

Vol. 11, nº 1 (May-October 2020) - <https://doi.org/10.26619/1647-7251.11.1>

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AXEL HONNETH'S NORMATIVE PROPOSAL FOR THE RENEWAL OF HUMAN RIGHTS

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Abstract

This paper examines some aspects of Axel Honneth's normative theory, focusing on his theory of recognition, that can contribute to the renewal of human rights. To this end, it will start by making a few philosophical considerations about the justification and content of human rights, exploring the dialectic on the unity and diversity of human rights, in order to liaise the struggle for human rights and the struggle for recognition. It intends to move human rights away from the current inherent to Kantian philosophical thought, weakened by the decentralization of the European culture and conducted by 20th century postmodern reflections and by the critique of its categorical imperative as a pure duty of submission. It also examines the way to open space for a renewal of the discourse so as to enable it to confront delimited cultural and historical challenges. Other critical perspectives are included in this theoretical association, whether regarding the anti-utilitarian aspect, or the aspect of the gift paradigm, in order to contribute to the ethical renewal of human rights.

Keywords

Human Rights, Honneth, recognition, gift, ethics

How to cite this article

Fontes, Paulo Vitorino (2020). "Axel Honneth's normative proposal for the renewal of Human Rights". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.1>

Article received on July 14, 2019 and accepted for publication on March 30, 2020





AXEL HONNETH'S NORMATIVE PROPOSAL FOR THE RENEWAL OF HUMAN RIGHTS¹

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Introduction

Human rights result from the process of the formation of the modern world. Their configuration is influenced by the general characteristics of the transition to modernity. As Gregorio Peces-Barba (1989: 268) underlines, human rights are not the abstract result of a rational reflection on the individual and his dignity, but a response to concrete problems in which they were undermined or diminished in the absolute State and in the context of the religious wars that took place in the 16th century.

The first individual, political and procedural rights that appear in history and which form the core of the declarations of the liberal revolution are not the result of a great rational reflection, but a response to a concrete situation existing in Europe and in the colonies of European countries in the 16th and 17th centuries. Although they were based on general ideas as they were being conceived, a consensus emerged on the initial catalogue of human rights. Thus, as Peces-Barba (1989: 269) points out, any attempt to justify or rationally renew human rights must take into account their historical starting point, which were dissent and struggle regarding the legal and political situation of the absolute State.

Over the years and struggles, the French Declaration of 1789 and the American Declarations of Rights provided the occasion for the historical emancipation of the individual from the social groups to which he had always been subjected: the family, the clan, the will and the religious orders. As Fábio Konder Comparato (2010: 68) stresses, it is important to mention that in this respect, the ground had been prepared over two centuries earlier. On the one hand, the Protestant reformation had decisively emphasized the importance of individual awareness regarding morals and religion. On the other hand, the culture of the exceptional personality, of the hero who forges his destiny and the destiny of his people, had been developed, especially in Italy during the Renaissance.

The evolution of human rights became much more substantive from 1945 onwards with the emergence of World War II, after massacres and atrocities of all kinds, which started with the strengthening of state totalitarianism in the 1930s,

humanity has understood, more than at any time in history, the supreme value of human dignity. Suffering as a matrix for understanding the world and men, according to the luminous lesson

¹ This paper results from the last chapter, revised and updated, of the author's doctoral thesis (Fontes, 2016).



of Greek wisdom, has deepened the historical affirmation of human rights. (Comparato, 2010: 68-69)

The Universal Declaration approved by the United Nations General Assembly on 10 December 1948 and the International Convention on the Prevention and Punishment of the Crime of Genocide, approved a day earlier also within the framework of the United Nations, constitute the inaugural milestones of the new historical period, which is in full development.

We cannot, therefore, turn away from the challenge that Comparato poses us to find a foundation that goes beyond state organization in the practice of human rights. For Comparato (2010: 72), this foundation can only be the "collective ethical conscience, the conviction, long and widely established in the community, that the dignity of the human condition requires respect for certain goods or values in any circumstance, even if not recognized in the state order, or in international normative documents". This collective ethical awareness expands and deepens throughout history. "The demand for social conditions capable of enabling the realization of all human beings' capacities is thus intensified in time, and necessarily translates into the formulation of new human rights" (Comparato, 2010: 79).

Accordingly, this paper's challenge is to contribute to the expansion and ethical renewal of human rights, invoking some authentic assumptions from the political sphere, such as recognition and gift.

The justification of human rights poses additional difficulties to those who want to defend the ideals of this discourse. This justification is supported by a metaphysics of the non-objectification of the human being, in the wake of the Kantian philosophical tradition, and, although defended by many authors, is weakened in contemporary thought. The use of Kant's transcendental categorical imperative constitutes the double problem of relying on a theistic view of the world to explain the existence of an absolute truth (Kelsen, [1960] 1998) - which may not find support in contemporary thought and, simultaneously, resulting in an empty norm, a clear-cut must be (Agamben, 2007: 58-69).

In addition, the decentralization of knowledge conducted by history and culture shows, at all times, the partiality and contingency of metaphysical truths. As a consequence, oppositions to the human rights discourse are common due to its alleged ethnocentrism, denial of the subject's historicity and clear framing within an extensive history of Western interventionist political practices. In addition, the long and varied list of human rights finds wide support in the dignity of the human person, a legal principle whose intelligibility is conditioned by the realization of the rights it supports.

Nowadays, we face a rapid expansion of the Western way of life to all corners of the world. Often, under the veil of reason and image from the West, other cultures have been subjugated by an unequalled global capitalism whose consequences are, in an evident way, neither rational nor human.

In this context, Seyla Benhabib (2008: 179) stresses that "the legacy of Western rationalism has been used and abused in the service of institutions and practices that do not stand the scrutiny by the same reason which they claim to spread ". For the author, at the same time the planet becomes materially a single world, it is important to



understand how the claims of universality can be reconciled with the diversity of life forms. This constitutes a relevant theme for International Relations, the complex dialectic of universalism and relativism or the unity and diversity of human rights, which will be examined next.

1. On the unity and diversity of Human Rights

The language of human rights has been the public vocabulary where the most pressing demands are made, as demonstrated by Michael Ignatieff (2003). The author draws on his vast experience analysing international affairs to offer us an intense narrative of the successes, failures and different perspectives of the human rights revolution. Since the United Nations adopted the Universal Declaration of Human Rights in 1948, this revolution has brought moral progress to the world through the continued expansion of rights, and has broken the supremacy of the Nation-State in the handling of international affairs. Ignatieff (2003) argues that human rights activists have drawn criticism from Asia, the Islamic world and the Western world for being overly ambitious and unwilling to accept limits. Therefore, the author argues, one of the main challenges is to re-establish a balance between the rights of states and those of citizens.

The expansion of human rights, as well as their defence and institutionalization, have become the indisputable language, although not the reality, of global politics. Benhabib (2008: 179), concerned with the question of the universality of human rights, defends the existence of a fundamental moral right inherent to all human beings, "the right to have rights" that Hannah Arendt ([1951] 1973 : 330) stated for the first time in her work *Origins of Totalitarianism*. In Benhabib's reinterpretation (2008: 179), "the right to have rights" is to be recognized by others and to recognize others as persons worthy of moral respect and legally guaranteed rights within a human community.

When disagreeing with the philosophical perspective that wants to reduce the content of human rights to a portion of what is internationally agreed, Benhabib (2008: 184) argues that it is necessary to develop the justification strategy and the content of human rights beyond the minimalist concerns, with a view to having a broader conception of human rights under the "right to have rights". The reconceptualization she proposes goes beyond Arendt's meaning, according to which the "right to have rights" was seen essentially as a political right, in the sense of the right to belong to a political community. Benhabib (2008: 184) proposes "a conception of the right to have rights, understood as the claim of each individual person to be recognized and to be protected as a legal personality by the world community". This broadening of the concept beyond the state sphere results from the gap Benhabib (2008: 184) detects in contemporary discourse on human rights, which fails to take into account the changes that have taken place with the shifting of legal norms from an international perspective to a cosmopolitan one.

Benhabib (2008: 184-187) analyses human rights from a discursive and theoretical perspective, in an attempt to understand the extent to which there are certain minimum assumptions about human nature and rationality that must underlie any normative formulation of human rights. For the author, universalism cannot be translated solely into a legal-political issue. Normative commitments are necessary so that justifying universalism is interwoven with moral universalism.



For Benhabib, any political justification of human rights based on legal universalism must resort to justificatory universalism. Only by recognizing the communicative freedom of the other will the justification procedure be meaningful. However, there are different philosophical perspectives on the content of recognition. The distinctive feature of Benhabib's position (2008: 187) is "the interpretation of this communicative freedom in its relation to the right to have rights". The author departs from Kant's position and proposes a discursive-theoretical justification of the principle of law "instead of asking what each of us could will without self-contradicting to be an universal law, in discourse ethics we ask: "Which norms and normative institutional agreements could be considered valid by all those who would be affected by them if they were participants in special moral argumentations called discourse?" (Benhabib, 2008: 189).

The fundamental difference in the model proposed by Benhabib (2008) in relation to the various theories centred on the agent, is that it proceeds from "a view of the human agent as an individual embedded in contexts of communication as well as interaction. The capacity to formulate goals of action is not prior to the capacity to be able to justify such goals with reasons to others" (p. 189). Action and communication are inextricably linked. "I only know myself as an agent because I can anticipate being part of a social space in which others recognize me as the initiator of certain deeds and the speaker of certain words" (p. 190).

Here, even without mentioning it, Benhabib's discourse meets Axel Honneth's theory of recognition, as we will see later, since the conditions for intersubjective recognition will be able to guarantee the communicative freedom that Benhabib proposes.

For communicative freedom to be exercised, it will be necessary to respect each person's capacity for action and communication, to be recognized as a member of a human community in a social space of interaction. For Benhabib (2008: 190), having rights is

a moral claim to be recognized by others as a rights-bearing person entitled to a legally instituted schedule rights. Others can only constrain your freedom as a moral being through reasons that satisfy the conditions of formality, generality, and reciprocity for all.

In addition, the right to have rights implies the acknowledgment of the other's identity, both "as a generalized as well as a concrete other". If we recognize the other only as a being who has the right to have rights just because he is like us, then we are denying his difference, his fundamental individuality. If we do not recognize the other as a being with the right to have rights due to his marked alterity in relation to us, then we are denying our common humanity.

For Benhabib (2008: 190-191), recognizing the generalized other requires considering others, each and every individual, as human beings who have the same rights and duties that we want to ascribe to ourselves. In this dimension, the individuality and the concrete identity of the other are abstracted and the moral dignity that we all have in common is emphasized. The type of relationship established is governed by the rules of formal equality and reciprocity. Each has the right to expect from others what we can expect from him. In treating the other according to these norms, I ratify the rights of humanity in the other and I legitimately hope that the other will do the same with regard to me.



On the other hand, recognizing the concrete other requires regarding each and every one as human beings with an affective-emotional constitution, a concrete history and a unique identity. In this dimension, what we have in common is abstracted and we focus on individuality. The relationship is governed not only by equity and reciprocity, "but it anticipates experiences of altruism and solidarity" (Benhabib, 2008: 191).

Benhabib (2008) does not intend to describe human nature through the generalized and the concrete concepts. Above all, they are "phenomenological accounts of human experience" (p. 191), whose tensions the author does not analyse.

In relation to the generalized other, it assumes a universalist form based on the egalitarian experiences of modernity, albeit fragile and contestable, which may constitute practical possibilities that can be extended to all humanity.

Reciprocal recognition of each person as a being who has the right to have rights implies learning processes, political struggles and social movements. This is the authentic meaning of universalism for Benhabib (2008: 191):

Universalism does not consists in an essence or human nature which we are all said to have or to possess, but rather in experiences of establishing commonality across diversity, conflict, divide and struggle. Universalism is an aspiration, a moral goal to strive for; it is not a fact, a description of the way the world is.

Benhabib's justification of human rights (2008: 192) through a discourse-theoretic account of communicative freedom, which takes place in a dialogical practice, moves away from naturalistic perspectives and from possessive individualism. She understands the recognition of the other's right to have rights as an authentic precondition for the other to be able to contest or accept my first demand.

Her project called "interactive universalism", which is different from other contemporary positions, previously developed in her work *Situating the Self* (1992) and later expanded as "democratic interactions" in *Another Cosmopolitanism. Sovereignty, Hospitality, and Democratic Iterations* (2006), characterizes the interaction processes that occur between the democratic formation of will and opinion on the one hand, and constitutional principles and international law on the other. The concept aims to analyse the relationship between unity and the diversity of human rights, as well as the relationship between their moral nucleus and their legal form.

However, as Benhabib (2008: 196) admits, "the right to have rights seems quite abstract and formalistic". If human rights are principles that need to be contextualized and specified in legal norms, then how to formulate this legal content?

The answer given by Benhabib is "to proceed from the right to have rights (...) to the norms of equal respect and concern and to derive a concrete list of basic human rights in this fashion. Human rights would then find their place in moral philosophy" (p. 196).

But how can we account for the diversity of the world, its tremendous inequalities? How can an ethics of discourse that gives us only the minimum conditions for the dialogical procedure, which claim to be sufficiently tenuous so that they cannot be identified with any particular view of the world and, on the other hand, sufficiently consistent to guide



the dialogue with a view to a rational consensus, contribute to the renewal of human rights?

This Habermas based view needs, in our opinion, the complementarity of Axel Honneth's theory of recognition, since the right to have rights implies a struggle for recognition, in which the acquisition of social recognition is the normative condition of all communicative action.

In view of these difficulties, by proposing to found a social theory with normative content in post-metaphysical contemporaneity, especially in the work entitled *The struggle for recognition*, Honneth's research gives us the appropriate tools for understanding and renewing the struggle for human rights.

The next objective is, in a first phase, to use Honneth's theory of the struggle for recognition, include the most recent update of Hegel's Law and explore his normative proposal regarding the conditions of an ethical life. Other critical perspectives will be included in this reflection, whether regarding the anti-utilitarian aspect or the aspect of the gift paradigm, in order to contribute to the ethical renewal of human rights.

2. The theory of recognition in the renewal of human rights

The idea of a struggle for recognition as a methodological key for understanding social conflicts was initially advanced by Hegel during the period called "Jena", as a reference to his stay in this city and to the theoretical instrument he developed, as a young teacher of Philosophy, whose internal foundation goes beyond the institutional horizon of his time (Honneth [1992] 2011: 13). It is from here that Honneth seeks the possibility of founding a new social theory with normative content, following the line of Horkheimer's previous contribution to critical theory. In this sense, Honneth ([2000] 2007: 66) intends to associate his project with the philosophical tradition of "left Hegelianism", which includes numerous authors and thinkers like Marx, Adorno and Habermas.

From the reinterpretation of Frankfurt theorists, Honneth proposes the existence of three assumptions that cross his analysis: (1) the declaration of a universal reason capable of making social movements intelligible; (2) the discordant performance of this reason as the cause of a pathology; and (3) an emancipatory goal identified from suffering (Honneth, 2009: 42).

The first two assumptions are open and, thus, it is not possible to check their empirical evidence. It is only from the last theoretical assumption that one can offer the theory a positive content that can be object of experimentation. Accordingly, Honneth proposes the construction of a social theory with normative content, dependent on the capacity for pre-theoretical verification of social suffering, capable of informing theoretical thinking of the relevance of an emancipatory will in society.

However, according to Honneth ([2000] 2007: 65), the Frankfurt School had remained tied to historical Marxist materialism, associating social suffering with the particular issues of a class, the proletariat, which was responsible for transforming its suffering into an emancipatory engine. But when history showed that the proletariat had transformed its suffering in support of the rise of fascism, the positive tone initially adopted by critical theory became out of step with society's understanding and transformation.



However, for Honneth, what history shows as inadequate is only the specific positive content adopted by the theory, which was linked to the exploitation of work and not to its theoretical foundation, and the possibility of developing a social theory of normative content remains open, as long as we depart from suffering as revealing an emancipatory will in society. For this thinker, without any kind of proof that the critical perspective of the theory is reinforced by a movement in social reality, critical theory can no longer be followed in contemporary times, since it would not be possible to distinguish it from other models of social criticism, due to its claim of a superior sociological method or due to its philosophical justification procedures. For Honneth ([2000] 2007: 66), it is only through its attempt, which has not yet been forsaken, to provide criticism with an objective foundation in pre-theoretical praxis that it can be said that critical theory is unique and alive.

From this exercise, Honneth criticises Habermas' theory of communicative action, precisely because he does not find support in the clear diagnosis of social suffering. He argues that if communication is removed from the theory of language and understood as an intersubjective process, through which human identity develops, this suffering can be perceived in the deficient recognition of some identities and, thus, the criticism would find in this recognition its lost normative support (Honneth, [2000] 2007: 75). It then appears that the Hegelian philosophical project is rescued from a struggle for recognition.

In Honneth's theory ([1992] 2011), we notice an effort to conceptualize the three spheres of recognition: Love, Law and Social Esteem, initially identified by Hegel. These spheres of interaction, through the cumulative acquisition of self-confidence, self-respect and self-esteem, create not only the social conditions for individuals to reach a positive attitude towards themselves, but also originate the autonomous individual.

The sphere of love constitutes the primary affective relationship of mutual recognition that structures the individual since birth, and which is dependent on a fragile balance between autonomy and attachment. According to Honneth ([1992] 2011: 159-179), the symbiotically nurtured bond, which is formed by an initially mutually desired delimitation between the mother and child, creates individual self-confidence, which will be the fundamental basis for autonomous participation in public life. From the normative perspective of the generalized other that teaches us to recognize others as holders of rights, we are allowed to understand ourselves as legal entities. The sphere of law develops in a historical process, its development potential is verified in the generalization and materialization of the legal recognition relationships. In order to achieve an uninterrupted self-relationship, human subjects also always need, in addition to the experience of affective dedication and legal recognition, a social appreciation that allows them to relate positively to their concrete properties and capabilities. This is within the sphere of social esteem, a third relationship of reciprocal recognition based on the assumption of symmetrical valuing, according to which individuals consider each other in the light of values that make the other's capabilities and properties important for common experience. The symmetrical relationship does not mean a reciprocal appreciation in equal measure, but the challenge that any subject has the opportunity to experience himself as being valuable to society through his capacities and properties. Only in this way, according to Honneth's reasoning, under the notion of solidarity, will social relations be able to access a horizon where individual competition for social valuing may be free from experiences of disrespect.



In the succession of the three forms of recognition, the degree of a person's positive relationship with himself progressively increases. With each level of mutual consideration, the individual's subjective autonomy also grows. Likewise, parallel experiences of social disrespect can be attributed to the corresponding forms of mutual recognition.

For Honneth, the practice of deviant behaviours would not only result in social disapproval, but in preventing the individual from having a positive recognition of himself in his action. This opens the possibility of transforming the collective ethics that allow the realization of the *Self*. In this sense, the struggle for social recognition of the subject's particularities would be the constant transformation engine of the ethical framework of a society, in order to include forms of individuality that in a given circumstance are subject to precarious recognition.

In order to rebuild the foundation of a social theory with normative content, along the lines of the project previously conducted by Horkheimer for critical theory, Honneth recovered the Hegelian philosophical project of the struggle for recognition. Although at first he was limited to looking for his bases in the thinking of the young Hegel, in more recent works (Honneth, 1999, [2001] 2010 and 2014), the author tried to link that intersubjective struggle to the notion of freedom formulated by the older Hegel, as opposed to the atomistic views of Kant and Fichte.

Honneth states that Hegel's theory of justice shares with these authors the centrality of the idea of equal individual freedom for all. However, his theory differs from the others in conceiving freedom as something that goes beyond a simple subjective right or a simple moral autonomy. For Hegel, adopting any of these views of the concept of freedom, in an isolated way, would lead to social pathologies resulting from the violation of the "absolute spirit" (Honneth, [2001] 2010: 25). In this Hegelian thesis, although of a metaphysical and historically situated nature, Honneth considers that there is a critical nucleus that must be transported to our days.

Honneth's (1999) proposal to update Hegel's *Philosophy of Law* does not intend to rehabilitate neither the methodical conditions of *Logic*, nor Hegel's basic conception of the *State*. But stripped of these elements, Hegel's *Philosophy of Law* can be conceived as "a project of a normative theory of those spheres of reciprocal recognition whose maintenance is constitutive of modern societies" (Honneth, 1999: 19). To address such a challenge, Honneth presents the remaining elements that allow this updating: the concept of "objective spirit" and the notion of "ethics".

