rule. Vilfredo Fritz Pareto (1848-1923) is an Italian economist who discovered that income follows a Pareto distribution. He stumbled onto this idea as he observed that 80% of the wealth in Italy was held by 20% of the population. While he continued to study this idea, he found that this phenomenon can also be observed in other areas of life. The disproportionate relationship between cause and effect was applicable to growing crops, real estate and others:

- 20% of roads cause 80% of crashes;
- 20% of workers produce 80% of the result;
- 20% of the input creates 80% of the result;
- 20% of the customers are responsible for 80% of the revenue.

The thing is, in these 20% of customers, the 80/20 rule also applies. What this means is that 20% of the 20% of customers that bring in most of the sales are responsible for most of the generated income. Therefore, 4% of the customers make up 64% of sales. This is important because once the

buyer persona that makes up the 4% has been identified, it should be easier to focus the marketing efforts on more people that fit the description of the 4%.

The buyer persona of the 4% implies getting to know the customer more intimately. The basic information should be location, education levels, age, the services or products they are interested in, how they found the company website. Having this will make finding similar customers easier. Now that we have the basic information, it is time to find out what are the hopes, dreams and fears of these customers. To do this, we need to identify the main search terms (keywords) that are being used to search for products or services in the company's field of activity.

The keywords around the industry should then be searched on Google, Bing, DuckDuckGo (most of the time they provide different results because of their algorithms). This will yield Reddit threads, Quora answers, forums, comments and posts on social media platforms such as Facebook or LinkedIn, Amazon reviews. These are the places where prospective buyers are hanging out. Going through all this information will bring out what the customer likes, what he doesn't like, what he feels, what his concerns are and what are the most frequently asked questions.

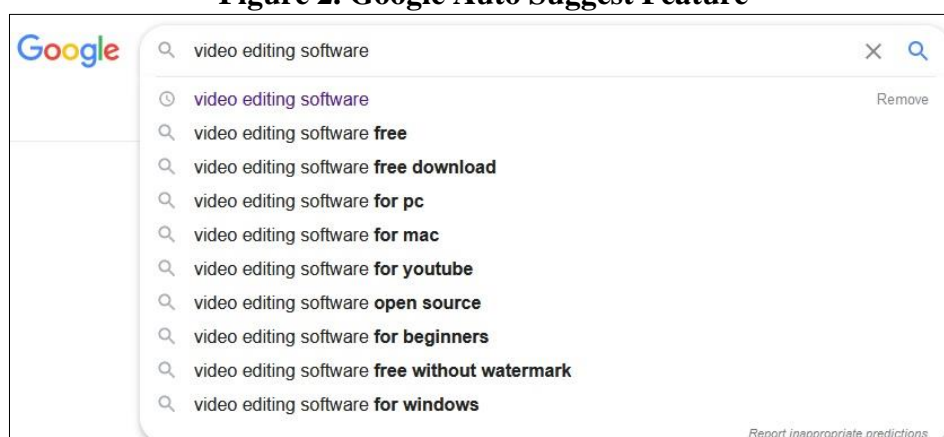
The results of this research then need to be organized into a tool that will provide excellent insights on what the marketing strategy should focus on. Here is how such a tool might look like:

Table 1. Customer research tool

What is the theme?	Most Common	2 nd Most Common	3 rd Most Frequent	Importance score (1 to 10)
Hopes and dreams				
Pains and fears				
Barriers and uncertainties				

Source: Halo Effect strategy as outlined by King Kong Australia

Once this tool has been used, you can get a better idea on what is the best type of content that is currently missing and that your marketing strategy needs to incorporate. For some added insight, the auto suggest feature (Figure 2) and the "Searches related to" feature (Figure A1) of search engines such as Google, Bing and DuckDuckGo can also provide a look at what questions the prospects are asking when they are in the research and buying cycle. In my example, I used the search term "video editing software" and got nine suggestions. For complete results you can also employ the alphabet method where you would type in the keyword followed by the letter "a", then letter "b" and so on and see what the auto suggest has to offer. Doing this can also help with identifying the emotions and motivations that stand behind each search query.

Figure 2. Google Auto Suggest Feature

Source: Google search for “video editing software”

Another useful tool that can generate content ideas is AnswerThePublic.com. This platform can provide excellent information regarding the questions the customer usually has. It works by taking the search term or phrase and then generating a diagram (Figure A2) or a spreadsheet (Figure A3) that encompasses all related searches. Having this information can help plan the type of content that needs to be created as it can address every concern that a prospective buyer might have and provide a solution if one is needed.