The first concept (objective spirit) seems to me to include the thesis that all social reality has a rational structure, whose rejection through false or insufficient conceptions must lead, even where they are applied in a practical way, to negative consequences in social life. (Honneth, 1999, p. 19)

With regard to the concept of ethics, Honneth considers that it contains the thesis that in social reality "spheres of action can be found in which the inclinations and moral norms, interests and values are fused in the form of institutionalized interactions" (Honneth ,



1999: 19). Therefore, these spheres, and not the State, would deserve a normative characterization through the concept of ethics.

Based on these principles, Honneth (1999: 26) updates Hegel's theory of law in three stages. In the first, he presents a theory of justice based on the Hegelian concept of "free will" which, having been conceptualized in opposition to atomist perspectives, determines the full scope of what we must call "right". The difficulty of this fundamental intuition is related to Hegel's thesis that "the will has itself as an object". Honneth interprets this idea based on Hegel's definition of love: "Being yourself in the other". With this interpretation, the focus shifts to the existence of social and institutional conditions, seen as fundamental, as they should allow the subjects' communicative relationships. For Honneth, those spheres, expressed in institutions and systems of practices that are irreplaceable to enable self-determination socially, are the authentic bearers of rights. Thus, *Philosophy of Law* is understood as the theory of the social conditions that enable the realization of "free will", which goes towards a normative theory of social justice.

From this perspective, Hegel's theory of law is divided into three divisions. The first two are "Abstract law" and "Morality", where Hegel addresses the incomplete conditions for the achievement of free will, in the form it takes, respectively, modern rights or capacity for moral self-determination. The third part, "Ethics", deals with complete conditions, distinguishing three spheres of communicative action: the family, civil society and the State. From then on, the theory of justice is articulated with the diagnosis of the time, constituting the second stage of Honneth's updating proposal.

Honneth (1999) compares Hegel's claim with Habermas's argument in *Facticity and Validity*. For Habermas, "the legitimacy of the legal-state order comes from the guarantee of the conditions of democratic formation of the will", while in Hegel "it goes back to individual self-realization to have from its conditions the task of a modern legal order" (Honneth, 1999: 43).

Hegel gives a vast description of the concepts contrary to freedom, as a trend of the time. What hinders his task is: "To highlight, in the development of his theory of justice, the necessary function that legal freedom and moral freedom assume in relation to the conditions of communicative freedom, which are evident in the ethics concept" (Honneth, 1999: 45).

In the first part of Hegel's work on abstract law, he argues that calling for it is only a possibility, something about the whole set of circumstances. Using this faculty would depend on quasi-characterological factors and result in suffering: "The person who articulates all his needs and purposes in the categories of formal law is unable to participate in social life and, therefore, will suffer in indeterminacy" (Honneth, 1999: 50). But, on the other hand, one can recognize the value of the formal right in relation to individual self-realization, since the subject, seeing himself as a holder of rights and by showing the limits imposed by social relationships, has the opportunity to withdraw behind ethics.

In the second part of the book, which corresponds to morality, Honneth reconstructs Hegel's argument to show the relationship between the limits the subject stumbles over when conceiving unilaterally, in a moral way, the realization of his freedom and the reasons that foster the passage to the sphere of ethics. Hegel's criticism is directed against Kant's categorical imperative, as its application results in disorientation and a feeling of emptiness. Kant believed that his categorical imperative would apply wherever



there was a moral conflict. However, according to Hegel, the formality of the imperative led to the abstraction of the social environment, where concepts and moral points of view are already institutionalized, and so, the imperative loses its founding function.

So that Hegel's argument is not understood as moral relativism, Honneth (1999: 53) argues that "the concept of ethics is a theoretical-moral argument in a narrow sense" and that the proposal to understand social reality as an incarnation of free will represents an epistemological and social ontology argument. When we do not consider the ethics or the sufficient rationality of social institutions, which become second nature, the subject is abandoned to interior emptiness and poverty of action. Therefore, the path to ethics must be experienced as a liberation, not only for abandoning incomplete conceptions, but also for its therapeutic effect on a pathology in the world of life that causes suffering. Thus, it should be understood as an "achievement of affirmative freedom" (p. 53). This way, Hegel's *Philosophy of Law* presents a phenomenology of the configurations of freedom, with an equivalent theory of justice, where free conscience is linked to the diagnosis of the time, and these elements converge in the ethics doctrine.

Honneth's final action is to update the ethics doctrine in a normative theory of modernity. To this end, he established self-realization and recognition as fundamental conditions. "Only in an action whose execution is characterized by the fulfilment of certain moral norms can a subject guarantee to be recognized by others, because this recognition is determined precisely by the moral competences, which are established through the corresponding action norms" (Honneth, 1999: 53).

Thus, the normative content of ethics is an articulation of the forms of intersubjective action that can guarantee recognition due to their moral quality. In this sense, the family, civil society and the State are constituted as social spheres with fields of practice, which can guarantee individual freedom in its modern configurations that combine recognition, creation and self-realization.

The renewed theory of the struggle for recognition appears as a model to understand social conflicts as ethical claims that contribute to the expansion of the subjectivation possibilities and alter the ethical framework of the whole. Thus, the transgression points to the ethical insufficiency of the collective, not of the transgressing individual. The focus of law intervention is inverted, ceasing to be centred on the individual, on the need to adapt him to social conventions, to focus on society and on its need to recognize and include the most diverse modes of existence, guaranteeing their physical survival and valuing their uniqueness.

After presenting the struggle for recognition, which, in order not to fail, needs ethics with normative content, this article examines other critical contributions and completes the moment of struggle with that of gift, as both are poles of a recognition relationship. Only in this way the conditions for a renewal of human rights are met, both at collective and individual levels, since human rights are, at the same time, the legitimizing basis of law and the moral foundation that inspires our lives.

According to Flávia Piovesan (2010), the complementarity between the different dimensions of human rights already has doctrinal and legal recognition. However, it is not clear to what extent they are based on the Kantian or to the natural law philosophical theoretical framework to which human rights usually refer. The ideal of not objectifying human beings seems to support the dimension of civil liberties and social rights. Since the human being should not be treated as an object by his fellow men, then his body



must enjoy immunity. This includes renouncing direct action on him and guaranteeing all his needs, to avoid that, abandoned, he is forced to surrender to the will of the other. However, with regard to political rights and the right to difference, the Kantian ideal does not seem to provide an adequate basis, since it does not seem possible to base political participation and the recognition of the right to difference on the non-objectification of human beings.

In the same way that the categorical imperative of acting so that his behaviour can, out of his own will, become universal law. In addition to not providing material consistence and admitting any behaviours and imposing a duty void of meaning, it seems to be, ultimately, opposite to the recognition of diversity. From it, it is not possible to derive a need for recognition of the difference of the other, but on the other hand, it can be demanded that the other resembles, in his behaviour, the *Self*.

Accordingly, the Kantian abstract formalism proves to be insufficient to support the theme of human rights and does not seem to be able to substantiate the new themes that have been incorporated in the struggle for human rights, which Western rationality was unable to include in its historical development.

Whereas Western modernity offers us essential values, such as freedom and authenticity, according to Charles Taylor ([1992] 2009) it also brought us profound problems: egocentric individualism, the primacy of instrumental reason and the loss of freedom. Since individualism is shaped by the ideal of authenticity, Taylor seeks the deeper meaning of this ideal, with the aim of reinvigorating the ethics of authenticity. What is new and important in Taylor's thinking ([1992] 2009) is the idea of a more complete and original individuation that has always been part of a community of meaning. Each individual is unique and must live according to his uniqueness and originality. More than observing the differences between individuals, it is important to realize that these differences imply the duty to live according to this originality. Thus, in contrast to the standardization and generalization of an instrumental perspective in relation to self and others, it is the articulation of my originality with others that defines us as people. Thus, authenticity, as a moral ideal, is essentially dialogical and intersubjective, since authenticity is the unique expression of the self, more in the form than in content, built on inner, intrapsychic dialogue with others who are significant to us. From here, we build and reconstruct our identity in a continuous recognition relationship. Authenticity is only achieved through intersubjective recognition. Duly articulated and recognized authenticity enables the most complete form of human fulfilment.

Thus, the recognition theory as an alternative paradigm seems appropriate. Recognition is a multidimensional phenomenon - intersubjective, social and political - in which one cannot speak of full recognition until the conditions for the full fulfilment of individuality are guaranteed, until the subject's autonomy in his historical singularity is ensured, and the freedom of the body, moral autonomy and the dignity of his individuality are safeguarded.

Rather than imposing the particular subjectivity patterns of globally dominant cultures, human rights become a means of defending the forms of subjectivation that are present within local cultures, but which are poorly recognised. Thus, instead of enclosing the content of human rights in foreign standards and pretensions, their borders are opened to different historical and cultural situations.



One of Silvério da Rocha-Cunha's (2015: 169) central ideas is "the need for a *New World Culture*, where everyone gives and receives without fear, especially without that *border* fear that delimits territories and legitimizes the split between friend and enemy". A cultural liberation that implies, according to the author, a previous political-cultural liberation. Only through the creation of conditions that allow dialogue can the major socio-economic and ecological problems of our era be solved.

"These problems have reached a dimension that risks reaching a point of no return" (Rocha-Cunha, 2015: 176). The relentless logic of economic growth, which exploits the other, degrades social ties, continues to grow at the expense of sustaining the planet and future generations. For him, the economic issue needs questions of an ethical nature, in order to establish a global economic theory based on justice with the peoples of the Earth and with future generations.

In this sense, Juan Ramón Capella (2005 and 2007), starting from a philosophical-political reflection around the central problem of the contemporary world: its ecological and social crisis in the midst of a technological revolution, the real universalization of economic relations, the new supra-state sovereign powers, the crisis of citizenship and the assumptions of political intervention; proposes, in the face of a world that abandoned the "good life" - the object of ethics - the reconstruction of social bonds: the search for new bonds between people, free bonds, not mediated by the State. To this end, it will be necessary to relearn solidarity, help and understanding among people and appreciating their diversity. The objective is to reconstruct the bonds, similar to those that in the past linked people, stripped of the "metaphysical" character, involuntary and unconscious, but that allow the common learning of new forms of life and civilization.

Thus, as Rocha-Cunha (2015: 177) stated, "an attitude of positive expectation regarding the fruitful contributions of other cultures is required. It will then be possible to have a kind of intercultural reconciliation that will know how to resolve the systemic crises that overwhelm our planet".

Due to the imposition of Western standards, colonialism that did not cease to exist within societies and, to a large extent, in relations between the North and the South, so, enormous obstacles and difficulties arise in the construction of a dialogue between cultures. As Rocha-Cunha (2015: 178) refers, these are problems that are linked to the logic of social systems themselves, as these tend towards progressive simplification and continuous internal adjustment with a view to their maintenance. So they look for simple certainties, instead of looking for the other, the different, pluralism and human complexity. On the other hand, the supposed universalism of the West and its lack of respect for other cultures, mainly from the African and South American continents, has turned vast dialogues into an empty list of commitments.

Boaventura de Sousa Santos (2003), concerned with establishing fruitful intercultural dialogues, considers that all cultures are incomplete and problematic in their conception of human dignity. Incompleteness stems from the existence of a plurality of cultures and this is understood better from the outside, from the perspective of another culture. If each culture were as complete as it intends, there would be only one culture. Thus, raising the awareness of cultural incompleteness to the maximum proves to be one of the most important tasks for the construction of a multicultural conception of human rights.



According to Francesco Fistetti (2007: 297), the pursuit of purely utilitarian interests or power on the part of dominant countries has fuelled the negative aspects of globalization, to the extent that these effects backfired against the same countries. The logic of the market without rules ends up leading, sooner or later, to violence, war and barbarism. The lesson that Marcel Mauss ([1924] 1988) proposes is to temper private interest with general interest: securing peace above the idea of a common wealth and the idea of a common world. We could thus say that any people, any culture or nation intends to give something specifically its own to the large family of peoples, nations and cultures, and wishes to be recognized and rewarded for that contribution: it intends to be part of the giving-receiving-giving back cycle, but in a broader sense, not only in economic terms but also symbolic and cultural. Like the producer who has the feeling of giving something that is not reducible to his working time, but which is related to the gift of self and his existence, also the poorest and most excluded peoples and nations should not be considered mere operators of a supposedly equal exchange, dependent on the "Homo economicus" model, since the exchange is unequal from the beginning, since the material inequality of the subjects (Fistetti, 2007: 298).

We must understand others and otherness as worthy of respect, accept difference as difference and not as indifferent, capable of enriching our humanity and our view of the world, recognizing them as capable of giving something that we do not have. As Julien Rémy & Alain Caillé (2007) point out, peoples who give confiscate the moment of donation, becoming those who give, that is, those who always give without receiving anything in return, not expecting more recognition from those who receive it. Here, the domination relationship lies in the fundamentalism of a cultural conception based on self-centred Western rationality which sees the other as a simple reflection of himself.

For Alain Caillé (2010), the theories of justice, in the line of John Rawls, present the problem of not breaking off with a utilitarian conception of the human subject. As Amartya Sen shows, they aim at an unattainable ideal and have nothing to say in specific cases.

On the other hand, Caillé underlines that there is another major theoretical and political debate in the world that takes place around recognition theories. All subordinate, post-colonial, cultural, and feminist studies, among others, address the issue of recognition, albeit from different perspectives. For them, a good society would be one where no one would remain invisible, unknown or poorly recognized. The problem with these approaches, in turn, is that they feed on the competition of the victims. They do not answer the question of who should give recognition to whom; a recognition that cannot be distributed in the same way as monetary income. And, finally, they leave the question of the amount to be granted to those seeking recognition undetermined, such as the ultimate values in the name of which recognition can be granted.

Recognizing a culture means giving it a unique and irreplaceable value within cultures and civilizations. From this perspective, we can understand Caillé's views about the social value of people and affirm that the value of a culture can be measured by its ability to give, both in the gifts actually made and in its potentialities for giving, or ability to give. And going back to Caillé's question: what will be the evaluation criteria, the potency or the act of giving? It becomes evident, just as among people with regard to cultures, that it is not a matter of establishing an axiological hierarchy between higher and lower cultures, but it is about the phenomenological sense of the gift (*das Ergebnis*), as highlighted by Hannah Arendt ([1958] 2007) and Caillé (2008), of the dimension of the



donation, freedom and spontaneity. The gift has value and values those who give it, as long as freedom and originality exceed the part of the obligation, and "the dimension of disinterest, *towa*

rds others, is more important than the dimension of the personal interest, *towards itself*. It is this excess of freedom over the obligation that forms and measures the donor's value" (Caillé, 2008: 160).

Each culture contains the value of something that comprises human plurality, such as literature, works of art, symbols, and codes of behaviour, among others. It is in relation to this constitutive plurality that Arendt ([1958] 2007) invites us not only to adopt an attitude of astonishment and admiration, but also to recognize that on Earth, which is our common home, there is a person, a group of people or a people who have a position in the world that cannot be reproduced or replaced and a world view that only they can embody. For this reason, Arendt insists that the alliance is the heart of politics conceived as the space for relationships between peoples and between cultures. She reminds us that the peace and covenant treaties in Western societies are notions of Roman origin that made it possible to create a common world, transforming yesterday's enemies into tomorrow's friends.

In order to conclude this encounter of the struggle with the gift within a theory of recognition, we draw on the analysis of Paul Ricoeur ([2004] 2010 and 2006). For this author, the mutuality of the giving relationship, or the exchange of gifts as a process of symbolic recognition, are placed between the ceremonial and the moral sense. By denouncing the "unhappy conscience" or the "bad infinity" that an ever-demanding subject may have, the author "is telling us, in a way, that before demanding recognition, we should happily grant it. (...) Recognize, before demanding recognition for oneself", as Gonçalo Marcelo writes (2011: 123). By introducing dissymmetry at the centre of reciprocity, Ricoeur is both asserting the difference between people and putting the other before himself. And if recognition is granted to us, we must act with gratitude, recognize in return. Even if I am not obliged to repay, if I don't, I can break the social bond. Thus, "Ricoeur proposes an asymmetric, altruistic recognition relationship through which the other assumes a certain verticality: I must recognize the other in the first place" (Marcelo, 2011: 123). This verticality in the relationship with the other does not make him inaccessible, since the ceremonial character of recognition allows horizontality in human interactions.

Thus, by proposing an altruistic subjectivity, Ricoeur is building a pure ethics of recognition, based on states of peace, on gift practices that constitute a sphere of meaning and give us a normative supplement as the ideal regulator of our actions.

Final considerations

This text first addressed the justification of human rights, reflecting on themes that influence International Relations, such as the universality and the diversity of these same rights, with the contribution of several authors. Emphasis was placed on Benhabib, who defends this dialectic in terms of the right to have rights, previously stated by Arendt, in order to expand the achievements of this historic struggle.

Then Honneth's critical theory of recognition was developed by bringing in other theories by Ricoeur and Caillé, with the aim of contributing to the ethical renewal of human rights.



A second discourse on recognition not limited to the perspective of the struggle or the consideration of an instrumental objective was then built, which completes itself in the otherness, through recognition and gift.

After presenting the struggle for recognition, which, in order not to fail, needs ethics with normative content, we completed the struggle with the gift, as both are poles of a recognition relationship.

Removing the Kantian categorical imperative that supposes a single rationality, the western one, human rights were taken to the ethical level, to dialogue, to the otherness, to the encounter with the other. Thus, recognition and gift are assumed as authentic assumptions of the political space.

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COMBATING CYBERCRIME AS A PREREQUISITE FOR THE DEVELOPMENT OF THE DIGITAL SOCIETY

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Abstract

The article deals with the issues of cyber security and cybercrime in the digital society. The areas for improving international cooperation to ensure the security of the Internet are proposed.

Digitized society is being implemented around the world at a high rate and offers significant benefits for the development of both society as a whole and its individual components. At the same time, a factor that has a negative impact on this development is cybercrime. The article explores the current state and main trends of cybercrime, including its organized forms.

The legislative and organizational measures are proposed to counter cybercrime, the leading role of international cooperation is emphasized, including the rapid exchange of electronic data to detect and investigate cybercrime.

Keywords

Cybercrime, Cyber security, International cooperation, Digital society, Counteraction

How to cite this article

Klymenko, Olga A.; Gutsaliuk, Mykhailo V.; Savchenko, Andrii V. (2020). "Combating cybercrime as a prerequisite for the development of the digital society". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.2>

Article received on November 12, 2019 and accepted for publication on March 26, 2020





COMBATING CYBERCRIME AS A PREREQUISITE FOR THE DEVELOPMENT OF THE DIGITAL SOCIETY

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Problem statement

One of the signs of the modern digital society is the rapid development of information technologies and the spread of the Internet, which are being introduced into all spheres of life. The first website in history was created in 1991, and today there are more than 1.8 billion websites in the world. If in 2015 the number of Internet users was about 2 billion, then in 2019 they already exceeded 4 billion (Internet live stats, 2019).

The first-ever Digital Europe programme, proposed in June 2018, will invest in five key digital sectors: high performance computers, artificial intelligence, cybersecurity and trust, advanced digital skills, and ensuring the wide use and deployment of digital technologies across the economy and society, in order to strengthen European industrial technological leadership (EU Budget, 2018).

At the same time, with the development of computer technology, a new form of criminal activity appeared – cybercrime, which today has mastered the environment of computer networks and mobile devices. The anonymity of global information networks, the speed of information transfer makes it possible to use these advantages not only for the development of the information society, but also for the commission of unlawful acts. This is also facilitated by the fact that information and communication technologies are being introduced and are developing much faster than legislators and law enforcement agencies can react to. Therefore, the sustainable development of a digital society is only possible if the cybercrime is actively combated, including its organized forms.

Cybercrime, unlike the traditional ones, is characterized by the fact that they are committed using computers and data networks, including the global Internet. As a result, such crimes can be transboundary in nature and perpetrated by organized criminal interstate groups. Another feature is that the evidence of such crimes is contained in electronic devices (electronic or digital evidence) and has the ability to be quickly modified or even destroyed.

After the World Health Organization recognized the coronavirus as a pandemic, many organizations around the world began to introduce remote methods of work in their units, including organizations such as the US Congress, the Pentagon, NASA. At the same time, Internet traffic has increased significantly. For example, Webex web conferencing traffic has grown 22 times! (Free video conferencing: Coronavirus spurs special deals from



WebEx, Google, others, 2020). In such conditions, the reliability of telecommunications increases significantly.

The corporate culture will not be the same after coronavirus. Some of the companies will remain distant after the global epidemic. Firstly, the employees themselves, having felt the benefits of homework, will not want to return to offices. And secondly, business owners, having measured the KPI of employees and savings on rental premises and utilities, can leave only the most necessary employees in the office.