In this example I used the same search query as before: “video editing software” and the tool shows a list of useful questions that could be used as a starting point for creating pieces of content that might draw in potential customers. Here are some which stand out:

- Can you download video editing software?
- Where can I buy video editing software?
- What video editing software do youtubers use?
- What video editing software do professionals use?
- Which video editing software is best for beginners?
- Which video editing software is best for PC?

These questions point out the problems that people are facing when they are looking to buy video editing software and a simple blog article can tackle most of them. Creating content that answers each question in detail should definitely be a priority for the marketing strategy.

2.1. Creating the dream buyer avatar

As soon as all the information about the dream buyer has been assembled, the dream buyer avatar can be created. This will allow the company to make changes to the service or product, the

marketing strategy, the pricing policy, the type of content that is being produced and the channels that are used to promote the content. This process is especially important for small companies that are not ready to take on large and established competitors who already own significant parts of the market.

A great example of an inspired use of buyer personas or avatars is how email marketing company Mailchimp has decided to create actual posters (Figure 3) of their target audience so that their staff always remembers who they are writing for. As their core business is marketing automation and email marketing, it was important for them to educate their writers and designers towards good content creation practices and a large part of this is focusing on the customer. Having a picture of the customer and a few pieces of information regarding his/her activities, interests, schedule and background makes it a lot easier for the content creator to generate ideas and copy that will speak to the customer. He/she will feel like the content is specifically tailored to their needs and thus is much more likely to take action, whether it means buying a product or signing up for a service.

Figure 3. Buyer avatars developed by Mailchimp



Source: Obias-Tuban, 2013

Hanging up a picture of a potential buyer and listing just a few bits of information like age, job, likes and dislikes is not enough for creating the dream buyer avatar, but it certainly is a good first step. The next steps should be focused on gathering more in-depth information, as each piece will

complete the puzzle that holds the key to unlocking a direct means of communication with the people who are most likely to appreciate the content for the value it provides.

Personas are useful because each one stands to a specific part of the audience, a group of people with common interests, needs and worries. When it is time to create the content, each piece can be specifically tailored to suit a certain persona, thus addressing the right people. Targeting the right people with the correct piece of content will make sure you don't pester other parts of your audience with information they might not need. The advantage of buyer personas is simply laid out by David Meerman Scott: "Basing your work on buyer personas prevents you from sitting on your butt in your comfortable office just making stuff up, which is the cause of most ineffective marketing" (Scott, 2008).

In the video editing software example, some business owners would simply say "We target anyone who is interested in buying video editing software". I would argue that this is too broad of a target and it needs to be narrowed down. Narrowing down however, does not mean that you exclude part of the potential customers. It just implies that the marketing strategy and budget simply goes after the people who are most likely to purchase the product or service. Focusing all efforts on targeting the dream buyer means that the marketing message and the content that encompasses it become very effective in rising above the average publicity, thus achieving more sales.

Another advantage that comes from taking the time to perfect this buyer avatar is that the people who fit in this category are also the ones who are certain to benefit the most from acquiring the products the company is selling.

To help with defining the dream buyer, answering the following nine questions can streamline the process:

1. Where does this person like to spend his/her time and where does he/she go to chat with likeminded people?
2. Where does the dream buyer go for gathering information?
3. What are the main challenges and frustrations that he/she is encountering?
4. What hopes, dreams and desires categorize the dream buyer?
5. What are the fears of the dream buyer?
6. How does the dream buyer prefer to communicate?
7. What are some of the defining characteristics of the language he/she uses?
8. How does an average day look like for the dream buyer?
9. What makes the dream buyer happy?

Here is how these questions would work in the video editing software example. If someone is interested in this kind of software, we can assume that he/she is looking to edit video files, either for

personal reasons or for business reasons. Looking around the internet, we can find some of the places a person like this might visit: Facebook, blogs, magazines about video editing. This can be too general, and it is better to be a bit more specific. Let's say we can narrow it down to: this person is a part of the Freelance Video Editors Facebook group or similar, reads Videomaker magazine, reads the Shutterstock blog, goes to the beach every weekend to film the sunset and wildlife. Knowing all of this about your potential customers can offer lots of cues on where it would be best to advertise, what should be the message in your adverts, how the content should sound like.