Cybercrime and cybersecurity measures

If cybercrime in the last century were relatively rare events and investigated within individual states, at the beginning of XXI century, they have become one of the most pressing problems that confronted the international community and began to actively seek mechanisms for combating this phenomenon (Eoghan Casey, 2011, Marie-Helen Maras, 2016), in particular:

- in 2001, the Convention on Cybercrime was adopted in Budapest. This document sets out a list of cybercrimes and the procedural provisions necessary to combat cybercrime, including the collection and sharing of electronic evidence (Convention on Cybercrime 2001);
- in 2002, the First International Strategic Congress on Cybercrime “E-Crime Congress 2002” devoted to the problems of fighting electronic crimes was held in London. At the congress, the representatives of law enforcement agencies of different countries and IT industry discussed issues of effective counteraction to cybercrime (Gutsalyuk M. V. Fighting Cybercrimes, 2002);
- in 2004, in accordance with Regulation (EU) No 460/2004, the European Network and Information Security Agency (ENISA) was established, whose main task was to improve network and information security in the European Union (Regulation (EC) No 460/2004);
- in 2007, the International Telecommunication Union (ITU) developed the Global Cybersecurity Program (GCA) as a framework for international cooperation aimed at enhancing confidence and security in the information society (Global Cybersecurity Agenda, 2007);
- in 2010, at the UN a group of experts was created to conduct cybercrime research. The group prepared a comprehensive study of cybercrime (Comprehensive Draft Study on Cybercrime, 2013);
- in 2011, the International Strategy for Cyberspace was developed in the USA (International Strategy for Cyberspace, 2011);
- in 2013, the EU Directive on cyberattacks on information systems was adopted (Directive 2013/40/EU);
- in 2013, in accordance with Regulation (EU) No 526/2013, the European Union Agency for Network and Information Security was established and Regulation (EU) No 460/2004 was repealed (Regulation (EU) No 526/2013);
- in 2013, Europol set up the European Cybercrime Centre (EC3) in 2013 to strengthen the law enforcement response to cybercrime in the EU and thus to help protect



- European citizens, businesses and governments from online crime (European Cybercrime Centre, 2013);
- in 2014, the National Institute of Standards and Technology developed a Critical Infrastructure Framework for Critical Infrastructure Facilities to detect, prevent and respond to cyberattacks (Framework for Improving Critical Infrastructure Cybersecurity, 2014). In April 2018, a new version 1.1 of this document was released;
 - in 2016, EU Directive 2016/1148 on measures to ensure a high overall level of safety of network and information systems throughout the Union was adopted (Directive (EU) 2016/1148, 2016);
 - in 2017, European Commission President Jean-Claude Juncker announced a Cyber Security package setting out measures of responding to the change cyber-threats landscape (Cyber Security Package, 2017);
 - in 2018, the General Data Protection Regulation (GDPR), the European Union directive on the use of personal data, has come into force (General Data Protection Regulation, 2018);
 - in 2019, Europol announced the adoption of a new protocol for how law enforcement authorities in the European Union and beyond will respond to major cross-border cyberattacks. The new protocol, adopted by the Council of the EU, is part of the EU's Blueprint for Coordinated Response to Large-Scale Cross-Border Cybersecurity Incidents and Crises, and it will be implemented by Europol's European Cybercrime Centre (EC3) (EU Adopts New Response Protocol for Major Cyberattacks, 2019).

It should be noted that in recent years all developed countries have also adopted relevant national legislation on the criminal prosecution of cybercrime, developed strategies to combat them and created the appropriate law enforcement units (Gutsalyuk, 2016).

The current state of affairs and the latest cyber security challenges

However, cybercrime continues to spread and grow. According to survey of PWC (PricewaterhouseCoopers), cybercrime was more than twice as likely than any other fraud to be identified as the most disruptive and serious economic crime expected to impact organizations in the next two years (PwC's Global Economic Crime and Fraud Survey, 2018).

Experts of the World Economic Forum in Davos in January 2018 published an annual report on global risks in the world, entitled "Global Risks Report 2018" (Global Risks Report, 2018). Based on its concepts, cyberattacks are in the second place in terms of negative influence for the world community after extreme weather events (i.g., a year ago technological risks along with cybercrime occupied the third place). The report states that the risks of cyber security are constantly increasing. For example, cyberattacks on businesses have doubled in the past five years, and incidents that were once considered extreme have become more common today, and hackers attack computers and networks at "almost constant speed" – every 39 seconds there is one cyberattack (Milkovich Devon, 2019).



Lloyd's of London said in a report that major, global cyberattack could trigger an average of \$53 billion of economic losses, including losses from the WannaCry attack in May 2017, which affected 300,000 computers in 150 countries, amounting to \$850 million and from attacks on another computer virus that spread in Ukraine in June 2017 amounted to \$850 million (Gutsalyuk, Klymenko, 2017; Global cyberattack could spur \$53 billion in losses, 2017).

According to the 2018 Cyber Incident Statistics (ENISA) malicious activity and system crashes are the dominant cause of reported incidents: system crashes make up 39% of the total cases (36% in 2017, respectively). Malware rose to 39% (up from 7% in 2017) (Annual report Trust Services Security Incidents, 2018).

In the modern era of strategic competition, cyber espionage is taking a new leap. The UK's Government Code and Cipher School (GCCS) estimates that there are 34 separate nations that have serious well-funded cyber espionage teams. These state-based threat actor teams are comprised of computer programmers, engineers, and scientists that form military and intelligence agency hacking clusters. They have tremendous financial backing and unlimited technological resources that help them evolve their techniques rapidly (Cyber Espionage Is Global – and Taking Warfare to a New Level, 2018).

One of the latest technological tools for cyberattacks, which are currently actively developing, is the use of Machine Learning and Artificial intelligence – AI. Since it is becoming easier to create viruses and carry out large-scale attacks over time, around organized cybercrime today there is a massive cybernetic subculture, and in the coming years, the level of cybercrime and the active self-organization of hackers are expected to increase.

In addition, more and more countries are implementing cyberforces that can influence the infrastructure of the "opponents". According to the UN Secretary-General, Antonio Guterres, during a speech at the University of Lisbon on February 19, 2018: "The next war will begin with a mass cyberattack aimed to destroy military capabilities and to paralyze basic infrastructure such as electrical grids". Guterres called for the unification of the world community in order to minimize the influence of cyber wars on the lives of civilians and suggested creating a platform in the United Nations on the basis of which scientists, officials and others could develop rules "to ensure a more human nature" in resolving any conflict related to information technologies (Khalip Andrei, 2018).

One of the current trends in information technology is the large-scale introduction in most countries of cryptocurrencies, which become a complete payment instrument and investment asset. The total market capitalization of the cryptocurrencies in 2017 exceeded \$500 billion US dollars. However, it should be noted that Bitcoin and other digital currencies are adapted for use by organized criminal groups, since they are widely used in international circulation and provide the necessary level of anonymity. For example, in 2017, during the kidnapping of people in Kyiv, Vinnitsa, Odessa (Ukraine), cybercriminals demanded a ransom in a crypto currency in the amount of several million US dollars (Of the 507 abductions in 4 cases, the perpetrators demanded a ransom in bitcoins, – National Police, 2018).

Because of the high cost of the cryptocurrency, it attracts the intruders. In January 2018, one of the largest digital exchanges in Japan, Coincheck, reported a loss of about \$534 million in cryptocurrency due to a hacker attack on its network. The Exchange will



reimburse 260,000 customers at its own expense (Coincheck promises 46bn yen refund after cryptocurrency theft, 2018).

It is also becoming common the term “cryptojacking” – the secret use of computers for mining the crypto currency. The research team at Palo Alto Networks 42 has revealed a large-scale operation on mining Monero, which has been active for 4 months. The number of victims affected by this operation is approximately 15 million people worldwide (Grunzweig Josh, 2018).

Given the fact that the extent of cybercrime is constantly increasing, Interpol, in February 2017, has developed a Global Strategy to Combat Cybercrime. The document states that law enforcement agencies face problems related to a cross-border investigation, a variety of legislation and technological opportunities around the world. The program to combat cybercrime is coordinated by Interpol through the Global Complex for Innovation in Singapore, which is equipped with a digital forensics laboratory and an innovation center that provides Interpol with the ability to provide a consistent and effective approach to combating all forms of transnational crime.

The report of the European Cybercrime Centre (EC3) – “Internet Organized Crime Threat Assessment” – IOCTA evaluated key events, changes and threats in the field of cybercrime in 2019, and made the following key findings:

- ransomware remains the top threat. Attackers focus on fewer but more profitable targets and greater economic damage;
- data remains a key target, commodity and enabler for cybercrime;
- following the increase of destructive ransomware, such as the Germanwiper attacks of 2019, there is a growing concern within organisations over attacks of sabotage;
- continuous efforts are needed to further synergise the network and information security sector and the cyber law enforcement authorities to improve the overall cyber resilience and cybersecurity;
- the dark web remains the key online enabler for trade in an extensive range of criminal products and services and a priority threat for law enforcement;
- terrorist groups are often early adopters of new technologies, exploiting emerging platforms for their online communication and distribution strategies.

The report of the European Cybercrime Centre provides the following recommendations for counteracting organized cybercrime: a) law enforcement agencies should continue to focus on the actors that develop and provide tools and services for cyberattacks; b) law enforcement and the private sector should continue to work together to analyze threats and initiatives such as the project “No More Ransom” to raise awareness and provide advice and free tools for deciphering cyberattack data; c) today’s ransomware developers are increasingly relying on social engineering. Training of employees of organizations on counteraction to attempts of social engineering will prevent many cyberattacks. Today, the probability of personal data thefts has increased significantly (while hacking the information system of one of the corporations, the attackers seized personal information of 147 million people) (Equifax to Pay \$575m in Data Breach Settlement, 2019). More than a million fingerprints and other sensitive data have been exposed online by a biometric security firm, researchers say (Baraniuk Chris, 2019).



Future threats and challenges

In general, we can state that at the present the number of cybercrimes directed to mobile platforms is growing most dynamically, in which the number of ransomware detections has doubled in recent years. Dangerous in the expert environment is also considered the dynamic development of the Internet of things (IoT), with the use of which it is projected an increase of the number of cyberattacks.

In this regard Japan has approved a law amendment which allows government officials to hack into people's Internet of Things (IoT) devices. The amendment is part of a survey investigating the number of vulnerable IoT devices carried out by the National Institute of Information and Communications Technology (NICT) under the supervision of the Ministry of Internal Affairs and Communications (MIC). Japan is carrying out the survey to prevent the devices from being harnessed for a cyberattack targeting infrastructure supporting the Tokyo Olympic Games in 2020. NICT employees will have permission to attempt the hacking of IoT devices using default passwords and password dictionaries. Users leaving passwords set as their device manufacturer's default is often how devices are compromised. Japan's approach is an unprecedented but proactive way of dealing with the IoT security problem. A report published by the MIC highlighted two-thirds of cyberattacks in 2016 were targeted at IoT devices (Daws Ryan, 2019).

Among the factors that hinder the counteraction of organized crime in cyberspace, remain the following: a) transnational nature of offenses, which consists in the fact that the place of commission, the instrument of crime, the victims and the offender may be under different territorial jurisdictions and there is a need for many formal interstate agreements to investigate such crimes, which significantly slows down their conduct; b) high level of technical training of criminals; c) problems of collecting electronic (digital) evidence that can be rapidly changed or even destroyed; d) the difficulty of identifying offenders – since the individual "signatures" of offenders is leveled by a standardized instrument of commission – by software and technological support; e) lack of sufficient judicial practice in criminal cases on organized crime in the field of information technology.

Due to the fact that computer data can be easily altered or even destroyed, Articles 16–21 of the Cybercrime Convention 2001 provide for the application of legislative and other measures for the urgent storage of computer data, data traffic, interception and real-time information recording time scale to be implemented by all signatory states. It is advisable to exchange such information through the relevant 24/7 points created in all countries. However, due to various circumstances, responses to requests for such information may be delayed for a long time, rendering such information out of date and preventing cybercrime investigation. Therefore, international cooperation in this area needs improvement.

For proper investigation of cybercrimes, it is important to organize close cooperation of law enforcement agencies with service providers (Internet providers) for rapid disclosure of data, and to improve mutual legal assistance procedures that relate to electronic data in order to promptly obtain electronic evidence. At the same time, law enforcement agencies already have a significant positive experience of intergovernmental cooperation in combating cybercrime.



A striking example of this was the operation to eliminate the cyber network "Avalanche", which functioned for about 7 years and infected thousands of computers daily, and the financial losses from attacks amount to more than 100 million Euros. The investigation was conducted by the Verdun Prosecutor's Office and the police in Lüneburg (Germany) in close cooperation with the Ministry of Justice and the FBI, Eurojust, Europol and global partners. 178 people were arrested by law enforcers with the support of the European Cybercrime Center (EC3) and the Joint Cybercrime Action Taskforce (J-CAT) as well as Eurojust and the European Banking Federation (EBF). On the territory of Europe, 580 so called "drones" (persons involved in cashing in of money) were identified. A successful attack on this international organized criminal group was supported by 106 banks and private partners. More than 130 TB of collected data were analyzed at the stage of preparation of a special operation by cyberpolice. During the joint operation, conducted on the 30th of November 2016 in 30 countries, five network organizers were detained. Three of them are Ukrainians; one was detained in Germany, two more – on the territory of Ukraine. One of the organizers of the criminal group is charged with 1152 crimes, which caused a loss of 6 million Euros ('Avalanche' network dismantled in international cyber operation, 2016).

And in February 2018, the US Department of Justice filed a charge of cyber-scam about 36 people suspected of participating in the international groupings of the Infracard Organization, created by a citizen of Ukraine. It is noted that the group stole more than \$530 million. Organization illegally received and sold personal data of network users, was engaged in hacking of banking and electronic accounts, and also distributed malicious software. According to US law enforcement officers, about 11,000 people were involved in the Infracard Organization, most of whom never met personally (Thirty-six Defendants Indicted..., 2018).

With the growing popularity of the Internet, and given that e-commerce is becoming the most important part of the economy with turnover, measured by trillions of US dollars (Retail e-commerce sales worldwide from 2014 to 2021, 2019), the number of cybercrime will increase accordingly. Therefore, there is a need to create and use national, and ideally even international, means of information analysis. Moreover, cybercrimes require an analysis for a shorter period than days, weeks, or even months, which tend to be based on the analysis of traditional crimes. At the same time, it should be noted that human rights organizations argue that massive amounts of accumulated information do not allow systematically prevent cybercrime, and instead, mass storage of personal data opens up wide opportunities for various kinds of abuse. Given this, on May 2014 decision by the European Court of Justice (ECJ) declared that the European Data Retention Directive was a gross violation of privacy rights under European law and, therefore, was invalid (Judgment of the Court of Justice of the European Union, 2014).

Finally, in addition to combating cybercrime, a necessary element of the safe and efficient functioning of a digital society is the reliable identification of its participants. As we know, all criminals are trying to hide their identity, so in contrast to Darknet, whose main feature is anonymity, you need to create electronic services that only work with verified users. Electronic digital signatures, or other mechanisms, such as electronic ID documents, are likely to be used for verification to ensure that both the user of the service and the Internet resource are verified. This in turn will significantly reduce the number of cyber frauds and other offenses in cyberspace.



Conclusions

In our opinion, among the issues of effective counteraction to cybercrime are still relevant today the following:

1. Development rules of law for conducting searches of electronic evidence, taking into account the possibility of finding it in different jurisdictions (Khakhanovskyi, Hutsaliuk, 2019).
2. Development of specialized software and hardware for the collection, storage and analysis of electronic evidence, including large computer evidence cases.
3. Improvement of the network of National Contact Points for Responding to Cybercrime (24/7) and existing International Legal Assistance mechanisms.
4. Organization of close cooperation between law enforcement agencies and providers for obtaining electronic evidence.
5. Regular rising of qualifications of investigators and other involved law enforcement officers in order to study topical issues of the tactics of conducting investigative actions to obtain electronic evidence in the cybercrime investigation.
6. In order to increase the effectiveness of cybercrime investigations, specialized structural units should be established in both the police and prosecutors' offices, and possibly specialized courts.
7. Increasing the level of cyber security in both public and private sectors, as well as developing new technologies for protecting and identifying users of cyberspace. The Global Cybersecurity Center, created in Geneva under the auspices of the World Economic Forum, should assist in close collaboration of business, academics and government officials on cyber security.

Only through cooperation of all stakeholders, information exchange and common standards, the world community will be able to successfully counter cybercrime. The fulfillment of these measures will allow obtaining in full the advantages of the digital society.

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VERBAL COMMUNICATION: AN ESSENTIAL FACTOR IN INTERNATIONAL TRADE

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Abstract

Establishing a business relationship is a complex action influenced by different variables. When we approach the international context, the complexity becomes even greater, with communication between commercial actors playing a crucial role. In this sense, the promotion of effective and unimpeded verbal communication between international partners is crucial for the success of any transaction.

It is in this context that economics of language gains relevance, allowing the inclusion of the language spoken by the commercial partners as one of the explanatory factors of international trade, assuming in the explanatory gravitational models of trade flows between countries the role of facilitator of trade exchanges or, on the contrary, of an obstacle to the commercial relationship.

Studies in the area of economics of language reveal that economic relations are strongly influenced by language, but language choices can also be influenced by economic factors, which is why this is a bilateral relationship. The study we present here focuses on how verbal communication (measured according to linguistic proximity, that is, a greater or lesser degree of similarity between the language spoken by two business partners) influences the commercial relations established in an international context. In this study, we conclude that, based on data on the volume of Portuguese exports in 2015, the ease of verbal communication with the trading partner has a positive influence on the increase in trade - in empirical terms, this conclusion is corroborated by the fact that Spain is Portugal's main trading partner.

We conclude that the language factor is not being well used by the Portuguese State, as the linguistic proximity could be used to increase Portuguese exports, namely with the countries that compose the Community of Portuguese Speaking Countries (CPLP) and with those that integrate the Southern Common Market (Mercosur).

Keywords

International Trade, Verbal Communication, International Economics, Gravitational Model, Multilingualism

How to cite this article

Ribeiro, Sandra; Ferro, Maria João (2020). "Verbal communication: an essential factor in international trade". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.3>

Article received on August 13, 2019 and accepted for publication on March 30, 2020





VERBAL COMMUNICATION: AN ESSENTIAL FACTOR IN INTERNATIONAL TRADE

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1. Introduction

People cannot go about in society unless there is a system that allows communicating with others. Although communication is not exclusive to humans, as there are animals that also have structured systems that allow communication among members of species, human language stands out due to its huge creative potential - with a limited number of linguistic signs, human beings are capable of producing an unlimited number of expressions. However, communication does not depend only on verbal language, as non-verbal communication plays a fundamental role in the success of human interaction - gestures, facial expressions, silence, all these elements contribute to the establishment of interpersonal relationships.

It is in this line that the development of bilateral commercial relations lies: without the existence of a structured and shared system, interpersonal, inter-group and inter-organization relationships are not possible; therefore, trade is, if not impossible, at least extremely difficult when there is no linguistic basis for understanding.

In this article, our aim is to demonstrate the importance of verbal communication in international trade, embodied in the "language" factor, the structured and shared communication system that guarantees understanding between business partners. We will start by examining the topic of economics of language, and then move on to the analysis of the role of verbal communication in international trade. In point 4, we will address communication as a determining factor in gravitational models, followed by the presentation of the methodology and results. Finally, we conclude with some observations and recommendations.

2. The Economics of Language

The relationship between language and economic science was formally described in the 1960s by Jacob Marschak (1965), who coined the expression "economics of language". In his analysis, the author examined economic concepts, such as cost and benefit, applied to the language.

Studies in the area of economics of language have shown that economic relations are strongly influenced by language, but language choices can also be influenced by economic factors, for which reason this is a bilateral relationship. The three major areas of research in this field revolve around the following axes:



- migration: by studying, for example, the influence of mastery of the language spoken in the host country on the personal income of immigrants;
- foreign direct investment: by analyzing how the choices that investors make can be motivated by the language spoken in the country where they decide to invest; and
- international trade: by examining the determining role of language in bilateral relations in the context of international trade

In all these areas of study, language stands out as a factor that can be an asset or, conversely, a barrier in each sector of social life, both for individuals and organizations. Considering immigration, for example, the choice of the country where the immigrant intends to go to is often limited or, at least, influenced by, the command of the language spoken in that country or by the ease of learning that language (Adserà and Pytliková, 2015). Thus, learning the language spoken in a country (or one of the languages spoken in the country, in case of multilingual societies) results in a real increase in the personal income of an immigrant. Analyzing the endogeneity between language and income, Chiswick and Miller (1995) consider that “linguistic adjustment”, that is, the development of fluency in the language of the host country, influences the results of the labour market, specifically the wages that immigrants earn.

The study presented here is based on the same principle that language is a valuable asset, but falls within the last aspect presented above, insofar as we examine how communication (measured according to linguistic proximity, that is, a greater or lesser degree of similarity between the language spoken by two business partners) influences international business relationships.

3. Verbal communication and international trade

The globalization process, essentially based on economic and cultural integration, of the last decades has been causing profound transformations, both culturally and economically. This movement has been intensified exponentially by the creation and popularization of several technologies that have played a fundamental role not only for the development of the world economy, but also at cultural level. The communication networks in this globalized world, increasingly faster and more efficient, allowed communication and quick access to any part of the globe instantly, thus contributing to the intensification of international exchanges. International trade represents the unlimited expansion of the markets for the countries’ economies. This process has accelerated exponentially thanks to fast communications.

Rahman (2014) argues that companies that try to “conspire” are able to obtain substantial benefits in terms of communication, especially with the help of a commercial association. Verbal language is essential for communication in a trade context, influencing several aspects in the economic area, such as effective communication in business and international trade, employment opportunities and tourism, among others. From the point of view of organizations, language can also become a barrier or an incentive. For Ginsburgh and Weber (2018, p. 6), “Learning (or not learning) foreign languages results from several economic incentives. The main one is obviously trade”.



Among other relevant aspects, the choice of a business partner must consider the communication possibilities between both partners. Ferro and Ribeiro (2016) present five language strategies that business partners can use in the specific case of communication when establishing a business relationship, as follows:

- both partners can master the same language and, therefore, use it to communicate, as, for example, the case of communication between a Brazilian company and a Portuguese one, since Portuguese is the official language of both countries;
- partners can resort to intercomprehension, that is, each partner can use its own language and be understood by the other - to a certain extent, this is a viable possibility when establishing a commercial relationship between Portugal and Spain, given that communication is close between Portuguese and Spanish speakers, with the caveat, as defended by Ferro and Costa (2016), that Portuguese speakers find it easier to understand Spanish speakers, not only for cultural reasons that influence the attitude of Spanish speakers, but also, very concretely, for phonetic reasons, which have to do, among other aspects, with the characteristic of Portuguese vowels;
- both partners can choose one of their languages, as long as the other masters it - for many years French was the main foreign language spoken in Portugal; despite being gradually replaced by English, it still remains one of the foreign languages most spoken by the Portuguese (European Commission, 2012). Thus, and in the case of a Portuguese company wishing to establish a business relationship with a French company, there will be the possibility of communicating in French;
- in the absence of a common language, partners may choose to use a foreign language that they both master and which may possibly be a *lingua franca* in their sector of activity or in the geographical region where they are - for a Portuguese company, that language may be English, the most widely spoken and learned foreign language in Portugal today (European Commission, 2012; Eurostat, 2015);
- if none of the possibilities for direct communication listed above is feasible, it will be possible to establish communication through a mediator, who may be a language professional (a translator or an interpreter) or someone who acts in the market in question specifically as an intermediary.

Following a study on the role of language in international trade, Melitz (2008, p. 672) argues:

The underlying hypotheses about the signs of the influences of the language variables in the study are fairly intuitive, but their full importance comes out best when we focus on the possible substitution between domestic and foreign trade. Different languages are impediments to communication, therefore trade.

To overcome communication barriers to the establishment of bilateral trade, it is not only the sharing of a common language that can improve communication between business partners and act as a facilitator of these relationships. Linguistic proximity, that is, the fact that two languages share many features (such as Portuguese, Spanish, French, Catalan, and Italian, which are all Romance languages with great affinity) makes it easier



for speakers of one of the languages to learn another, which will also have positive repercussions on international trade.

4. Communication as a determining factor in gravitational models

Tinbergen (1962) pioneered the application of the law of gravity equation to analyze international trade flows, making the international trade gravitational model based on Newton's theory of gravity. Since then, the gravitational model has become a popular instrument in the empirical analysis of international trade. Melitz (2008) argues that the use of the gravitational model implies the existence of two basic advantages: first, the model has been the exclusive tool in similar research conducted so far and, secondly, and more significantly, he considers that the model is particularly suitable as it focuses on barriers to trade.

According to the basic gravitational model, exports from country i to country j are explained, at first, by their economic dimension (GDP or GNP), and by their direct geographical distances. Thus, it concludes that exports between two countries are positively related to the size of their economies and negatively related to factors that indicate the existence of barriers to trade, of which the most important is the distance between the two countries. The initial model is represented by the models (1) and (2) presented below:

$$T_{ij} = f \left[\frac{(GDP_i \cdot GDP_j)}{D_{ij}} \right] \quad (1)$$

$$T_{ij} = \beta_0 (GDP_i \cdot GDP_j)^{\beta_1} \cdot D_{ij}^{-\beta_2} \cdot e^{\epsilon} \quad (2)$$

Subsequently, the model underwent some changes and new variables were added. In this sense, many considered only the characteristic of some variable, constituting a dummy variable (a binary variable that assumes the value of 1 when the characteristic to be analyzed is present, and 0 otherwise).

Over time, the initial model has been improved and expanded with several variables that intend to explain trade flows between two countries. Thus, besides the basic variables considered by the model (GDP and distance), other variables were added, such as population, GDP *per capita* (Bergstrand, 1990), country size, and communication affinity.

In this sense, Melitz and Toubal (2014) refer that the gravitational models used to explain international trade generally include some linguistic variable, which may correspond to the country's official language and/or to foreign languages mastered by a large part of the country's population. Several studies like those by Helliwell (1998), Melitz (2008), Egger and Lassmann (2012) have already established the relationship between the sharing of a common language and the volume of commercial transactions between two countries. Melitz (2008) states that, without controlling other barriers and capital gains for trade besides language – distance, political association, relations between former colonies and others – it would be difficult, if not impossible, to make inferences about linguistic effects as such.



The equation of the gravitational model implies the logarithmization of its variables, originating a log-log model. Thus, an example of an augmented model of other variables can be presented as in model (3), in the following form:

$$\ln(T_{ij}) = \beta_0 + \beta_1 \ln(GDP_i GDP_j) + \beta_2 \ln D_{ij} + \beta_3 \text{Lang}_{ij} + \beta_4 \text{Cont}_{ij} + \beta_5 \text{RTA}_{ij} + \varepsilon_{ij} \quad (3)$$

Where i and j represent countries and the variables are defined as:

T – volume of trade (considering just exports or just imports, or both) between two countries;
GDP – Real GDP;
D – Distance;
Lang – dummy variable that takes the value 1 when i and j share a common language and 0 otherwise;
Cont – dummy variable that takes the value 1 when i and j share a common border and 0 otherwise;
RTA – dummy variable that takes the value 1 when i and j belong to a free trade area and 0 otherwise.

The “linguistic proximity” “variable” is often used in order to quantify the proximity between two languages. This has been used in the past by several authors: Chiswick and Miller (2005) used the results of assessment tests in the context of learning a foreign language; Melitz (2008) made the division between open-circuit languages and direct-communication languages; Lohman (2011) created the Language Barrier Index. Ferro and Ribeiro (2016) created a method of classifying linguistic proximity based on linguistic criteria, specifically etymological criteria, from which they organized languages according to the linguistic family to which they belong.

5. Methodology and results

In order to analyze the relationship between Portuguese exports and the linguistic proximity between Portugal and the countries considered to be its main trading partners, we have prepared several studies. In all of them, we used the gravitational model, which is the most commonly used econometric instrument for the study of international trade, and its theoretical foundations were explored, for example, in the works of Anderson (1979), Helpman and Krugman (1985) and Kalirajan (1999). The increase in the use of this model is mainly due to its ease of implementation, as well as the success it has had in the analysis of trade flows from several countries, and even economic blocs.

Although our focus is on verbal communication, it should be noted that gravitational models include other variables whose authors consider to be capable of explaining international trade. Many studies have been carried out relating these variables.

Egger and Lassmann (2012) analyzed the effect of 701 coefficients captured by linguistic distances in 81 articles published between 1970 and 2011 in 24 journals. They conclude that, for a distance of less than 10% between the two countries, their trade increases by about 5%. Melitz and Toubal (2014), on the other hand, used the bilateral trade model (for 200,000 observations on transactions carried out from 1998 to 2007) in order to unravel the many effects that languages can have on trade. Accordingly, they built four



types of bilateral distances between countries: common official language, common mother tongue, common spoken language and linguistic distances, as they consider that each of them has a specific role in facilitating communication between the citizens of both countries involved in trade. Krisztin and Fischer (2014) also use the dummy variable "common language" in the gravitational model in the study of 21,170 observations that translate bilateral flows between 146x145 country pairs. They conclude that the impact on trade flows may be close to 90% greater if countries share the same language.

In this context, we have also carried out several studies relating trade flows between countries with linguistic proximity. In Ferro and Ribeiro (2016), 56 main Portuguese trading partner countries (in 2013) were grouped according to their language families. The criteria underlying the classification were: (i) linguistic criteria: languages were classified according to an etymological principle, based on their linguistic family; (ii) similarity between languages: given that Portuguese is a Romance language, languages belonging to that family were included in this group to explain the similarity between them; (iii) foreign languages: including four languages: English (the foreign language most commonly studied in Portugal), which is a Germanic language, followed by two Romance languages (French and Spanish) and then by another Germanic language, German. The objective was to analyze whether the fact that the language of the commercial partner belongs to each of these language families has a direct relationship with Portuguese exports to that country. In the study, one finds support for one of its basic hypotheses - specifically the fact that Portuguese exports are greater to countries that share a similar language. We thus concluded that there is a direct relationship between the volume of Portuguese exports and the fact that the destination country has an official Romance language. Since this is also the linguistic family of Portuguese, this result was expected, given that when countries share the same language, the linguistic barrier is removed, facilitating communication between them and enabling closer communication; therefore, costs tend to be lower - the same is true, although to a much lesser extent, when there is linguistic proximity between the languages spoken in both countries.

Thus, we introduced a new variable called "ProxLing", which aims to capture the linguistic proximity between two countries. We defined this variable taking into account the official language of the destination country, which should be Portuguese, Spanish or English. Our objective was to capture a triple effect: with this variable, we identified the countries that share a common language with Portugal, but we also included those that have Spanish as an official language to reflect linguistic proximity, and those that have English as the official language to capture the effect of the most studied and spoken foreign language in Portugal.

Ribeiro and Ferro (2017) presented the relationship between the volume of exports from Portugal to its 98 main trading partners around the world in 2013, considering the countries' membership of the European Union (EU) or Mercosur, and the linguistic proximity between the official languages of those countries and Portuguese. Taking into account only the countries belonging to the EU economic bloc, we have organized them according to the linguistic family to which their official language belongs. In line with a study that we had previously conducted (Ferro and Ribeiro, 2016), we proposed a triple approach to the influence of language on Portuguese foreign trade, after grouping the 28 EU member states according to their language families. Given that, at this stage in our study, we were interested in isolating the two language families most relevant to



Portugal's foreign trade - taking into account the classification of Portuguese and also the country's linguistic policies with regard to the teaching and learning of foreign languages - we classified all other languages as belonging to the Others group, thus eliminating the need for a more detailed classification. We concluded that there is a direct relationship between the volume of Portuguese exports and the fact that the destination country has an official Romance language. When two countries share the same or a very similar language, the communication barrier is blurred or even eliminated and, consequently, transaction costs tend to be lower. We also conclude that taking into account all EU Member States, the volume of Portuguese exports is higher for countries whose official language is similar to Portuguese.

Although in these studies the impact of communication on international trade is obvious, in order to consider more recent data, we carried out the analysis of the volume of Portuguese exports in 2015, considering Portugal's main 61 trading partners and studying the following equation (model 4):

$$\text{Ln}(T_{ij}) = \beta_0 + \beta_1 \text{Ln GDP} + \beta_2 \text{EU} + \beta_3 \text{LnD}_{ij} + \beta_4 \text{ProxLing}_{ij} + \varepsilon_{ij} \quad (4)$$

Where the variables represent the following:

T – volume of exports between two countries (in this case: Portugal and its commercial partner);

GDP – real GDP;

EU - dummy variable that takes the value 1 if the country belongs to the EU and 0 otherwise;

D – Distance;

ProxLing_{ij} – dummy variable that takes the value 1 if *i* and *j* have linguistic proximity to Portugal (spoken language: Portuguese, Spanish or English) and 0 otherwise

Table 1 - Model estimation results (4)

Explanatory Variables	Ln Exports	
	MMQ coefficient	Standardized coefficient (Beta)
Constant	17,036 (1,939)	-----
LnPIB	0,421 (0,53)	0,622
EU	-0,062 (0,306)	-0,021
LnD _{ij}	-1,109 (0,197)	-0,588
ProxLing	0,971 (0,233)	0,319
F = 30,375		
R ² = 0,685		

Source: authors' own

Remarks:

Numbers in parentheses are standard deviations. Significance level of 5%.

After conducting the regression study using the SPSS software, the impact of all the explanatory variables in the model was analyzed taking into account the following indicators: (i) global significance test (test F); (ii) individual significance test (test t), considering, in both, a 5% significance level, and (iii) determination coefficient (R²).



According to all the variables presented in the table, the results obtained reveal that the one that has the greatest explanatory capacity at the level of exports is linguistic proximity.

Thus, as expected, the fact that a country belongs to the EU has a positive impact on the volume of Portuguese exports to that destination, not only due to the importance of belonging to the same economic bloc, but also because of the relative physical proximity between all EU member states. In fact, we could also see that the increase in distance has a negative effect on the volume of exports, causing it to decrease by 1.109% for each 1% increase in the number of kilometers that separate both countries (accounting for the distance between capitals).

In previous studies (cf. Ribeiro and Ferro, 2017), we also found a direct relationship between the volume of exports from Portugal to a given country and the official language of that same country – if a country's official language is a Romance one, there is a positive relationship with great explanatory capacity between the volume of exports and the linguistic proximity of the official languages of the two countries involved in the bilateral relationship. This linguistic proximity was measured using the ProxLing variable, which includes Portuguese, Spanish and English. The latter was included in the variable not because of its effective proximity to Portuguese, as it is a language of another linguistic family (Germanic, not Romance), but, because, due to the linguistic policies implemented in Portugal, English is a language spoken by a large part of the population.

By blurring or eliminating the communication barrier, linguistic proximity allows transaction costs to fall. These conclusions are consistent with the gravitational model, as presented.

Conclusion

The increasing internationalization of economies has been implying an increasing importance and appreciation of the language factor. Especially in a global context that strongly propels the Portuguese economy towards internationalization, the language factor as a facilitator of communication in international trade has proved to be an extremely relevant axis.

In this sense, the choice of a commercial partner should take into account, among other factors, the language factor. Since communication between economic partners is an essential factor for the success of the relationship, it is in the interest of these partners to eliminate, or blur, language barriers, so that they can reduce the costs of commercial transactions.

In this study, we conclude that, with data on the volume of Portuguese exports for 2015, the ease of verbal communication with the trading partner has a positive influence on the increase in trade - in empirical terms, this conclusion is corroborated by the fact that Spain is Portugal's main trading partner, highlighting the fact that, as shown, other variables also explain it, such as geographical proximity.

In our opinion, the language issue is not being used well by the Portuguese State, as it could take more advantage of linguistic proximity to promote bilateral commercial relations with the countries that make up the Community of Portuguese Speaking Countries (CPLP) and with those that make up the Southern Common Market (Mercosur).



On the other hand, the importance of language policies and the influence they will have on the training of future generations of entrepreneurs is also not widespread among the population, despite the current focus on learning English, which is undoubtedly an asset for generations to come.

We therefore consider that, given the relevance of linguistic proximity for the ease of communication between business partners and, consequently, for the increase in the volume of exports, the Portuguese State should make a set of linguistic policies aimed precisely at promoting trade relations based on linguistic proximity.

In fact, although the course is not yet clear, the possibility of English losing some ground as the most widely used language within the European Union is on the table. It is true that English is unlikely, in the near future, to cease being the *lingua franca* in many sectors of society, specifically in the world of business, but other languages may gain preponderance. In a new geopolitical organization, it will be up to the languages to reorganize themselves and concretely the Portuguese official entities will have to take advantage of any leeway that may come, taking advantage of the economic potential that the Portuguese language already has today.

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MYTHS AND REALITIES OF THE ASYMMETRIC RELATIONSHIP: CUBA, THE EUROPEAN UNION AND THE FAILURE OF THE COMMON POSITION (2006-2016)

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Abstract

This article aims to present some partial results of research about asymmetry in international relations, focusing on the EU's Common Position on Cuba and its consequences for the links between both players. The paper examines the EU's loss of the channels of influence, the persistent fractures and competition between the European supranational strategy and the national diplomacies of the Member States, and the underestimation of the contextual and relational factors that acted in favour of Cuba.

Keywords

Cuba, Europe, asymmetry, conflict, negotiation

How to cite this article

Levis, Rogelio Plácido Sánchez (2020). "Myths and realities of the asymmetric relationship: Cuba, the European Union and the failure of the Common Position (2006-2016)". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.4>

Article received on July 5, 2019 and accepted for publication on February 28, 2020





MYTHS AND REALITIES OF THE ASYMMETRIC RELATIONSHIP: CUBA, THE EUROPEAN UNION AND THE FAILURE OF THE COMMON POSITION (2006-2016)

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Introduction

The European Union aims to become a global actor with shared responsibilities among its members in fields such as Common Foreign and Security Policy (CFSP), perceived as a supranational level of additional authority (Wessels, 2013), as a way to manage the growing challenges to national governance (Bulmer, 1995), and as a response to the need for affirmation and global intervention (Sánchez, 1995). However, the Treaty on European Union (TEU) was insufficient for the purposes of a true supranational and federalist integration regarding the CFSP (Perera, 2017), which has had an impact on the effectiveness of the “common strategies”.

The adoption of the Common Position on Cuba (CPC) was preceded by unsuccessful attempts to sign a framework cooperation agreement with Cuba on the basis of conditions associated with the organization of its political system (Roy & Domínguez Rivera, 2001), the shooting down of two civil aircraft of Cuba’s anti-aircraft defence (Foont, 2007), the report of the visit of the European Commissioner ruling out the existence of minimum conditions for negotiation (IRELA, 1996), and the campaign commitments of the Spanish Prime Minister, José María Aznar, to toughen the politics, demands and pressures on Cuba. In December 1996, the Spanish government fostered the EU’s adoption of the Common Position on Cuba (CPC), which is the subject of this paper.

William Zartman's “structuralist research dilemma” offered an adequate theoretical perspective to understand asymmetric negotiations and relationships. From this viewpoint, one of the areas of the asymmetric relationship in Cuba's foreign policy was addressed: ties with Europe, specifically the phenomenon of the CPC. This article analyses the factors that limited the results and led to the failure of the CPC as a model for managing European global foreign policy towards Cuba.

The problem addressed here has been little studied and rather neglected in more general analyses of the CPC. Approaches have been found to the question of the asymmetric relations both in Cuba and in the EU, but they have focused on higher priority aspects of their respective foreign policies. Such is the case of Zhou (2018), Criekeinge (2009), and Neuss (2011). The same applies to Whitman’s (2011) observations about the construction of the normative hegemony of the EU, and to those of Hughes (2006) about the asymmetric interdependence with Russia.



On Cuba's asymmetric relations, there is an almost absolute predominance of studies about its ties with the United States. López-Levy (2016) analyses the agreement to re-establish diplomatic ties between the two nations from an asymmetric perspective. The 1962 "Missile Crisis" was examined by Jones & H. Jones (2005), and Winter (2003), from the perspective of asymmetric perceptions of power. Domínguez (2006) studied the penetration of China in Latin America and the disparity of expectations vis-à-vis key actors in the region, including Cuba.

The phenomenon of the CPC, in particular, has been the object of study from different approaches and disciplines: Perera (2017), from a historiographical perspective of the present, while Díaz-Lezcano (2007) and Ugalde (2010), approach it as a political phenomenon. Likewise, Gratius (2005), among other studies, examined the use of tactical divergences between Europe and the United States.

This paper aims to answer the following question: To what extent did existing asymmetries between the EU and Cuba influence the failure of the CPC? In addition, three questions guided the research: how did the adoption of the CPC impact on Europe's work and interest in bringing Cuba closer to its system of values, principles and interests in the political sphere? How to explain that within a relationship of an interdependent and asymmetric nature in terms of resources, the EU's ability to influence and exert control over Cuba has been eroded? In a totally unfavourable asymmetric relationship, how does Cuba manage to resist the EU's demands and impose its preferences (the CPC was eliminated without internal political changes, and a Cuba-EU agreement was signed with a commitment to non-interference) in the relationship and the negotiation with the EU?