The second question could be tied up in the first, however it is important to note that the more we can find out about where the buyer goes for information, the better we can understand what he is looking for. Is the research simply being done on Google, or does he use specialist blogs, does he have a subscription for a paper magazine that covers the subject, does he spend time on YouTube learning about video editing?

Understanding the challenges and frustrations of the dream buyer means that it is easier to design a product that addresses their problems directly, alleviating some of the pain points. Here are some examples of challenges that the customer might be encountering:

"I need a piece of software that is simple to use for promoting my business".

"I need to lose five kilograms before my sister's wedding".

"I wish someone could help me promote my company website".

As these frustrations and challenges are identified and understood, they can help with tweaking the products and services you are trying to sell. These products must be able to solve the problem for the buyer to make the purchase. These statements also provide an insight regarding the emotions the dream buyer is experiencing, and these need to be considered when planning the tone and emotions conveyed by the content you publish.

Dreams, hopes and desires are important to understand because they will help in painting a picture of what life could look like after using your company's services and products. As long as these are effective in solving the problem, creating the content that explains this should be much easier. Table 2 displays how the ads should be structured in terms of highlighting desire.

Table 2. Writing ads that speak to desire

What the buyer desires or dreams about	How the advertisement copy should look like
I need a piece of software that is simple to use for promoting my business.	Our video editor was specifically designed for beginners, allowing anyone to produce professional looking content.
I want to lose five kilograms before my college graduation ceremony.	This exercise program will help you quickly cut 5-10 kgs in 60 days guaranteed!
I wish I found someone to help me better promote my business on Google.	Get page 1 Google rank in 14 weeks or you won't have to pay a dime!

Source: Author's own experience from consulting clients

Addressing the dream buyer's deepest fears is also an integral part of creating the customer avatar. The deepest fears are those that keep you up at night, the worries that you don't tell others about. Taking these into account when creating content is key because it has been proven that people are motivated more by pain than they are by pleasure (Higgins, 2012). The desire to gain something is less important than the fear of losing something. This is something the insurance business is taking full advantage of. Just look at how they tackle the fear for your child's future in some of their ads (Figure 4).

Figure 4. Life insurance ad



Source: Ad design sample found on DesignCrowd.com

Paying attention to the buyer's preferred form of communication shows exactly where the content must be distributed. It is important to understand that adapting your message to the preferences of the audience means a higher chance of engaging them. Some people like to talk to companies using email, others prefer texting or using Facebook Messenger and Twitter. Not using these to communicate with prospective buyers and sticking to the regular channels that your company has been using is a mistake.

The language people use to talk about their problems can give precious insights on the keywords that need to be targeted by the content efforts. This is especially clear when there are industry-specific terms that are used when describing an issue. The buyer needs to feel that the company is addressing him directly and this can be achieved through a common language.

Part of creating the customer avatar is analyzing and understanding how a typical day looks like for the buyer. How he starts his day, what he does at work, how he ends the day. The average human

has different levels of attention throughout the day. Figuring this out means knowing exactly when it is the perfect time to call or to email potential clients.

Last but not least, we need to find out what makes the dream buyer happy. It has been shown that people like to interact with businesses that make them feel good about themselves. If an individual resonates with a company's goals and aspirations, he will get an added sense of satisfaction when purchasing their products. There are also other little touches that can make the transaction more exceptional such as hand-written thank you notes, gift baskets and birthday messages. Each of these can bring a smile to the buyer's face and create a deeper emotional connection to the brand.

2.2. Putting it all together

The answers to all the questions need to be refined into a paragraph that describes the dream buyer. It could look something like this:

“John is an entrepreneur and he is looking to start a YouTube channel for his surfing business. He starts his day early with a drive to his shop. On his way, he stops for coffee at a local establishment where he spends a few minutes browsing social media. As he arrives at work, he checks email and his calendar to see what urgent tasks need taking care of. At lunch he reads Videomaker magazine to find out about tips and tricks to filming the perfect 10-minute video. He then gets back to work until 5 and leaves for home. Here he spends time on the Freelance Video Editors Facebook group to see what video editing software most people are using. He plans to start working on his YouTube channel sometime in the next two months. His dream is to grow this channel until it provides enough income for him to be a full-time youtuber and travel the world in search of the best surfing beaches”.