This analysis starts from the assumption that the use of sovereign and nationalist attitudes in the face of the hegemonic "dissuasive" approach that the CPC embodied, contributed to reinforcing the asymmetric profile of the relationship between Cuba and the EU. This eroded the relative advantages that give the EU its material capacities to exert influence, while Cuba maintained in its favour channels and relationship and context factors that allowed it to achieve results closer to its interests and expectations (repeal of the CPC, preservation of its sovereign attributes, and resumption of official cooperation without conditions).

The paper is based on empirical research of a documentary nature about the asymmetry phenomenon in international relations applied to the CPC. It uses both qualitative and quantitative data extracted from direct oral sources and official texts and statements. Indirect sources such as editorials, articles published in specialized journals, and opinions of renowned experts were also used. Interviews were used, as well as other data collection techniques. The time frame of the study coincides with the period in which the CPC arose and remained in force (1996-2016).

We start with Kelley and Thibaut's (1978) interdependence as a general theory of social interaction, and William Zartman's "structuralist dilemma" of negotiation with the aim of guiding research towards symmetry in international relations. The second theoretical entry corresponds to the contextual and relational analysis of power in negotiation, complemented by the expanded perspective of Criekinge (2009), Schelling's conflict strategy (1964) and the agency theory of Druckman (2008), Banks (1995), Jensen & Meckling (1976), and Watts & Zimmerman (1983).

The understanding of "power as a perceived relationship" has Zartman & Rubin (2005) among its main advocates, with their empirical research on how the weakest succeed in



asymmetric negotiations, and their theoretical reconceptualization of the notion of power. Zartman (1997) proposes a less traditional and more refined approach to capabilities and their influence on the negotiation process and results as a "social gathering". For Zartman (1997, 2005), perception is not immutable, insofar as one of the parties can count on the ability to change the perception of the other.

The discourses and the global and regional platforms for multilateral action and cooperation built by the "weak" actor, in this case, could respond to the Bartos and Wehr's (2002) criteria, which suggests that they make it generate solidarity to handle the asymmetric conflict, and stand in the area of "best alternative to a non-agreement", reflected in the perspective of Fisher and Ury (1981).

The use of Zartman's notions led to including Crieking (2009) in the analysis, given the need to take into account contextual and relational factors. This author brings together the multiple approaches from international relations to the question of power into five categories: "force/possession", "relational-contextual", "perception", "agenda setting", and "constructivist vision". Unlike this author, our classification is much simpler by identifying the "classical structuralist" notion of the analysis of power that considers that the process and the results of the negotiation are determined by the way the material capacities are distributed; and the rationalist stance of those who view it as a relational phenomenon that encompasses far more than the parties' available resources, including ideology and organization (Michels, 1962), a perceived relationship (Zartman & Rubin, 2005), mobilization ability (Bartos & Wehr, 2002), and reputation (Schelling, 1964).

The way the actors formulate preferences, strategies and mutual demands regarding the other constitutes a crucial element to take into account when analysing the successes and failures in asymmetric power (Crieking, 2009: 17). Persuaded by this author's argument, which indicates that the superiority of power in the traditional sense should not only be held but also perceived (p.18), this article also includes Schelling's (1964) theoretical reflection on the credibility of "threats" and "rewards" within a conflict relationship. Druckman's (2008) analysis and definition of "degree of agency" provided us with an additional edge to address the limitations of the Common Position as a tool for EU foreign policy action. For Druckman, the problem begins when individual priorities differ from the agency's preferences, the negotiator has to decide which option to adopt, and his sense of obligation is reflected in his willingness to abandon his own vision in favour of the group's (Druckman, 2008: 144). Within the perspective of agency theory, Banks' reflections (1995) address the role of agents that emerge with comparative advantages and better information compared to those represented. Watts & Zimmerman's (1983) approach paved the way to understanding the "opportunistic attitudes" the parties tend to defend and to maximize their own interests to the detriment of the collective agreement. For Jensen & Meckling (1976), if all parties to the deal are focused on maximizing their gains, the agent will not always act for the benefit of the main one (Jensen & Meckling, 1976).

In addition to the introduction, the discussion of the results and the conclusions, this article presents the partial results of the research, divided into three sections: the consequences of the breakdown of the dialogue, the loss of comparative advantages, and the EU's perceptual errors.



Presentation of the results

1. From ascending interdependence to estrangement (1996-2003): mistrust, tension and disagreements

The EU's hegemonic demands and approaches, and their rejection by Havana, deepened mutual asymmetric perceptions, not only in terms of their material dimensions, but also in the purposes and intentions of one party against the other. What had been until then a promising relationship - although not without complexities - was replaced by distancing, tension, non-dialogue and mistrust.

The CPC text openly expressed the intention to foster political change in Cuba, through the demand for "respect for human rights and real progress towards multi-party democracy". The Cuban government was ruled out as the recipient of humanitarian aid, proposing its channelling through "non-governmental organizations, churches and international organizations (...)" (Official Journal, 1996). Cuba's authorities, for their part, rejected the European measures, calling them "unilateral, discriminatory and interfering" (MINREX, 1996). The Cuban leadership was blunt in the face of European positions, particularly Spanish ones. It refused the ambassador proposed by the Aznar government (Vicent, 1996) and condemned the complicity of the European legations with the subversive activity of the American diplomatic representation in Havana. (Ramonet, 2006: 239). The codification of the US government's measures and sanctions against Cuba in the Helms-Burton Act further debilitated the already complicated relations between Havana and Washington. Its third and fourth chapters were aimed at discouraging investments by third countries in Cuba's economy, hit by the loss of the bulk of its external exchanges after the collapse of the USSR and the disappearance of East-European socialist nations. In this context, the EU adopted Regulation 2271/96 "Protection against the effects of extra-territorial application of legislation adopted by a third country" (22 November 1996).¹ However, the measure was never applied due to the Memorandum of Understanding on the Helms-Burton Act (11 April 1997), according to which the EU agreed to strengthen the sanctions against expropriations and investments made in such assets and present a common proposal with the United States under the Multilateral Investment Agreement (MIA).² President Fidel Castro and the head of Cuba's Parliament, Ricardo Alarcón, forcefully rejected the commitments (Vicent, 1998), which, according to them, not only affected Cuban but also European interests. Two events had a notable impact on the Cuba-EU relations: the visit of the Supreme Pontiff John Paul II (Egurbide, 1996), and the acceptance by the ACP-EU Joint Assembly, and the Council of Ministers of the Association of Asian States, Caribbean and Pacific (ACP) of the integration of Cuba, first as an observer, in the Lomé Convention. This group of nations supported "full membership and eventual participation in post-Lomé IV negotiations (CARICOM, 1998). The possibility of Cuba's accession to this Convention put the EU at a relative disadvantage, insofar as its position became a minority compared to that of 71 countries that supported Cuba without any type of political conditions. The

¹ With this regulation, Brussels consolidated a legal framework of protection against the extraterritorial measures of the United States.

² This included two aspects that would limit future investments in Cuba: investments in illegal or discriminatory expropriated assets -in allusion to Cuba- will be discouraged, through public campaigns and denial of government support in the form of loans or insurance; lists of claims for expropriated property will be made and turned public.



process created fissures within the EU: on the one hand, countries like France were more prone to the inclusion of Cuba in the Lomé process (Josselin, 1998), while others, such as Spain, defended the maintenance of the bilateral canal (IRELA, 1996).

Within the EU, a certain erosion of support of Brussels' conditioning and sanctioning position emerged. The Italian government sent its Foreign Minister Lamberto Dini with a message of interest in the development of Cuba and in promoting economic and political cooperation (Vicent, 1998a), while the Commonwealth Development Corporation of the United Kingdom provided financing to Cuba amounting to 33 million dollars, in order to reactivate Cuban economy (Dolan, 1998). Thus, the differentiation between national and supranational behaviours and positions shaped Cuba's strategy, which tended to stimulate, differentiate and use them in its favour. The arrests of dissidents in the spring of 2003 placed Cuban-European ties in a new crisis. The presidency, the General Affairs Council of the EU, and the European Parliament condemned the events (European Parliament, 2003), while the Cuban Foreign Ministry rejected such positions (MINREX, 1996). The adoption in 2003 of several additional initiatives known as "diplomatic sanctions" led Havana to respond with similar actions, including the "rejection of any assistance or humanitarian aid that the Commission and the governments of the European Union may offer", with the exception of aid coming from "regional or local autonomous regions, from Non-Governmental Organizations and solidarity movements, which do not impose political conditions on Cuba" (Castro, 2003).

The absence of dialogue between the two parties generated disparity in terms of benefits and results. While the EU saw its access to Cuban decision-makers and its influence on the social sectors of its interest limited, Havana maintained and opened, as much as possible, channels of dialogue with authorities of the member states, parliaments, political parties, decentralized autonomous governments, and civil society organizations. The country seemed to have alternatives to the non-negotiated agreement (Fisher & William Ury, 1981), ensuring that, in the same period, foreign aid maintained a positive cumulative growth rate (Pérez, 2014). Meanwhile, Brussels faced increasing pressure from political, social and opinion sectors that did not skimp on their criticism about the absence of results of a policy of poor results that did not respond to their expectations and interests (Almont, 2005; Lemoine, 2010; Press, 2010; Stephens, 2014; Smith, 2011).

At the same time, Cuba drew red lines regarding any dialogue or understanding with the EU, insisting that the "sovereignty and dignity of a people are not discussed with anyone" (Castro F., 2003). Castro (2003) stressed that the EU lacked "enough freedom to dialogue with full independence", while showing his interest in rewarding attitudes that were autonomous and unmarked of the hegemonic vision of the US, emphasizing that the creation of the EU "was the only smart and useful thing to do to counterweight the hegemony of its powerful military ally and economic competitor". Punishment as a way of influencing Cuban decision-makers was rejected by the Cuban leader, when he declared that Cuba "does not obey masters, accept threats, ask for alms, nor does it lack the courage to tell the truth" (Castro, 2003).

In addition to the indefinite postponement of the decision on Cuba's candidacy to Cotonou (Ortiz, 2016), the European diplomatic sanctions did not go beyond the limitation of high-level government visits, the reduction of the presence of the Member States in cultural events, the invitation of Cuban dissidents to national holidays, and the re-assessment of the CPC (MINREX, 2003). Far from serving the European objectives, these decisions



rather helped Cuba to reaffirm its sovereignty discourse in the face of more strategic challenges, such as the conflict with Washington, to get rid of additional pressures that did little to its international performance, and to outline its strategies of differentiation and reward against actors not adhering to the idea of interference and imposition of conditions. This stance had very favourable results for Cuba, so much so that trade relations, investments and decentralized cooperation were maintained with Europe (Bayo, 2004), although it should be noted that the weight of this continent, in Cuba's global exchanges, tended to decrease in favour of countries such as China and Venezuela.³

In the context of "non-dialogue", and unlike the EU, which saw the bulk of possibilities to exert influence over Cuban decision-makers and access to various sectors of the island's society closed, the structural limitations of the European construction process (Perera, 2017) and the place of the CPC in the agenda of internal political disputes in Spain and in the intransigent positions of the ex-socialist nations, seemed to shape, as Criekinge suggests, the Cuban strategy. This strategy consisted, essentially, in focusing on States - with emphasis on those with the greatest relative influence - to stimulate dissent regarding the supranational position, offering rewards aligned with their national interests. For President Castro, the European policy towards Cuba was hijacked by the said political groups, and Aznar's, "thoughts and relations with the Miami mafia" (Ramonet, 2006).

In 2005, the situation began to ease up, at least partially, with steps taken by both sides, such as the temporary suspension of EU diplomatic measures at the request of the governments of Luxembourg, Spain and Belgium and the EU Commissioner for Development and Humanitarian Aid, Louis Michel (Xalma, 2008); the reestablishment of the Cuban Government's official contacts with the embassies of EU countries; and the Cuban Foreign Minister's tour of various European countries (Ugalde, 2010). The official visits of high European government authorities to Cuba, with the CPC in full force, demonstrated that this policy was fractured and had lost the support of the same actors who had previously defended it. After a time of unsuccessful enforcement, they had realised that it no longer aligned with their interests.

2. The erosion of the relative advantages of the EU in the asymmetric relationship with Cuba: the uselessness of the influence and control tools

Faced with the impossibility to build its hegemony through force, Europe used "soft power" to attract and influence the world (Nye & Ikenberry, 2004; Tuomioja, 2009; Ibáñez, 2011; Aspíroz 2015). The destruction of the alliance with the Soviet Union, the intensification of the US sanctions and Cuba's deep economic crisis offered the EU an unprecedented terrain to position itself in the country, taking advantage of its North American competitors and gaining presence in a key and influential country in the Latin American and Caribbean political context. Starting in 1993, the EU's policy towards Cuba showed symptoms of change, with activity in two leading areas of the European Commission increasing: cooperation, through the development of specific actions, and humanitarian aid, through a flow of resources that progressively increased in subsequent years (Perera, 2017). Brussels created and expanded a base of influence over the Cuban

³ For additional information, including statistical data, see Xalma's article (2008) in <https://eulacfoundation.org/es/system/files/Europa%20frente%20a%20Cuba.pdf>



authorities and society, supported on the one hand by its position of deterrent hegemony - clearly differentiated from Washington's coercion and hostility - and, on the other, by instruments associated with "soft power" aiming at aligning Cuba with its options. This resulted in a scenario of clear imbalance in favour of the EU, insofar as it not only had resources and capacities, but also the means of attraction and influence.

The EC, in an official communication sent to the Council and Parliament, expressed its objective of promoting and achieving a peaceful transition in Cuba, recognizing the need to strengthen ties with the country, as well as the influence and leadership capacities that the EU could play in that context. It also detailed and praised the economic reforms that served European interests, pointing out the existence of reformist sectors within Cuba's political and state leadership (Commission of the European Communities, pp. 2-3).

The environment for the EU's influence actions in the country began to thin out in 1996 with the adoption of the CPC, until it reached its most complex moment, caused by the 2003 "diplomatic sanctions" and Havana's rejection of official cooperation programmes. It can be deduced from the CPC text (Official Journal, 1996) that the EU assumed that given Cuba's marked vulnerability and fragility, its superiority in terms of material capacities and resources, together with punishments and rewards, would allow aligning Cuba with its positions relatively easily.

EU pressure reinforced the asymmetric perception between the parties in terms of purposes, pushing away the possibilities for dialogue and compromise. The European demands were perceived by the authorities in Havana as an extension of the legitimacy base of the United States' zero-sum line, considering that Europe shared with the United States "extraterritorial laws which, by violating the sovereignty of their own territories, increase the blockade against Cuba (...)" (Castro F., 2008). Faced with this situation, Havana decided to close the channels of influence contained in the EU's official cooperation policy and programmes, while leaving open exchanges with other actors that did not require any conditions (Castro F. , 2003; MINREX, 2003).

This led to a situation of asymmetry, in which the "strong" actor saw its influence and control instruments rendered useless, while the "weak" actor, supported by the institutional weaknesses of its adversary, demonstrated its ability to gain followers, divide and erode the opponent's stance. Thus, the Cuban strategy for managing the CPC seemed to take shape in the face of the confrontation of the two institutional processes that have marked the history of the EU: on one side, the supranational or communal, on the other, the intergovernmental. At the same time, Havana seemed to use one of the programmatic foundations of its foreign policy: the identification and use of fissures and struggles of "inter-imperialist" interests (Rodríguez, 1980).

Cuban diplomacy realised that it could take advantage of the dissent that was gradually felt up by member states that had more constructive positions and greater interest in relations with Cuba (Gratius, 2005; Perera, 2017; Ugalde, 2010), which ended up generating contradictions, undermining and delegitimizing the EU's supranational interference. This will be expanded in the third section of this article.

By dismissing, denigrating and disqualifying the promise of rewards made by Europe, Havana left its adversary devoid of sufficient instruments of attraction to achieve its purposes. Its strategy seemed to be based on Europe's limitations in exercising its "soft power" in a consistent and productive way and the possibility of conducting, without



significant restrictions, influencing actions within the EU. In the words of Cuba's former ambassador to Spain: [...] they were wrong in the move, because we were able to do what they could not do. We could limit their relationships. [...] up to a point (Allende Karam 2015, quoted in Perera, 2017, : 152). In turn, Cuban diplomat Ángel Dalmau affirmed that the embassies of his country "were able to work in the terms more or less in which a Cuban embassy works in Europe" (Dalmau, 2015, quoted in Perera, 2017: 153).

The debate has also been raised about the contextual elements that acted in favour of Cuba's negotiating capacity and political action. Perera (2017) points towards the full and definitive reintegration of Cuba in its regional environment, favoured by the political changes in the region⁴, the flexibility of the Obama administration vis-à-vis Havana, the progressive resumption of bilateral cooperation with different member states unilaterally suspended by the Cuban government in July 2003, and the release of those arrested during the events of March 2003 (pp. 184-185). Ugalde (2010), Alzugaray (2009) and Hernández (2009) emphasise the consequences of the transfer of command to Raúl Castro, the impacts of a more pragmatic discourse, the economic reforms undertaken, and the changes in the international scenario. Drouhaud (2016) and Terranova (2015), give more weight to the results of Cuba's foreign policy and its alliances with emerging powers such as China and Russia.

3. The EU and failed perceptions, calculations and strategies: agency problem

This empirical approach to the CPC identified two issues that contributed to displacing the asymmetry in favour of Cuba and its preferences, in particular those associated with the preservation of its sovereign attributes, the weakening of the interventionist line contained in the European strategy, and maintaining channels of influence with European institutions and governments: the role of the EC's agency (Druckman, 2008; Jensen & Meckling, 1976; Banks, 1995; Watts & Zimmerman, 1983), on the one hand, and the credibility of its promises of rewards and punishments (Schelling, 1964).

The EC had a complex agency role to play, having to carry out the formal mandates conferred by the decisions taken within the Council of Ministers and the Parliament and deal with the demands and pressures of some Member States which, although part of the Council agreements, at the level of their respective diplomacies guided their action more towards the defence and promotion of their national interests than to the needs of supranational policy. The above coincides with Gartius' (2005) views, who considers that in the EU - the Commission, the European Parliament and the 25 member states - there was no policy but a great diversity of policies towards Cuba, ranging from unconditional commitment to political and economic distancing (6).

After the adoption of the CPC, Spain, paradoxically, was the first country to breach it by maintaining bilateral cooperation in various areas, consolidating itself as a provider of goods, becoming the second investor in Cuba's economy, and admitting the participation of President Fidel Castro in the Ibero-American Summits, the ninth edition of which took place in Havana. Likewise, a group of countries like France, Belgium and Portugal were

⁴ It includes the admission to the Rio Group, a founding member of the Community of Latin American and Caribbean States, those asked to join the OAS and the Inter-American System (Perera, 2017)



favourable to compromise, which attests the prevalence of national interests over the supranational strategy (Gratius, 2005: 6). It should be noted that not all Member States truly complied with the sanctions. The Belgian diplomatic representation in Havana, for example, used formulas that allowed it, without radically breaching the European commitment, to make visible that its legation was accredited to the Cuban government, whose officials continued to attend their official activities. This had its compensation in that the cooperation with Belgium was not suspended (Perera, 2017 :51).

In France, there was dissatisfaction regarding the null results of the CPC and the obstacles it imposed on attaining national objectives. President Jacques Chirac pointed out that the initiative blocked the "immense potential of relations between the two countries" (Chirac, 2005). In turn, the member of parliament and president of the France-Cuba Parliamentary Friendship Group, Alfred Almont, declared his intention to communicate to the French head of state his idea of "proposing the repeal of the Common Position towards Cuba" (Almont, 2005). Likewise, the president of the Pernod Ricard business group, Patrick Ricard, spoke in favour of the elimination of all the pitfalls affecting the Franco-Cuban relationship (Ricard, 2005).

Unlike the Cuban-American conflict, the dispute between Havana and Brussels did not pose an existential threat Cuba, considering the nature of the "soft power" exercised by Europe, based on attraction rather than coercion. Hence, Cuba took precautions not to weaken its negotiating power in the main dispute, insisting on "a respectful dialogue, among equals, on any matter, without prejudice to our independence, sovereignty and self-determination" (Castro R., 2009). He also stated "Cuba's will to maintain a respectful relationship, which necessarily happens because the EU recognizes and treats Cuba on equal terms" (MINREX-Cuba official statement, quoted in Reuters, 2010).