Doing this exercise provides a complex understanding of how and where you can reach the dream buyer and what language you need to use when you approach him. Defining the target audience accurately can propel a company way ahead of the competition and allow it to achieve the halo effect.

3. Creating the content strategy in three steps

Being in charge of creating a marketing strategy means planning a constant stream of content that is either usable for a number of channels or different pieces of content that is specifically tailored for each channel. Just a few years ago content was only required for special events like a new product being launched or the company announcing it was going into a whole new market sector. These days however, all businesses are required to pump out an assortment of content just to stay visible in an overcrowded internet space. The content can take the form of video, blog posts, social media updates,

whitepapers, free eBooks, newsletters and online classes. Without these, a company's online presence suffers and eventually it starts to lose business. I am not advocating creating content just for the sake of having something to throw online, as putting out too much low-quality content can be just as harmful as not creating any.

One approach that has gathered attention is based on the ideas of Simon Sinek who, in his TED Talk "Start with why", put forward the hypothesis that the best content tends to communicate a meaningful story. This means that a business should find the time to tell its audience not just what it does, how it does and also its purpose for existing. He then goes on to argue that: "people don't buy what you do; they buy why you do it" (Sinek, n.a.) and that is certainly true in the case of some of the most well-known companies like Apple and Tesla. The first is recognized as a top innovator in the mobile devices market, while the second is famous for revolutionizing electric vehicles and pushing forward battery technology. Another point that Sinek makes is that:

"Every business on the planet knows what they do. These are the products they sell or the services they offer.

Some organizations know how they do it. These are the things that make them special or set them apart from their competitors.

Very few organizations know why they do what they do. Why is not about making money. It's about purpose, cause or belief – the reason your organization exists, beyond financial targets" (Sinek, n.a.).

For any business, conveying purpose through the content it publishes is perhaps more important than showing what and how. Constructing the content as stories makes it more memorable for the audience and they will remember when it's time to make a purchase. Adding to that, a good story about why the company does what it does works wonders in terms of differentiating it from the competition. The key thing is to publish quality content at a steady pace. This can be achieved by following three steps: understanding the needs of the target audience, matching content to the buying cycles and creating a publishing schedule.

3.1. Understanding the needs of the target audience

As I explained in the previous sections, creating content without understanding who it is targeted at is a mistake. The best way of understanding the needs of the target audience is to create buyer profiles or buyer personas. Besides answering the nine questions that help with identifying the dream buyer, it is important to take a look at the company's existing customer base. This will include some frequent buyers of the company's products or services. It is highly likely that several buyer types will be identified.

Let's take the following example to illustrate the buyer types. A coffee shop situated near a university campus will certainly have most of its customers being either students or university staff. Just from this little distinction we can establish two customer types from which we can generate two buyer personas – student John and professor Brown. To fill out each persona we need to think about the details that define each individual such as how they work, where they live and their income. These details can then explain what challenges and worries the customers might have. To help with this process I propose three questions:

1. What problems are the customers trying to deal with?
2. What do they need most?
3. What information are they searching for?

With the help of current marketing tools, we can find out what keywords or search phrases are bringing potential clients to the company website, how long the prospects spend on the landing page and whether they explore some other content, what they actually read or what they watched on the site, where they clicked. Having this information at our disposal we can then tailor the website so it offers something for each buyer persona.

Getting back to the coffee shop example, student John mostly searches for coffee shops with extended hours or which are non-stop. On the shop's website John can find out the opening hours, coffee and snacks prices, and about the live music on every other night. Because the website can track this activity, the business can find out that the John persona needs a coffee shop with long hours, prices that a student can afford and entertainment options.

Busy professor Brown searches for coffee shops with quick service, short lines and in walking distance from the university. On the shop website he takes the time to read about the selection of premium coffee blends and pastries. Tracking this activity, the business can speculate that professor Brown can afford to spend more on exotic coffee blends and classy snacks, but he doesn't have much time to wait for the food and beverages to be served.

3.2. Matching the content to the buying cycles

Creating quality content that is relevant for the target audience is just as important when we are turning leads into customers as is when we are building up the brand's recognition. However, the content must be tailored so it matches each stage of the buying cycle. In addition, the strategy must determine which type of content is best suited for each of the four stages.

1. **Awareness:** the prospective customers notice that they have a need for a product or service that the company provides.

Best type of content: social media and blog posts.

2. **Research or Education:** now that the prospects are aware of their need or problem start looking for available solutions.