The EU seemed to ignore that with greater influence, the punishments and promises of the United States had not achieved any significant movement on the part of Cuba. It could also have underestimated the influence of national interests in defining the individual behaviours of member countries that from the beginning violated the wording and purposes of the CPC (Gratius, 2005). Trade relations, investments, and tourism were maintained despite the sanctions, which tended to be more symbolic than real.⁵

The European position weakened before the range of alternatives that Cuba had in the event that the relationship was not normalized and an agreement reached. These included links with governments and decentralized actors in the EU itself. Cuba's former ambassador to Spain recalled that they could not "limit entry at the level of autonomy, even with people from the PP at the head of their governments (Allende Karam, 2015 quoted in Perera, 2017, : 152). A similar situation was found in France, where Cuban diplomats had access and built agreements and initiatives with regional and departmental entities and municipalities (Sánchez-Levis, 2005). According to World Bank data, the net official development aid received by Cuba maintained its upward trend. In

⁵ Europe is the main investor in Cuba, with 71% of the total, with Spain, France, the United Kingdom and Germany being the most representative countries (Fonseca, 2017). From 1995 to 2017, Cuba's total exchange of goods and services with the exterior tripled, with an increase of 4448 million CUP⁵ to 12574 CUP, while trade relations between Cuba and the EU were maintained between 2012 and 2017, oscillating between 4233 million CUP and 3624 million CUP, which means a weight of more than 20% in the island's external exchanges (ONEI-Cuba, 2018). We agree with Díaz-Lezcano (2007) in the sense that "the commercial variable does not depend directly on the political springs that mobilize the bilateral dynamics" Díaz-Lezcano, 2007. For their part, European countries remained among the top markets for Cuba ONEI-Cuba, 2018.



the year the CPC was adopted, it amounted to USD 57 million⁶, in 2004 to USD 99 million, reaching the record of USD 2,678 million in 2016 (World Bank, 2017).

With the provisional suspension of the "diplomatic sanctions" against Havana (European Union, 2005), and its subsequent definitive elimination in 2008, the EU seemed to be trying to recover from a situation of symmetry in which it could resume its contacts, access and influence on the Cuban authorities, through dialogue and cooperation programmes. Cuba, for its part, insisted on the repeal of the CPC as a *sine qua non* condition for the resumption of negotiations, emphasizing that it was not "enough to remove the sanctions" (Pérez Roque, 2008), and stating that the "discredited form of suspending the sanctions against Cuba that the European Union just adopted on 19 June had no economic effect on the economy of the blocked country (...)" (Castro F., 2008).

After two decades of unsuccessful application of the CPC, the European authorities ended up aligning with the Cuban position that demanded its immediate repeal, respect for sovereignty, and the resumption of cooperation without any conditions. In the text of the "Agreement for political dialogue and cooperation", "the respect for the sovereignty, territorial integrity and political independence of the Republic of Cuba" was reaffirmed (...) "as well as the adherence of the Parties to all the principles and purposes stated in the Charter of the United Nations (Council of the European Union, 2016)".

Results and discussion

The failure of the CPC is related to phenomena such as resource distribution, context, and relationship. This empirical study so far notes a strong incidence of the second and third categories on the object of study. However, in the case of the first, a much finer analysis is still required, considering that the research at the beginning tended to overemphasize the disparity of resources between the parties, and only later expand this approach with the introduction of theoretical insights about the "agency problem" and the "conflict strategy". The aforementioned theoretical perspectives place us, in turn, in another area of reflection that must determine if the CPC responded more to legitimate European interests, if it was a currency in transatlantic negotiations - which combined harsh rhetoric, symbolic sanctions and pragmatism of the European national diplomacies - or if it resulted from the combined influence of both. As the "strongest" strategy, the CPC leads us to the principle that capacities and resources do not always determine the outcome of a negotiation, although their better distribution and use could have improved their efficiency, under specific conditions. To what extent will it be feasible to continue considering the CPC as a classic case of "structuralist dilemma", when it failed to concentrate the bulk of European resources in the same direction? Even so, the failure of the CPC as an instrument of pressure on Cuba allowed verifying the validity of Zartman's theses that open the possibility that the disparity in terms of resources and capacities does not always determine the relationship process and the results of negotiations between the parties.

The use of conditions by the "strongest" over the "weakest" tended to erode, as Zartman and Rubín indicate, the minimum conditions for a relationship-negotiation with acceptable results for the parties involved. Instead of improving the conditions of influence and control over Cuba's decision-makers, they were reduced to a minimum,

⁶ US dollars



after the closure of official communication channels and Cuba's rejection of the EC's conditional cooperation (rewards). At the same time, the perceptions of the European strategists on the relative advantages of aligning Havana with their positions, on the vulnerabilities and insufficiencies of Cuba's capacities, and the power difference between the parties, constituted the bases of the miscalculation, which led them to underestimate and not adequately consider the weight of the relational and contextual factors defined by Zartman, Zartman & Rubin, and Crieking. The analysis of the approaches of these authors allowed us to identify the elements of the context and the relationship that Cuba used in its favour.

Incorporating Banks, Druckman, Jensen and Zimmerman's insights about "agency" further opened up our analysis and rethink the question of material capacities, whose dimensions are not always the most influential. However, how they are organized, arranged and used are. This study confirms that the EU's resources and capacities were unfocused, reducing the strength and credibility of the supranational strategy. While Brussels pressed and placed demands on Havana, some of the member states used strategies of their own national diplomacies, with dialogue, cooperation and ties, without conditions.

Likewise, the reflections derived from the application of the agency theory made us return to the general principles of interdependence theory (IT), considering that at some point in the research, the problem of the disparity of capacities was relegated to second place - with the questioning of its influence on the process and its results - becoming evident the adaptability of IT for the analysis of a process that includes structure, transformation, interaction, and the adaptation of the players. This allows us to affirm that the abysmal disparity and its pressure on the "smallest" actor were more apparent than real, given that trade, investment, tourism and official cooperation were maintained. It could have been different if the aforementioned links had been conditioned to changes in Cuba's behaviour.

Schelling's conflict theory deserves a similar analysis. Promises of punishments and rewards hardly work in a context of seeming asymmetry, where the most resourceful player does not have effective means to co-opt and align its opponent. In this case, neither the offer to negotiate and sign a framework agreement for bilateral cooperation, nor the threat of reducing diplomatic contacts, achieved the expected results. Everything indicates that the strong bilateral interdependence (trade, tourism, investment, governmental and non-governmental cooperation), as well as elements of the context and of the relationship itself, contributed to relativizing the superiority of EU's power vis-à-vis Cuba.

Conclusions

The adoption of the CPC and the subsequent application of diplomatic sanctions produced results contrary to those the EU expected. Cuba's perception that this broadened the legitimacy base of the Washington zero-sum line against it, closed the EU's possibilities and channels of influence over the Cuban authorities and society. With the aforementioned initiative, the confrontation between the European hegemonic approach - more persuasive than coercive - and the sovereign-nationalist on the Cuban side, was opened. In this context, the asymmetry is deepened not only in terms of resources but



also of purposes and intentions, which manages to annul the minimum conditions for the relaunch and development of the bilateral dialogue.

The disparity of opportunities for influence disadvantaged the European authorities, given the closure of access to their representations in Cuba, while the diplomatic legations of Havana maintained their influence in more or less normal conditions in the different European capitals. The CPC was disrespected from the beginning by some of the member states and, over time, dissents and fractures were created in this supranational strategy that began to compete with the bilateral policies conducted by the different capitals, without conditions.

Europe's perception regarding its superiority of power vis-à-vis Cuba, its vulnerabilities, and the favourable different capacities made it make erroneous strategic calculations, which underestimated the effects of relational factors, such as Havana's veto capacity over its initiatives and actions of influence, the limited effects of its rewards and punishments, the weight of mutual interdependencies, etc. It also miscalculated the context factors, such as Cuba's insertion in the Latin American and Caribbean regional sphere, its upward relations with the emerging powers, and the change in policy of the administration of President Barack Obama, among others.

This study shows that in the absence of sufficiently convincing punishments and rewards, the weak actor has a margin of manoeuvre that it actively uses to resist and even move its adversary towards its options and preferences. The empirical evidence of this work indicates that the player with the least relative power needs certain premises to create value in conditions of asymmetry, without having to engage in a risky negotiation process: (1) absence of existential threats, (2) the global value of the benefits must exceed that of the costs, (3) the alternative to a non-agreement must be viable, (4) realizing that the punishments promised by the "strong" actor are inapplicable or ineffective, and (5) the "no dialogue" stance is much more beneficial than that of accepting the rewards that the adversary has promised.

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A HISTORICAL PERSPECTIVE OF ENTREPRENEURSHIP IN ANGOLA

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Abstract

This article makes a historical analysis of entrepreneurship in Angola, starting from the historical evolution of the entrepreneurship concept to focus on the evolution of this phenomenon in Angola, over four different historical periods. Resorting to bibliographic sources of reference authors and their extensive analysis, it was possible to obtain a historical perspective of entrepreneurship in Angola. The paper critically examines its evolution in the country and provides a reflection on possible future development scenarios.

Keywords

Entrepreneurship, Angola, Africa, History

How to cite this article

Pereira, Renato (2020). "A historical perspective of entrepreneurship in Angola". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.5>

Article received on April 18, 2019 and accepted for publication on February 4, 2020





A HISTORICAL PERSPECTIVE OF ENTREPRENEURSHIP IN ANGOLA

Renato Pereira¹

Introduction

The historical perspective of entrepreneurship in Angola is strongly conditioned by the combination of at least two historical circumstances: (i) a colonial period of about five centuries marked by a preponderance of a monarchical regime; (ii) a post-colonial period characterised by a long civil war that only ended in 2002 (Schubert, 2015).

On the other hand, entrepreneurship itself dates back to the industrial era, focusing on Northern Europe, where private initiative had a bigger impact.

Angola is originally the result of the colonial economic model, followed by the upsurge of this economic model with the rise of the Salazar's *Estado Novo*, and, finally, by the socialist oriented economic model implemented after the country's independence on 11 November 1975, which lasted until the fall of the Soviet Union in 1991. Subject to a "one party" period, it only truly found its space very recently (Ovadia, 2018).

In Angola, and across generations, one senses the quest for a historical meaning that helps to find solutions to get out of the current financial blockade that the country is experiencing.

Never before, as now, since a lasting peace was finally achieved, the historic future has worried Angolans so much. The sharp change in the perception of the country's real economic capacities, and the clear reversal in the living standards' evolution trend, has thrown society as a whole, but also the political and ruling class, in particular, into a situation of anguish.

Thus, History begins to be increasingly used as a kind of oracle about the uncertain future of a country that has already experienced great challenges in several phases of its historical process.

In addition, orality as a fundamental historical source in Africa (e.g. Henige, 2005; Cooper, 2005) is fully confirmed by the above and by the dialogue that was subsequently established.

¹ The author expresses his deepest thanks to Professor Redento Maia, Dean of the Faculty of Economics of the Agostinho Neto University, for the access granted, during this research, to the resources of the CISE - Centre for Socio-Economic Research of that faculty.
The author also expresses his thanks to the two anonymous reviewers of the first version of this work, whose comments greatly contributed to its improvement.



It is therefore important to write about the history of African peoples, territories and countries. All contributions to the clarification of the historical meaning of current African societies are very important for the sustainability of collective solutions that they will have to find at this moment in their historical process.

The objectives of this research are to offer a historical perspective on the path of entrepreneurship in Angola, without forgetting its geographical character and the historical framework of entrepreneurship itself, as a concept, as an economic reality and as a theoretical object.

1. Historical context of entrepreneurship

1.1. The concept of entrepreneurship

According to Haahti (1989), quoted by Zinga (2007), the term entrepreneurship first appeared in the Universal Dictionary of Commerce, published in Paris in 1723 by Jacques de Brunslons Savary.

The same source says that the term was already current in the French vocabulary of the 12th century, associated with the idea of "carrying out an activity" and that in the 15th century its meaning already had a legal connotation, meaning "someone who hires".

Zinga (2007) and Quiongodi (2013), citing several sources, refer to the existence of a convergence in the idea that the first theoretician of entrepreneurship, also French, was the economist Richard Cantillon (1680? -1734).

Cantillon defends, in a posthumous work dated 1755, that the "entrepreneur" is a full-fledged economic agent, as "capitalists" and "workers" are, launching a debate on the different roles of "entrepreneurs" and "businessmen", a discussion that lasts until today.

At this stage, the concept was already associated with those who take risks and the economic analysis advanced by Cantillon reveals that in those days in France there was already an unexpectedly sophisticated capitalism.

Quiongodi (2013), also quoting several authors, points out that it was Cantillon's initial (or even initiatory) economic analysis that inspired Knight's (1921) work on uncertainty and risk, a fundamental theoretical object for the development of Finance in the 1929 post-depression period.

The second key author of entrepreneurship was Jean-Baptiste Say (1767-1832), himself, like Cantillon, considered out of the group of classical economists who started publishing from the last quarter of the 18th century onwards.

According to Zinga (2007), citing Praag (1999), this author specified the role of the entrepreneur as the manager of the initiatives (in principle, companies) he creates.

The next (classical) economist to contribute to the theoretical establishment of entrepreneurship was Alfred Marshall (1842-1924). His most relevant contribution, also highlighted by Zinga (2007) and Quiangodi (2013), was to define the entrepreneur as someone who identifies business opportunities, a theoretical object of central importance in the theoretical tradition of entrepreneurship.

The next author with high historical weight in entrepreneurship was Austrian economist Joseph Schumpeter (1883-1950), whose core contribution was attributing to the



entrepreneur the fundamental task (for the economy) of “creative destruction” of markets through innovation. In addition to breaking with the microeconomic tradition of his predecessors, this theorist linked entrepreneurship to economic development for the first time, making himself an indispensable source of several sub-disciplines of economic science. In his view, economic rationality is not based on the search for balance but on a permanent process of discovery, assimilation of information and rupture of the *status quo*, which requires exceptional characteristics from the entrepreneur (Schumpeter, 1911).

Another highly relevant contribution was that of American economist Frank Knight (1885-1972), who contributed to the theoretical development of entrepreneurship by distinguishing between risk - random event with known probability - and uncertainty - random event with unknown probability - and by establishing the relationship between the entrepreneur and the generation of economic benefits by the company - the economic agent who turns uncertainty into risk through judgment, with profit being the remuneration for the risk taken (Knight, 1921).

In the second half of the twentieth century, there was a remarkable development in entrepreneurship as a scientific discipline, as a result of the proliferation of scientific publications and the very development of Management Sciences, which quickly adopted entrepreneurship, although only attributing it a definitive status in the 21st century.

Going back to the 2nd half of the 20th century, it is important to mention Peter Drucker (1909-2005), one of the great management theorists who decisively related management to innovation, and the latter to entrepreneurship (Drucker, 1985). Drucker's works, like those of other lesser-known authors highlighted by Sarkar (2014), alongside the phenomenon of the so-called emerging economies, among which several African countries find themselves, brought entrepreneurship definitely to the fore and to full disciplinary status in its own right.

1.2. Theoretical evolution

Entrepreneurship is a theoretical object that permits different approaches. It has come across different perspectives and even ontologies originating from various quarters, the most significant being Economics, Finance, Management and Psychology (e.g. Sarkar, 2014).

Its theoretical evolution is associated with the historical evolution referred to in the previous point, namely its origin at the beginning of the industrial era in France and later adoption by several economists and management theorists.

Therefore, its genesis is "to undertake", to carry out any undertaking, "to do things". In current language, “make it happen”. This basic ontology remains constant, despite all the developments, until today (e.g. Sarkar, 2014).

Baumol (1990) points out that the most theoretical economists of the 18th and 19th centuries were not substantially interested about it. For most authors of this period, "entrepreneur" and "businessman" were one and the same, that is, the owner of the company economic agent, regardless of the nature of the founding momentum.

In other words, economic science “stayed at the company's door”, and was not really interested in its organizational dimension. Hence the development of organizational



sciences as early as the 20th century and the subsequent appearance of management sciences, with symbolic birth in 1911, when companies started to have a significant (social, economic and financial) dimension.

The second fundamental theoretical dimension of entrepreneurship is risk and uncertainty, discussed above regarding Frank Knight. By the early 1920s, there were already clear signs of an increasing prevalence of speculation in the North American financial markets, which would favour the outbreak of the 1929 great depression.

However, learning to manage uncertainty, without aiming to eliminate risk, is a fundamental attitude of economic agents, just as the serious global financial crisis of 2008 has shown.

The third important theoretical element is the orientation towards the identification of (market) opportunities, also called "opportunity entrepreneurship", in contrast to the "survival entrepreneurship", predominant in developing economies, as most African countries are.

Schumpeter's works, in the first half of the 20th century, were decisive for establishing a causal link between entrepreneurship and economic development, an analysis that continued throughout the 20th century, together with the understanding of the importance of innovation for the entrepreneurial process.

2. Entrepreneurship in Angola

2.1. Context of African entrepreneurship

According to Porter et al. (2002), the overwhelming majority of developing countries are in the factor-driven economies category, that is, economies based on natural resources, whether they are hydrocarbons with high market value or simply arable land.

In these economies, there is essentially "survival" entrepreneurship, since the (technological) resource base available to entrepreneurs is not sufficient to generate business opportunities.

Due to these circumstances, and contextual, political and cultural factors whose analysis will be carried out subsequently, the so-called "informal economy" has been generalized in Africa since the mid-twentieth century. There is a preponderance of single-person microenterprises that never formalize their existence or economic activity (Ellis & Fauré, 1995). "The practicing economist present on the ground is struck by the creativity, by the initiative of people in the urban setting, and by the emergence of new organizations and an entrepreneurial spirit that escape accounting records", in the words of Hugon (2004, p.115).

The information that the origin of the African informal economy occurs when many of these countries were colonies is addressed explicitly by several authors (e.g. Lopes, 2007) and was also transmitted to us orally by several "older" people who still survive on this activity in Luanda, Bissau and Maputo.

The lack of an efficient labour market, poverty, lack of basic education and elementary professional training, among other aspects, made evident through simple empirical observation, certainly lie at the origin and explain the huge development of this form of economic organization and entrepreneurship.



As would be expected, the independence of African countries did not reverse this trend, it only contained it, in some cases and for some time, until reality spoke louder.

However, since the 19th century there has also been a formal business base in Africa, distinct from mere traditional mercantilism, much of it nomadic or quasi-nomadic and originating in the Maghreb or the Sahara territories. However, this entrepreneurship did not have an evolution similar to the one that occurred in Europe, the United States or even Asia during the 20th century, since the colonial historical legacy was based on the exploration of raw materials and not on the development of a true industrial capitalism based on investment. In an attempt to make up for lost time, and under the influence of an ancestral centralist political and economic tradition and doctrines of Marxist or similar inspiration, many African governments tried to accelerate this process by creating large public companies. This hampered the establishment of an indigenous or even foreign entrepreneurship, as they created an anathema about them that still persists today in many countries of the continent (Spring & McDade, 1998).

Finally, the situation of economic and political fragility in which many of African countries find themselves, some of them immersed in endless, conventional civil wars - power struggle between internal - or less conventional - forces generated by the different forms of Islamic jihadism - gave rise to the origin of a kind of "war entrepreneurship" (Hugon, 2006).

2.2. Angolan colonial context in the 19th century

According to Henriques (1996), "the emergence of embryonic forms of 'traditional' African entrepreneurs can be found in the last quarter of the 19th century, as a result of a double situation: the European commercial proposals and the existence of African dynamic and flexible commercial structures capable of responding to challenges from abroad".

For his part, Fonseca-Statter (2008) states that in Africa "when trying to reflect on the nature and origin of companies as eventual drivers of the development process, we are forced to consider an approach that necessarily takes into account the concrete historical perspective of the creation of these companies, as well as their relationship with the regulatory role of the State".

Analysing these sources, one notes the absence of the use of the term "entrepreneurship" to characterize business activity, as the authors chose the "business company" formula. Other authors confirm the same conclusion (e.g. Reis, 1996).

Thus, and for the purposes of this paper, we will consider "business companies" as a unit of analysis synonymous with "entrepreneur", whose more specific scope was analysed earlier.

Returning to the question of 19th century Angolan entrepreneurship, it is part of an evolution of the European view of Africa, resulting from a historical event of major importance and impact: the (gradual) end of the export of slaves and their progressive replacement by the so-called "legitimate trade".

It is also important to note that the inter-African commercial transactions, pre-existing the arrival of Europeans and involving political leaders and traders, remained throughout



the colonial period and (surprisingly) without any intervention from the Europeans. Furthermore, they sought to impose their new rules on Europeans!

Carvalho (1984), quoted by Henriques (1996, p.56), states that at the end of the 19th century, African commercial circuits based on the slave trade still prevailed in the northeast of Angola, totally outside Portuguese control. This important historical fact for understanding the genesis of the entrepreneurial initiative in Angola, centred on trade, is also highlighted by Birmingham (2015).