Best type of content: eBooks, webinars and white papers.

3. **Comparison or Confirmation:** the available solutions are compared and the ones that fall short are eliminated.

Best type of content: case studies, customer testimonials, video demonstrations of how the product works.

4. **Purchase:** the customer chooses which company to buy from.

Best type of content: detailed product information such as specifications, expert reports, free consultations.

3.3. Creating a publishing schedule

After identifying the target audience and what content needs producing, the next step is deciding where and when to publish the content. The most effective way of scheduling the release of content would be to spread it out over a period of three months, where the people tasked with producing the content know exactly the subjects they need to cover, what buyer personas they are addressing and when each piece needs to be published or shared.

The schedule needs to be as detailed as possible, which means that for every piece of content there has to be a title, a subject and a persona. In addition, we need to know for which part of the buying cycle the content is being produced and what keywords or search terms need to be targeted.

Other parts of the publishing schedule that need to be considered are holidays and events. If the three-month period happens to include popular holidays, and the type of the business allows it, generating content that relates to how people spend their holidays is a good idea. For example, a bar might start advertising its Saint Patrick's Day party a month in advance using social media and creating a special landing page on its website that offers a free drink coupon for the first hundred visitors. Planning for events such as trade shows and conferences also makes sense, especially if the company intends to use these opportunities to launch new products or services. In this case, special blog posts and even white papers or eBooks can be used to better showcase the new additions.

4. Measuring content marketing efforts

The main issue with measuring the effectiveness of a content marketing strategy is that it takes a while for sales to show up. This is because this type of marketing focuses on addressing the prospect buyer early on in his/her buying journey, making him aware of the problem and then gradually educating him/her, providing useful information when he/she is researching the topic and then winning him/her over with the display of expertise or competency. When the individual is ready to buy, choosing a product or service of the company will come naturally as trust has been established.

Seeing how implementing a content strategy is a long-term project, it is important to understand that its effects won't be felt immediately. Because of this extended period of time where the content must be allowed to work its magic, it is also difficult to track exactly what is going well and what isn't. Therefore, it is a good idea to set up a few intermediate goals that can be tracked long the way and also to define what metrics need to improve in order to consider the efforts a success. As measuring the impact of content marketing is not a very precise process, there are many opinions on how it should be done. Here are two points of view from two internet marketing specialists - Jason Falls⁶, founder of Social Media Explorer, and Doug Kessler⁷, creative director at content agency Velocity:

“First, go to bat knowing what your business objectives are. If your content then ladders up to them, you can measure its impact where the client or executives need to see impact. Retweets, “likes” and comments don't matter to business objectives. Sales, revenue and costs do. Design your content to affect those and you'll keep the executives and clients happy”⁸. Jason Falls

“Well revenue is the mother of all metrics. Everything else is either a vanity metric, an early indicator or both.

Of those, I'm a big believer in shares. Shares by your target audience are the ultimate endorsement and are invariably a leading indicator that wonga is on its way”⁹. Doug Kessler

Falls argues that the only things by which you should measure your success should be the objectives that were first set out when conceiving the content marketing strategy. After that, tracking

⁶ More information on Jason Falls and the Social Media Explorer can be found at: <https://socialmediaexplorer.com/author/jason-falls/>

⁷ More information on Doug Kessler and Velocity can be found at: <https://velocitypartners.com/team/doug-kessler/>

⁸ See Harris (n.a.).

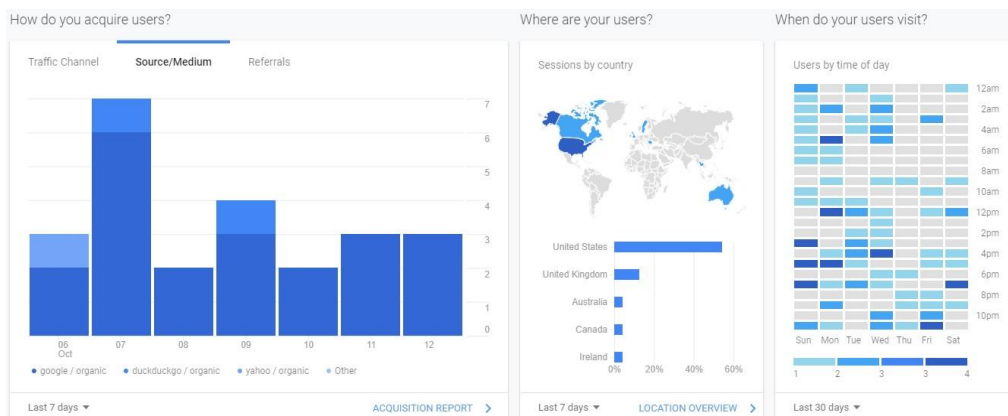
⁹ See Graham (n.a.).

the number of sales and revenues in relation to the costs of creating the content should be sufficient. Metrics such as social media shares and likes are nice to have, but if sales don't follow shortly, they are meaningless.

Kessler likes to focus on the generated revenue, as in his view, this is the most important factor when measuring success. However, he also considers social shares as a good indicator for how the content is being perceived by the audience. Getting your content shared more means that you've at least got some attention from part of the target audience and that the content you've provided has managed to spark interest, awe or other emotions, which were strong enough that the people felt compelled or simply wanted to pass on the information to others.

Another issue with tracking how well a content strategy is working is that the online environment has many instruments which can provide an overwhelming volume of statistics, which can easily be misinterpreted and even cause panic in the content team. Just thinking about a website or a blog, it is easy to see how a very useful tool such as Google Analytics that can show the number of visitors, the number of page views, referral sources, bounce rate, the rate with which your emails are opened, click through rates, where your visitors are located, are they male or female and other such statistics, may lead to false conclusions.

Figure 5. Information provided by Google Analytics



Source: Google Analytics Dashboard for a personal blog

Information provided by Analytics can provide valuable insight on how the content is being found, where the majority of the traffic is coming from and the time of day when visitors are more active on the website. The first graph shows that part of the traffic comes from other search engines such as DuckDuckGo and Yahoo and this should signal the marketing team that it is a good idea to also optimize the content for these services. In terms of optimizing the content, another factor to consider is how the users are consuming the content. Are they reading text on their PC or from a

mobile device (Figure A4)? Can they clearly see the embedded pictures or infographics on a small screen? Is the video quality sufficient for viewing on a smartphone in bright sunlight? All of these factors need to be taken into account when producing a piece of content.

If we find that the majority of users read the content as it is displayed on their smartphone, it means that the text should be easy to read on a small screen. It has been shown that the way in which people read on their mobile device is different from the way people read on a desktop (Patel, n.a.). Most people tend to skim the text when they are reading from a phone and that is why short paragraphs that convey easy to grasp information is the best option for formatting the content. Longer paragraphs end up looking like a wall of text that is hard to follow and might discourage the reader from focusing on the message. In addition, we need to also understand when most people read content on their phone – when waiting in line for coffee or public transport, during meals, between conference calls and even on the toilet. This means that they are not entirely focused on each word, but rather they pick out the information that might stand out, such as subheadings, bullet lists and summaries.

A lot of this data is useful in tailoring the pieces of content that are about to be published, but overanalysing it just for the sake of generating progress reports is probably a bad idea. These metrics can't tell a complete picture when looked at individually. Instead, they need to be considered and interpreted depending on the goals of the business. For example, if the main goal is generating sales, then looking at brand awareness is probably not the ideal approach. Out of all the available information, it would be best to analyse how leads are being developed and how the company develops a relationship with the customers.

If awareness is the main goal, then it is probably best to look at who is landing on the company website, how many of these new visitors are finding the site each month. Another important metric in this case is referral traffic, which means knowing where the visitors came from, be it search engines, social media posts or inbound links from other websites.

Tracking whether the company's content is attracting interest is another matter. For this, it would probably be useful to look at how people are engaging with the content, how many likes and shares it gets on social media, how long people are spending on the company website, the number of users who decide to download any freely available materials, the number of new newsletter subscribers. Each of these metrics can show if the content strategy is on the right path, as its ultimate goal is obviously to have more people discovering the company and its products.

Evaluating the effectiveness of the content can also be done by tracking the behavior of the people who end up on the company website. Clearly, the more time someone spends finding out more about the business and its mission, the more likely he/she is to become a client. Therefore, tracking

how many people visit the Frequently Asked Questions (FAQ) page and a price comparison page can be a good indicator of good content. If these people also decide to sign up for free webinars or a free trial version of a service, it is another sign that they enjoy the content.