Henriques (1996, p.57) stresses another aspect of enormous relevance for the purposes of this paper: Africa's saturation in relation to European (and Asian) goods and the consequent search for new "productions to produce goods which, accepted by Europeans, enable restoring African technical and commercial autonomy".

This fact undoubtedly impacts the entrepreneurial activity and represents an entrepreneurial attitude in the full sense of the term. Indeed, the development of legitimate trade allows the emergence of small African traders acting autonomously.

Historical analysis also makes it possible to relate this entrepreneurial activity to innovation, one of the most fundamental theoretical causal relationships from an epistemological point of view.

In Angola in the second half of the 19th century, the development of entrepreneurship led to the introduction of "new circulation techniques and diversified investment capacities, opening up new areas for the exploration of natural resources and markets [...]. It allows/requires inventing commercial practices more adequate to demand and response, stimulates production, encourages technical innovation, organizes new forms of work, introduces wages, trivializes credit, generates profits, creates capital, and permits new investments" (Henriques, 1996, p.59).

The impact of entrepreneurship on social transformations is strengthened by several authors quoted by Henriques (1996, p.61). "Business-type initiatives cannot fail to clash with political leadership, just as they are forced to remove the burden of family structures. We are not yet faced with the modern nuclear family, but we are already faced with the need to reduce family intervention, the only way to have space for business affirmation" (Henriques, 1996, p.62).

The aforementioned development of legitimate trade had yet another fundamental consequence for the development of entrepreneurship: the generalized access of all to the creation and pursuit of business, a central element of the same entrepreneurship, by favouring competition and, consequently, increasing the efficiency of markets.

Henriques (1996, p.61) refers to a (first?) case of a successful Angolan entrepreneur, Narciso António Paschoal, who by 1880 was already rich due to an impressive entrepreneurial activity. This case is effectively an emblematic case because it is a figure that already denotes all the characteristics associated with current entrepreneurs in 21st century literature.

Another interesting case is that of the mestizo Lourenço Bezerra who, in the second half of the 19th century, carried out intense entrepreneurial activity in Angola. Among other businesses and initiatives, "the tobacco plantations he runs are proof of the entrepreneurial spirit and modernizing practices of this African trader" (Henriques, 1996, p.61).



Therefore, there are no doubts about the emergence of entrepreneurship in Angola during the second half of the 19th century, nor about the modern character of entrepreneurs of that time. "These men who run commercial 'companies', organize the different factors of production [...] inventing solutions and productions in order to respond to external demands, are the first examples of African businessmen [...] and they highlight the dynamism, flexibility, will and capacity for modernization of African societies" (Henriques, 1996, pp.64-65).

2.3. Pre-independence Angolan entrepreneurship

The historical period covered in this section applies, roughly, to the first three quarters of the 20th century.

This period begins with the regicide of D. Carlos I and of the heir to the throne of Portugal, on 1 February 1908, and the subsequent implantation of the Republic on 5 October 1910. It was followed by the historic period of the First Republic, which ended with a coup d'état on 28 May 1926.

These political transformations in mainland Portugal had a profound impact on the political orientation and administration of the "overseas provinces", substantially reducing the autonomy that the Portuguese colonies historically had enjoyed.

A discussion on fascist doctrine for colonial management, with emphasis on the new approach to racism that included a series of public exhibitions and monuments aimed at building an official memory of the history of this overseas province (Ball, 2018), the reorganization of the territory, forced relocation of native populations (Coghe, 2017; Cruz, 2019), forced labour, collective punishment and deportations (Keese, 2015; Neto, 2019), does not fit within the scope of this work. It is only necessary to point out that there was an interruption in the development of the entrepreneurship that had taken place since the middle of the previous century, with strong consequences on the possibility of capital accumulation by the African peoples.

Together, these factors favoured the development of "pan-Africanism" in Portuguese colonies, the antithesis found for the upsurge of Portuguese imperialism in Angola and in other Portuguese territories in Africa.

Pan-Africanism is "probably the most inclusive political movement of its time. It was a kind of nationalism uniting all those who thought that Africa should regain control of its own land by allying itself with the descendants of African slaves from the New World who were still the object of racial exclusion there" (Hart, 2007, p.95).

During this period, the institution of the "informal economy" was seen as a (new) way of pursuing entrepreneurship, no longer an opportunity entrepreneurship, but essentially a survival entrepreneurship, the result of economic and social exclusion and of worsening social inequalities.

It is a phenomenon that began to take shape with the urban revolution that occurred in Africa in the historical dynamics of the 20th century and that peaked in the transition from social democracy to neo-liberalism in the post-colonial period (Hart, 2007, p.97).

Grassi (1998) infers that "as the informal market is the predominant economic reality in many countries in sub-Saharan Africa, [...], it is in this space that, probably, although not exclusively, one has to look for the emerging African entrepreneur".



Lopes (2007, p.40) explicitly confirms the existence of an informal pre-independence economy in the city of Luanda. These "informal activities performed a strictly subsidiary function of the formal sector of the economy, dominant, structuring and endowed with the indispensable control and regulation mechanisms. The informal economy of Luanda was restricted to traditional handicraft activities, the provision of services - namely domestic services -, street commerce, door-to-door commerce, markets in slum areas, and activities related to the construction of housing for indigenous populations in its periphery".

Although there are (naturally) no official statistics that allow the phenomenon to be sized with absolute precision, the same source, citing data from 1995, states that "the informal economy of Luanda exclusively ensured the subsistence of 42% of families, representing 56% of the economically active population (population with 10 years of age or older) in the Angolan capital" (Lopes, 2007, p.39).

Several other studies, cited in the same work, allow us to estimate that the informal economy represented around 50% of the Angolan non-oil sector in this period, with a tendency to stabilize around this percentage, despite several increases and decreases to date.

Outside the informal economy, Rodrigues (2008), using data collected by Rela (1992), points out that in 1955, three quarters of the 1,810 companies registered in Angola were linked to agricultural production and semi-artisanal activities, such as mills, bakeries and joineries. There were no more than 12 industrial companies, almost all located in Luanda.

The same source states that "after the second world war, the increase in the importance of the port of Luanda - which started to compete with the largest one to date, Lobito - associated with the increase in commercial activity, made Luanda an attractive place for the implantation of industry" (Rodrigues, 2008, p.194). According to this work, by 1962 the number of companies operating in Angola had risen to 2,057 (13.64%) and the number of industrial companies to 19 (58.33%).

In the period between 1962 and 1973, on the eve of independence, "Angola's industrial production grew at a very high rate - around 15% per year - and in 1973, industrial production was linked to the light industry, concentrating on food (27.4%), beverages (11.3%), textiles (12.4%), chemical industry (11.7%) and the metal-mechanical sector (6.4%) (Rodrigues, 2008, p.190).

Using data from Ferreira (1999), Rodrigues (2008, pp.190-191) states that when independence took place, there were 3,846 companies in Angola's manufacturing industry. However, external dependence was around 50%, mainly for semi-finished products and raw materials.

What is not clear, in this analysis, is the weight of entrepreneurship in all this business activity, due to the industrial and agricultural constraints in the Portuguese empire. In fact, in this historical period, the business community of the time had little in common with the one described in the previous historical period.

Another relevant economic element of this period is the widespread use of child labour in Angola, which grew since the total ban on illegitimate trade and came to support the development of large extractive activities, namely the diamond sector (Cleveland, 2010).



2.4. Development of entrepreneurship in the post-colonial period

Lopes (2007, pp.37-38) refers that, until that date, one could speak of five distinct phases in the historical process of Angola's economy: (i) the transition period to the centralized economy (1975-1977), characterized by nationalizations and creation of state monopolies; (ii) the period of economic centralization and administrative regulation of the economic system (1977-1987); (iii) the embryonic period of the transition to the market economy (1987-1992), characterized by the progressive liberalization of the economy; (iv) the period of conditioned continuity (1992-2002), limited by the war effort; and (v) the period of macroeconomic stabilization in the context of peace, which has run since 2002.

Looking at this path, it seems clear that one can only speak again of (true) entrepreneurship in Angola after 2002 and, even so, adjusted by the economic informalization phenomenon.

The external economic dependence conditions that were already visible at the end of the colonial period conditioned the country's economic trajectory in the post-independence phase. "[...] The socio-cultural aspects were the determining factors for the stagnation of productive activities in Angola: the poor qualification of the workforce, the 'external' character of investment and industrial development [...] the lack of 'industrial culture', factors which, together with economic centralization - and the subsequent incapacity for economic management - and the war that started after independence, created the industrial scenario that existed until the beginning of the 1990s" (Rodrigues, 2008, p. 191).

There is also the interference of a fundamental (external) geopolitical element that had a decisive impact on the economic policy options and the degree of economic liberalization. It was the cold war, which was exported to Angola at an unprecedented level on the African continent (Sá, 2019).

From the same data, we can see that a decade after independence, the number of companies in operation had decreased from 4,000 to just 280, as a result of the Marxist-Leninist economic orientation implemented in the country and a large-scale migratory movement of people who fled the civil war (e.g. Schenck, 2016). It is possible to notice other factors with significant impact on the reduction of entrepreneurial activity until 1990: "difficulty in obtaining raw materials and energy, [and] degradation of existing equipment" (Rodrigues, 2008, p. 193). This was as consequence of the armed conflict and the adopted economic model.

The civil war in Angola and its devastating effects on the country's fragile economy accelerated the end of Marxism and the transition to a more open and liberal economic system in the period 1987-1992 (Pryor, 2005).

Still regarding the 1990s, it is important to mention Reis' study (1996), which provides some information on, among other aspects, entrepreneurial motivations and the characterization of the Portuguese Speaking African Countries' entrepreneurial base, including Angola.

The data collected between 1991 and 1994 allows us to conclude that the main entrepreneurial motivations in Angola, were: "to provide security for the wife and children", "to contribute to the well-being of family members" and "to continue learning". Regarding values and culture, it was possible to conclude that Angolan businessmen



agreed that “the change in social status is within everyone's reach”. Looking at the results as a whole, it seems that there was a certain ambivalence in the entrepreneurial logic, between survival, well-being and social ascension.

Entrepreneurial activity evolved significantly in Luanda: in 1997 there were 611 registered industrial companies and in the following year the number rose to 637, according to data from the National Statistics Institute of Angola, cited by Rodrigues (2008, p. 203).

As of 2002, the situation has changed. Thanks to a new form of business registration, REMPE, there are 10,609 companies registered in Luanda, of which 1,042 in the manufacturing industry.

The same source also informs that, between 2003 and 2004, there was a huge growth in the production of frozen fish, dried fish and common salt, with a decrease only in the production of artisanal fish (Rodrigues, 2008, p. 209).

Fonseca-Statter (2008, pp.52-61) refers to the situation in the years 2004-2005, trying to specifically characterize opportunity entrepreneurship in Angola (and in Mozambique too).

In particular, the following conclusions are highlighted: predominance of entrepreneurs from the public sector; prevalence of “Creole” entrepreneurs; entrepreneurs’ discomfort regarding the lack of efficiency of the public administration; high level of unemployment and small size markets.

At the same time, the same businessmen had the explicit objective to diversify and expand, suffering, consequently, from insufficient own funds and dependence on access to sources of other capital such as banking and venture capital, as well as the lack of qualified workforce.

The same source notes in Angola an environment “of almost euphoria and ambition, albeit mitigated by feelings of frustration in the face of difficulties”, leading to a model of “self-centred national reconstruction (of the type “there is everything here”)”.

Anjos (2009) notes that, according to the World Bank's “Doing Business 2008” report, Angola has an entrepreneurial performance below the average of oil-producing countries and Portuguese-speaking countries, being 167th out of the 178 countries studied.

As the main barriers to entrepreneurship, the length to set up a company and the difficulties in complying with the various administrative requirements stand out. The impact of corruption, supported by data from the International Monetary Fund, is also mentioned, considered one of the most important barriers to the development of entrepreneurship.

Ekungu (2016) notes that entrepreneurship is so central to the economic development of African countries that the United Nations itself, through UNIDO, started to work with these countries in the sense of entrepreneurship being introduced in the secondary education curriculum. In the case of Angola, such work started to be done in 2004, with a formal recognition of its importance in June 2007 with the approval of the national programme “Business Education in Secondary Education in Angola”, carried out in the 2011 academic year through the publication of Order No. 214-A/10 of the Ministry of Education on 5 November 2010.



2.5. Entrepreneurship in the contemporary period

The period 2002-2013 is undoubtedly the period of greatest expansion of entrepreneurship in the country, due to continuous economic growth and an environment of near social euphoria. However, it is also a period of appropriation and even confiscation of the country's main assets by the political elite, creating "state entrepreneurship" (Ovadia, 2018).

In mid-2014, a sharp and persistent drop in the price of oil in international markets began, causing a deep financial crisis in Angola and opening the door to a "continuity" political transition through the announcement of President José Eduardo dos Santos, in March 2016, that he would not re-apply for a new term in 2018, ending 39 years of office.

The worsening of the financial crisis peaked at the end of 2015. Between November and December of that year, all banks that sold physical US dollars (in notes) to Angola, except one, had this authorization revoked by the American Federal Reserve. At the same time, Angola was prevented from issuing sovereign debt securities in American currency, throwing the country into a currency and severe liquidity crisis.

This crisis had, among many others, two important consequences with a negative impact on the evolution of entrepreneurship in Angola: first, an increase in China's importance in the country's economy and political decisions and, secondly, a banking crisis of a dimension yet to be known.

With regard to Sino-Angolan relations, they date back to the period of the struggle for national independence, with China providing financial support to UNITA until 1970 and then focusing its support on the MPLA from 1972 onwards (Garret, 1976). After the explosion of Chinese economic growth as a result of its accession to the World Trade Organization, China's energy needs grew exponentially and Angola's importance for meeting those needs became especially relevant. In 2007, China overtook the USA as the main importer of Angolan oil and, in 2008, Angola represented 18.2% of total Chinese oil imports, reaching 204 million tons in 2009 (Burgos & Hear, 2012). Between 2016 and 2018, China became the main financier of the Angolan economy, exchanging products and services directly for oil, without circulating liquidity for Angola's economy. This exchange, whose concrete terms were never disclosed, rendered many of the existing and potential Angolan entrepreneurial initiatives unfeasible as Chinese goods and services are supplied and provided directly by Chinese companies using an overwhelming majority of labour and raw materials brought directly from China.

Regarding the banking system, it developed during the phase of accelerated economic growth (2002-2013) in a logic of financing the aforementioned "State entrepreneurship", while the oligarchic consolidation of the ruling MPLA elite lasted (Ferreira & Oliveira, 2018), which pushed Angola to the category of kleptocracy as the "Luanda Leaks" scandal reported in January 2020, revealing the contribution of the branches of three Angolan banks in Portugal in various international money laundering operations under investigation by several European authorities. With the financial crisis that started in 2014, many of these banks, heavily indebted in dollars in the international market to be able to finance numerous large-scale real estate projects, are in illiquidity and no longer able to finance national and local entrepreneurship, even at two-digit interest rates. And even those entrepreneurs who had already acquired some financial capacity due to the consolidation of their domestic commercial operation during the previous period, are



prevented from acquiring raw materials in the international market due to lack of access to foreign currency, resulting in the collapse of most of these initiatives.

Conclusion and reflection on the future

This work aimed to provide a historical perspective on the path of entrepreneurship in Angola, valuing its geographical dimension and the historical framework of entrepreneurship itself, as a concept, as an economic reality, and as a theoretical object.

It is only an exploratory study due to the relative scarcity of sources of information on a topic that is, perhaps, too specific.

Despite these limitations, it was still possible to draw some interesting conclusions. Firstly, it is noted that the "entrepreneurship" concept was born outside the theoretical mainstream, even by 18th century standards, and, to a large extent, was always much more a concept of "practical" than "academic" nature, until practically the 21st century.

The context of African entrepreneurship is currently one of survival entrepreneurship, given the vicissitudes of the historical process that prevented this continent, with few exceptions, from accessing scientific and technological infrastructures that properly support it.

It was also possible to identify, using several sources, that this entrepreneurship is closely linked - in about 50%, based on different estimates made in Angola in particular - to the so-called "informal economy", a historical process of economic disruption resulting from the urban revolution that occurred in Africa during the 20th century.

On the development of entrepreneurship in Angola, specifically, it was possible to locate the genesis of this phenomenon in the last quarter of the 19th century, in the context established in that country after the end of slave exports and the flourishing of legitimate trade.

It was possible to identify an individual entrepreneur with special historical interest, as he was certainly one of the first successful African entrepreneurs, from the business point of view, in Angola. He was Narciso António Paschoal and was active in 1880. He was surely not a stereotype, but his story proves the possibilities that were open to Angolan entrepreneurs in that period.

The analysis of Angolan entrepreneurship in the period between the end of the 19th century and 11 November 1975, the date of the country's independence, is hampered by the difficulty in accessing information sources.

However, it was possible to conclude that the political transformations that took place in mainland Portugal at the turn of the century, culminating in the coup d'état of 28 May 1926, led to the (almost) dismantling of the African entrepreneurial base in Angola, and even that of Portuguese economy origin was strongly limited by industrial and agricultural conditioning.

Angola's independence did not improve the country's business context, given the instability in which it is submerged as a result of the civil war that followed and the political option of alignment with the communist bloc led by the Soviet Union.

Until 1992, one cannot talk of a setback in entrepreneurial activity only because of the huge increase in the informal economy. From that year onwards, in the post-fall of the



Berlin Wall context and in the rubble of the first peace process, there was a reversal of that trend.

Another conclusion of this work is that we can only truly talk about entrepreneurship in Angola from 2002 onwards. However, the historical period that may have ended in 2014, presents the fight against corruption as a central challenge, as has been claimed by important international organizations such as the World Bank and the International Monetary Fund.

Based on the emphasis given by these bodies to the development of entrepreneurship, the relevance of its influence on economic development is also proven.

Also worth mentioning is the programme to introduce entrepreneurship education in the secondary education system in Angola, which started in 2011 and will certainly make a positive contribution in the context of the new Angolan historical dynamics, following the recent change of president.

Regarding the contemporary period, it should be noted that the financial crisis that started in mid-2014 has had extremely negative consequences on Angolan entrepreneurship. The reasons include the "invasion" of Chinese companies in all sectors of the country's economy, generating unfair competition in relation to local entrepreneurs, the collapse of liquidity in the banking system, which is no longer able to leverage existing or emerging entrepreneurial activity, and the extreme difficulty in accessing foreign exchange for the import of raw materials and fundamental services for the companies.

Finally, a brief reflection on scenarios for the future development of entrepreneurship in Angola. Undoubtedly, in the short term all the factors that have contributed negatively to the current situation will become even worse due to the pandemic crisis generated by Covid-19 in mid-March 2020. In the medium and long term, entrepreneurship is expected to increase in importance and weight in the generation of national wealth since, on the one hand, there are no alternatives to the country's economic diversification strategy, and, on the other, the conditions for foreign direct investment will not be attractive in a predictable context of greater market efficiency and less political intervention in the economy. In this scenario, and considering that the country's financial recovery will take place in an effective although gradual way, Angola may count, among other elements that have already been important in the recent past, such as the ambition and optimism of its entrepreneurs, on the creative capacity of its human resources (De Clercq & Pereira, 2019), on its privileged coastal location and low ethnic heterogeneity (Decker, Estrin & Mickiewicz, 2020), which may mitigate the country's lack of qualifications and scientific and technological capacity.

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THE IMPORTANCE OF LATIN AMERICAN SPACE IN THE INTERNATIONALIZATION OF PORTUGUESE SMEs

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Abstract

In the light of the transformation undergone in the last decade by the Portuguese economy, the internationalization of Portuguese companies through exports had a considerable growth, reducing the importance of domestic demand as the main variable in the contribution to GDP, this work addresses the role of SMEs in this process, analyzing the case of their internationalization to the Latin American space. The study is based on an empirical analysis of data resulting from a survey conducted in 2014, period where the transformation became clear, through the responses of 50 internationalized Portuguese SMEs to Latin America, which have been validated. Also, and with a focus on this research, the process was correlated with the relevant theories of internationalization, paving the way for more in-depth and methodologically based studies on this relationship with significant potential, but still little analyzed in the context of the Portuguese economy.