Another great way of measuring content impact is to look at conversion rate. This is the percentage of visitors on a website who end up completing a desired goal. The goal could be anything from clicking on a Call to Action (CTA) button, to filling out a contact form, signing up for a newsletter or simply buying a product or service. If the person is “converted” into a paying customer, then it must mean that the content has served its purpose. The best thing about this is that multiple pieces of content can have the same Call to Action and this allows the business to clearly see which piece is the better performer. The next step would be to focus on creating similar content, while also phasing out the recipes that don’t bring in the desired results. The downside of this approach is that the content team might focus too much on content that converts visitors into paying customers and neglect other types of content that people really appreciate. That is why it is important to also keep in mind other types of metrics such as looking at what are the most visited pages of the website. Having the most popular page not be the best converting page is not unusual so the marketing team needs to try and make minor changes to the content so as to get the most conversions from the highest amount of traffic.

I would argue that each business needs to implement its own means of measuring the success of its content, depending on both short-term and long-term goals. In addition, all data that is delivered by various tracking tools can’t be separated and looked at individually, rather it should be interpreted in relation to other means of measuring progress.

Conclusions

As online marketing has evolved, it is now more important than ever to have a solid content strategy that can draw in the right customers. Such a strategy needs to understand exactly what the target audience is and how it can be reached. Tailoring the content so it suits the needs of prospective buyers can provide a boost in either sales or brand awareness. Depending on the product or service that is being promoted through content marketing, it is important to have a comprehensive understanding of customer behaviour.

Finding the right customers, which are the most likely to buy, can be achieved by employing a few tools like the larger market formula, the Pareto rule and creating a buyer avatar. The larger market formula is useful because it helps the content team to understand what phases a prospective buyer

goes through before being ready to purchase. Another advantage of this formula is that it can create a good outline for a content strategy. Each of the four phases requires different types of content as they address a different stage of the buying journey. When the individual becomes problem aware, he needs a specific type of content that explains the issue and pushes him or her toward the next stage, which is information gathering mode. At this time, the content must educate the reader about possible solutions, while also highlighting the advantages of the promoted product. The information must be useful and the solution thoroughly explained. When the person is ready to buy, their first impulse would be to choose a product or service from the company that took the time to educate him about the problem because that company is perceived as being sincere and trustworthy. In short, the larger market formula helps businesses engage with a larger audience, that the competition might be ignoring, while also increasing their online visibility.

To Pareto principle is used to further tailor the content creation, by focusing on the individuals which are more likely to buy. This makes the production of targeted content much simpler for the marketing team because it involves learning all there is to know about what prospective buyers need, like and dislike, how they spend their time, how they do research before buying. Producing content that speaks directly to the individual will create a more meaningful relationship between the business and the target audience, building trust and perhaps even gaining some brand ambassadors along the way. Companies that use this kind of marketing can achieve the coveted Halo effect, allowing them to turn one-time clients into devoted fans.

Going even deeper into customizing content for the target audience can be done via building buyer avatars. Focusing on the results provided by the larger market formula and the Pareto rule is good for narrowing down and refining the idea of a target market. However, even after these tools have been implemented, the marketing team can find that the consumer group it chooses to focus on is still heterogeneous. By doing more in-depth research on the characteristics of the prospective buyers using the information provided by search engines and other analytics tools, the consumers can be then assigned to smaller groups according to their similarities. These small groups can then be assigned a specific avatar that shows their common defining traits. Using this knowledge, the marketing team can create a fictitious person, with a name, occupation, hobbies, interests, life-style. The content will be addressed to this fictitious person, but it will be of interest for the entire group represented by the character.

To gather information about the buyer avatars, we can look to specific tools such as search engines and social media because these are the most effective at showing how the prospective buyer behaves online, where he likes to do research and what language he is using to describe his/her

problem. Analysing online behaviour can yield valuable insight regarding the buyer's dreams, desires and hopes, his fears, challenges and frustrations. Knowing these will allow the content to be perfectly tailored to the audience as it will tackle the exact problems of the customer, using a language he can understand, in a format that he likes, using a channel that he prefers.

Understanding the needs of the target audience is just the first step in setting up a successful content strategy. The second step is to match the content to the buying cycles and this implies creating specific pieces of content that can help and guide the buyer as he becomes aware of his problem, as he starts to gather information and then goes on to choose the product or service that can meet his needs. As mentioned before, this step is of vital importance because it can allow a business to stay ahead of its competitors by tapping into market segments that haven't been already targeted through ad campaigns. Companies that haven't embraced content marketing are relying on traditional forms of advertising, which have lost some of their persuasiveness. As the consumer is constantly bombarded with aggressive ads that urge people to buy now, the trust in these messages has been diminishing. People have changed the way in which they buy products or services and that is why "marketing with valuable content has developed as a way to bridge the gap between the way people like to buy – researching online and via recommendations from social networks – and the way smart businesses like to sell – by demonstrating empathy, purpose and usefulness, not by shouting the loudest." (Jefferson, 2015, p. 10).

The final step is determining how often to publish content, how much of it is needed and what are the best distribution channels. This paper has provided some broad ideas regarding the content publishing schedule, as research time was limited, while the theme very broad. This area is entirely dependent on the business, its products or services and its ability to generate valuable content for the target audience. As this area has a lot of variables, it could be a direction for future research, perhaps even including some case studies to show how companies from different sectors should have different approaches to content creation.

Measuring the effectiveness of the content strategy is a highly complex and challenging endeavour. There is no right or wrong way to do it, neither is there a perfect recipe which needs to be followed. As with the publishing schedule, the article only narrowly covers some ideas on measuring the impact of a content strategy. Further research will be done in order to compile a list of best practices in this field. With that in mind, the main takeaway is that modern marketing tools can provide an enormous amount of information on how the audience interacts with the content and this needs to be interpreted while also looking at things like lead generation, sales, customer feedback for a complete picture. It would probably be best for each company to create its own set of key

performance indicators for each content campaign as the goals of these might be different. For example, a campaign that focuses on the 60% of consumers that are not problem aware will need to be measured differently to a campaign that focuses on the 3% of consumers who are in the buying now stage.

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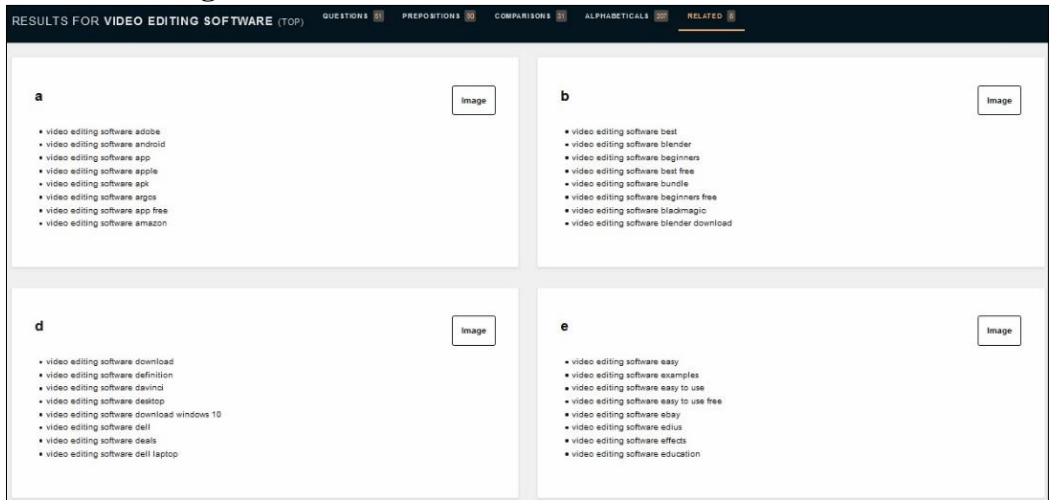
Related searches for video editing software

Source: Bing search for “video editing software”

[illegible]

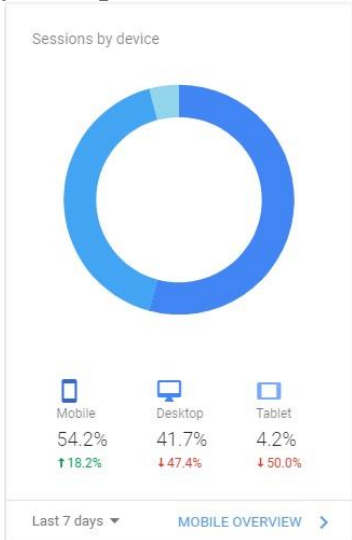
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Figure A3. AnswerThePublic Tool – Related Search



Source: AnswerThePublic.com search for “video editing software”

Figure A4. Google Analytics report on the devices being used by the users



Source: Google Analytics Dashboard for a personal blog