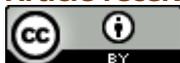
Keywords

SMEs, Latin America, Portuguese internationalization, Exports, FDI

How to cite this article

Brás-dos-Santos, André; Silva, Joaquim Ramos (2020). "The importance of Latin American space in the internationalization of Portuguese SMEs". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.6>

Article received on August 7, 2019 and accepted for publication on March 10, 2020





THE IMPORTANCE OF LATIN AMERICAN SPACE IN THE INTERNATIONALIZATION OF PORTUGUESE SMEs

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1. Introduction

The last decade presented a set of profound changes in the Portuguese economy, especially considering the two most negative milestones of its recent economic history: the impact of the global economic crisis triggered in 2007-08 and the subsequent rescue request to the IMF in 2011. It should be noted that the Portuguese gross domestic product (GDP) showed a recession in the period 2010–2015 with an annual rate close to -1%¹. Indeed, the country's economic growth was then in counter-cycle with the recovery seen in most European countries, which showed a modest but effective average growth rate of 0.6% in the same period. However, as of 2014, Portuguese GDP gradually resumed growth, especially for the years 2016-2018 (respectively, 1.9%; 2.8%; 2.2%), even surpassing, after a long period of non-convergence, the average GDP growth rate of the European Union².

Although the changes in the Portuguese economy were not confined to the external sector, the process of the last decade was accompanied by important shifts at this level. Thus, the country's current account registered a turnaround in its performance insofar until the end of the first decade of the XXI century it was clearly in deficit (even reaching 10.2% of GDP in 2010), unraveling an economic model based on the expansion of domestic demand boosted by imports. Just after, as of 2013, the Portuguese economy showed a surplus in the current account (which represented 1.6% of GDP in 2013)³, showing a shift towards a growth model more supported by an internationalization of firms and activities. Moreover, from 2013 to 2017, the current account registered 5 consecutive years with a surplus, respectively, as a percentage of GDP, of 1.6%; 0.1%; 0.1%; 0.6%; 0.5%⁴, numerical values with little significance, but striking from the point of view of the historical trend. It is true that in 2013-14, this surplus may also have resulted from the fall in imports caused by the recession and the policy measures associated to overcome it, but its persistence over a wider period and in quite different economic situations can create conditions for more structural changes.

It is important to note that, in light of the experience of the last decades, and towards an approximation to the existing model in European economies of comparable size, the change in the current account (which, incidentally, could be illustrated at other levels of

¹ Source: UNCTAD database 2018 (Gross domestic product: Total and per capita, growth rates, annual, 1970-2016).

² Source: Pordata – 2019.

³ Source: UNCTAD database 2018 (Balance of payments, Current account balance, annual, 1980-2016).

⁴ Source: Pordata – 2019.



external accounts, such as the goods and services account that also substantially improved its balance, or the financial balance; Silva, 2019: 72-3) was one of the main transformations of the Portuguese economy in the period under analysis. However, only the future can tell us if this is a strategic turning point leading to a consistent reduction in the importance of the traditional external constraints of the Portuguese economy. On the other hand, this process led to an increase in the internationalization of Portuguese companies induced by cyclical factors such as the lack of internal stimuli, in particular subsequent to the strong fall in domestic demand in the years 2011-2013, corresponding to -5.5%, -7.3%, -2.5% respectively in terms of homologous change (Table 1), and the lack of credit that has lately affected the companies, with emphasis on the Small and Medium Sized Enterprises (SMEs)⁵. In this regard, it was highlighted how “the estimates on the extensive and intensive margin suggest that a significant fraction of Portuguese SMEs was affected by financing restrictions. The results also suggest that smaller and younger companies were the most affected” (Farinha and Félix, 2014: 16).

Table 1 – Portuguese Economic Indicators 2010-2018: annual change in domestic demand and exports

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (%)	1.9	-1.3	-4	-1.6	0.9	1.8	1.9	2.8	2.1
Contribution of domestic demand to GDP	0.4	-2.9	-7.6	-2.5	0.3	1.1	0.9	1.3	1.3
Contribution of exports to GDP	1.5	1.7	3.6	0.9	0.6	0.6	0.9	1.5	0.8
Domestic demand annual change (%)	1.9	-5.5	-7.3	-2.5	2.2	2.7	2	3	2.8
Exports (weight in GDP in %)	30.1	35	38.2	40.3	40.9	41.2	40.7	43.3 (prov.)	44.3 (prov.)

Source: Banco de Portugal Spring Economic Bulletin, years 2010-2018 and Pordata, handled by the authors themselves.

Bearing in mind the objectives of this article, starting from what was previously mentioned, it is necessary to go further in the study of the internationalization of the Portuguese economy and firms, focusing on the case of SMEs, which are a fundamental pillar of the Portuguese enterprise structure (Table 2). Without wishing to underestimate the role and potential of large companies or the diversity within SMEs, it is important to emphasize that internationalization has a great impact on the economic performance of these companies, namely in the introduction of new products and services in the sectors where they operate, as well as internationalized SMEs are more likely to internalize active innovation processes, compared to those that only operate in the domestic market (European Commission, 2010).

Table 2 – Structure of SMEs and Large Companies in the Portuguese Non-financial Sector

	Number of Enterprises	%	Workers (Nr.)	%	GVA (millions €)	%
SME	1 195 064	99.9%	2 957 309	79.8%	54 265	63.5%
Big Enterprises	1 038	0.1%	747 431	20.2%	31 145	36.5%
Total	1 196 102		3 704 740		85 410	

Source: INE - Business statistics 2016 and treated by the authors themselves.

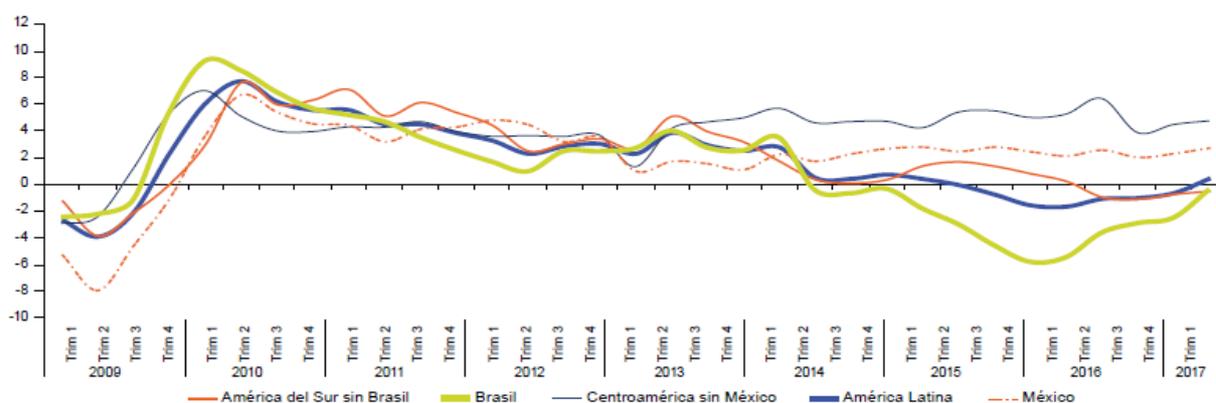
This work also aims to enlarge the research that has been carried out on the internationalization of Portuguese companies. In particular, we analyze here its orientation towards Latin American countries (focusing on the case of Ibero-American

⁵ We consider SMEs according to the European definition included in the Commission's recommendation 2003/361, which considers companies with less than 250 employees, a turnover of less than 50 million euros, a total balance sheet of less than 43 million euros; for a more detailed overview of the importance of SMEs in Portugal, see Silva and Simões, 2012: 824.



countries),⁶ not only because it is a close space in linguistic and historical terms to Portugal, but also because there was an increase in the economic potential of this region since the beginning of the century, opening up new opportunities for business. Consequently, and although Latin American countries are far from homogeneous (Graph 1), these markets may be important for Portuguese companies, especially SMEs, and in general for the Portuguese economy in search for a greater diversification of its external relations.

Graph 1- Latin American Countries: Growth trends, 2009-2017 (Rate of year-on-year change in quarterly GDP between the 1st trimester 2009 and the 1st trimester 2017)



Source: CEPAL – Panorama Económico y Social de la Comunidad de Estados Latinoamericanos y Caribeños, 2017.

We thus seek to bring a new angle to the research on the internationalization of Portuguese SMEs, knowing that there is a scarcity of studies aiming at the analysis of the external economic relations of Portugal with the Latin American space (Silva, 2008), especially if we exclude Brazil, as well as its results are still little known. For the construction and validation of this study, we started from a set of questions: What are the main difficulties and requirements faced by companies when entering these markets? What internationalization process did they follow? What types of support did they have and how do they evaluate them? In terms of methodology, our work is based on the analysis of statistical series, but above all it is based on a direct survey carried out in 2014 to a significant group of Portuguese SMEs that have internationalized to Latin American markets, thus reinforcing the study of the transition process towards greater internationalization of the Portuguese economy through a relevant empirical basis.

Taking into account the features of the Portuguese economy up to the mid-2010s that we have presented above, particularly in terms of its external relations, and the objectives of this research, related to the internationalization of Portuguese companies, more accurately of SMEs to Latin America, several sections compose the article. In Section 2, we present a brief theoretical framework, exposing the main theories related to international trade and foreign direct investment (FDI), which are relevant in our context. In Section 3, we address the issue of the Ibero-American Space, considering these nations as a whole, and the integration frameworks in which they are involved, in

⁶ The issue will be detailed below, in Section 3. Considering that the problems related to the economic relations between Portugal and Spain have a very different context compared to that of American counterparts, accordingly, Spain will not be considered for the purposes of the central theme of this work, therefore, we will only address its case, in the context of the Iberian integration process in the European Community, and within the subsequent steps that were taken with a view to Ibero-American integration, insofar as these processes (economic integration) are relevant in the context of relations between Portugal and Latin American countries.



particular that of the European Union for Portugal and Spain, an important vector, since it regulates a large part of the transactions under study. Section 4 is essential within the scope of this article, as it presents the survey carried out on Portuguese SMEs in their internationalization to Latin America, refers to the methodology that was followed, shows the results that were achieved, commenting on them and extracting a first set of conclusions about the process. Finally, Section 5 summarizes the main conclusions and raises some issues for further research.

2. Theoretical Framework

Considering the importance that internationalization processes have assumed in recent decades for most economies, it is necessary to present the theories that explain them, in particular with regard to its most significant flows and of greatest impact: international trade and foreign direct investment. This is what we do now, in an abbreviated manner and focusing on the essential.

Basically, according to the main theories on trade, the internationalization of economies goes through a process that leads to their specialization in certain products, based on the advantages that the country has, creating conditions for the exchange between commercial partners, through a greater efficiency that leads to an increase in *output* (with the same level of resources) to be shared. This approach was central to the classical authors of economic science, namely Adam Smith in his work *Wealth of Nations* (1776) whose lens used what would become known as the Theory of Absolute Advantages. According to Smith, countries should specialize according to their lower cost production (measured by labor cost, the only factor of production considered by these authors). However, considering two countries, this theory states that if one of them had lower costs in all relevant productions, it would have no interest in doing trade with the other and there would be no international specialization. David Ricardo will overcome this limitation in his reference work *Principles of Political Economy and Taxation* (1817), through the Theory of Comparative Advantages, which reformulates the question in other terms justifying trade even if one of the countries had all the absolute cost advantages in the production of goods. Rather, countries should specialize in products that have the lowest relative (and not absolute) cost, focusing on what they did most efficiently and opening up a wider space for international trade based on specialization with mutual benefits for the parties involved. Later, John Stuart Mill completed the contribution of the classical authors, drawing attention to the Law of Reciprocal Demand, that is, the exchange ratio is dependent on the reciprocal strength of the demands of each country in each product.

Although it is not the aim of this article to analyze the issue in depth, naturally, the positions of the classical authors have been subject to much criticism over the past two centuries; for example, specializing in one or another type of goods can have completely different consequences in the long run (for illustrative purposes, see that certain products correspond to a logic of increasing returns while others are in a decreasing returns drive, that is, in the long run the specialization process led to its ultimate consequences, may produce completely different results, i.e., unequal, as it was stressed by many authors, such as Reinert, 2007). In any case, classical theories remained a major benchmark for the internationalization process, both in terms of analysis and economic policy, although many of its initial assumptions have also been relaxed and/or changed.

On the path opened by the classical authors, one of the main developments was the emergence of the neoclassical theory of international trade during the first half of the XX century, well exemplified by the Heckscher-Ohlin Theorem, which later had several extensions. These authors gave up one of the basic classical hypotheses, considering two factors of production, capital and labor, explaining the international specialization by the endowment of each country in these factors. In the case of a greater abundance of one factor (for example labor) relative to the other, the country should specialize in goods



intensive in that factor, insofar as, having a cost advantage determined by its abundance, it was competitive (Santos, 2014).

Obviously, it is not our intention to present here in detail the development of these theories and all the reformulations and critiques they have originated (which still prevail in most international economics textbooks), but to show how the theories of internationalization of economies and companies follow certain rules and principles, which are essential for their good understanding. The same is also true for the case of foreign direct investment, which has gained much prominence in recent decades. Theories about capital movements, including FDI, developed later, as the classical authors postulated the international immobility of this factor. This premise was accepted for a long time, although this did not correspond entirely to the observed facts, even in the most remote times. Thus, it was only since the 60s and 70s of the last century that the theories on international capital movements emerged in a clear and autonomous way and proved to be adherent to the flows actually registered (which are in fact very diverse in nature from the financial ones to loans and direct investment). Within the scope of our research and given its importance for a sustainable internationalization process of companies, we will focus on two theories about FDI: the OLI (or Eclectic) Paradigm formulated by John Dunning and the contribution of the Nordic School of Business.

The OLI Paradigm is a model developed by John Dunning during the 1970s, having been the subject of constant reflection by the author between the 1970s and the beginning of the XXI century (Dunning, 2000, 2001), which led to important adjustments and clarifications. The term Eclectic comes from the fact that this Paradigm is based in a combined manner on the three main areas in which FDI can be envisaged: the ownership advantages (*Ownership Advantages* - O) that already exist in companies, or that may be enhanced in their international expansion; the localization advantages (*Localization Advantages* - L) that countries or international markets can offer with respect to moving assets (for example, advantages arising from human or natural resources they have); and the internalization advantages (*Internalization Advantages* - I), that correspond to a trend of companies that have specific ownership advantages with the possibility of combining the assets they have in different foreign markets, without going directly through the market. Despite its eclecticism, in the author's view, this paradigm has some limitations, firstly its focus is on multinational companies, and secondly because the paradigm is limited to the interdependence of its OLI variables (Santos, 2014).

In this sense, there is another theoretical approach relevant to our study, especially with regard to the internationalization of SMEs. The Nordic School of Business or Uppsala School that sought to model the internationalization process of Swedish companies in the 1970s, concluding that it is based more on a gradual sequence (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975). Thus, the internationalization strategy of companies may have more or less steps, including "leaps" in their more likely sequence during the internationalization process (Silva, 2002a: 61), recognizing, however, that the main phases are: export, export agents, sales subsidiary, and production subsidiary (Johanson and Vahlne 1990; Santos, 2014). According to this model, in the initial stage of the internationalization process, basically characterized by exports, companies tend to do business with countries or markets with a shorter "psychic distance"⁷. In the most advanced stages of the internationalization process, especially in the installation of a production branch, psychic distance is no longer such a determining factor in companies' FDI strategy, rather, factors such as the size of the market, or its specificities, with regard to the perceived attractiveness for FDI, which may be associated

⁷ The concept of psychic distance was developed by Vahlne and Wiedersheim-Paul in 1973, in a work in their original language and later developed in other works such as in Hällén and Wiedersheim-Paul (1979). It is the sum of all factors (language, culture, qualifications, political systems, history, corporate culture) that can cause entropy in the communication, circulation and analysis of information between countries, markets and companies, as there are deeper differences between the country of origin and the country receiving the FDI.



with factors such as customs tariffs, insertion in large economic areas, transportation costs, or domestic purchasing power (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975).

Regarding SMEs, and in contrast to the critique that was previously addressed to the OLI Paradigm (designed with big companies in mind, with vast resources, for example, with property advantages that allow important gains in imperfect competition, or with internalization advantages through their many branches around the world), the model of the Nordic Business School is based on a theory that supports an explanatory model, which takes into account the size and resources of SMEs, especially in the initial process of their internationalization (Johanson and Vahlne, 1990).

More recently Johanson and Vahlne (2009) reflecting on the Uppsala School model, highlighted the role of the Networks in the internationalization process, where companies within the network benefit from a privileged context of communication and interconnection, creating relationships in which learning and knowledge, business opportunities, and synergies in the internationalization process, are shared (Raposo et al., 2004). Taken as a whole, Johanson and Vahlne (2009) point us to yet another gap to be filled in the initial model:

When we built our original model, we were not aware of the importance of mutual commitment for internationalization. Now, our vision is that successful internationalization requires a reciprocal commitment between the company and its counterparts (Johanson & Vahlne, 1990; Vahlne & Johanson, 2002) (Johanson and Vahlne, 2009: 1414).

To conclude this section, it should also be noted that recent empirical work has contributed to clarify important theoretical issues related to the substance of our research, i.e., international economic relations between countries with some degree of cultural proximity in the broad sense. For example, gravitational models that initially sought to explain international trade and investment by factors of a physical nature such as geographical distance or else by the value of production, measured by the size of GDP (Cechella et al., 2009; Cechella et al., 2012), showed limitations leading to the conclusion that this type of influences is not as important today as it was in the past or was thought to be (Eichengreen and Irwin, 1998), while factors such as language and historical and institutional proximity have been gaining relevance having a role that should not be underestimated in any way (Silva, 2005; Costa, 2005, Cechella et al., 2014). In addition to other aspects, these considerations imply that the explanation of international flows must also take into account the contribution of other scientific areas, such as history, political science and international relations that study facts and dimensions that influence many economic ties and partnerships that are established on a global scale.

3. The Ibero-American Market

3.1. The Socioeconomic nature

The Ibero-American Space is an important cultural and economic space that brings together twenty-two states, nineteen on the American continent, being: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela, plus the three states that make up the Iberian Peninsula: Andorra, Spain,



and Portugal, with two languages of Latin origin - Portuguese and Castilian⁸. The population of this space corresponds to about 9% of the world population, with an expected increase of approximately 90% in the period from 1990 to 2030, from 477 million inhabitants to 748 million inhabitants. Being that it is subdivided into a ratio of 33.33% of the population of Portuguese-speaking countries, and 66.67% of the population of Spanish-speaking countries, with a trend towards a slight increase in the weight of the population of this language, because it has grown at a higher rate (Table 3).

Table 3 - Ibero-American Population *

Years	1990	1995	2000	2005	2010	2015	2020	2025	2030
Total Ibero-American population (thousands)	477305	517790	556790	595009	632762	666003	697079	724788	748964
Percentage of the total population	8.95%	9.0%	9.06%	9.09%	9.09%	9.02%	8.94%	8.85%	8.75%
Portuguese-speaking countries as% of population	33.37%	33.30%	33.34%	33.19%	32.78%	32.49%	32.15%	31.79%	31.42%
Castilian-speaking countries in% of population	66.63%	66.70%	66.66%	66.81%	67.22%	67.51%	67.85%	68.21%	68.58%

* It includes all the countries in this space, located on the Iberian Peninsula or on the American continent.

Source: UNCTADSTAT and handled by the authors themselves.

With regard to the economy of the Ibero-American Space, we can divide it into three economic regions: Iberian countries, South American countries, and Central American and Caribbean countries. The economic space as a whole showed a constant growth in GDP and GDPpc in the two decades of 1990 and 2000, with the respective global GDP growth of 34% and 33%. In the decade that started in 2010, however, there was a slowdown of GDP within this space, with a similar impact on GDPpc as well as a reduction of its share in terms of world output (Table 4).

Table 4 - Macroeconomic Data for the Ibero-American Space (GDP and GDPpc at constant 2010 prices)*

Years	1990	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017
Total GDP of the Ibero-American space (Thousands of dollars)	3827668	4392883	5132076	5863994	6831409	7043932	7147801	7280569	7359376	7386739	7339087	7433036
Growth rate (%)		14.77%	16.83%	14.26%	16.50%	3.11%	1.47%	1.86%	1.08%	0.37%	-0.65%	1.28%
Percentage in relation to World GDP	10.06%	10.40%	10.25%	10.07%	10.33%	10.32%	10.22%	10.15%	9.98%	9.74%	9.45%	9.29%
GDP pc of the Ibero-American space (dollars)	7238	7631	8614	8907	9508	9690	9809	9948	10109	10274	10403	10604
GDP pc ratio of Ibero-American / World	1.014	1.039	1.057	1.070	1.049	1.043	1.039	1.043	1.044	1.042	1.032	1.024

* Data include all the countries in this space, located in the Iberian Peninsula or the American continent.

Source: UNCTADSTAT and handled by the authors themselves.

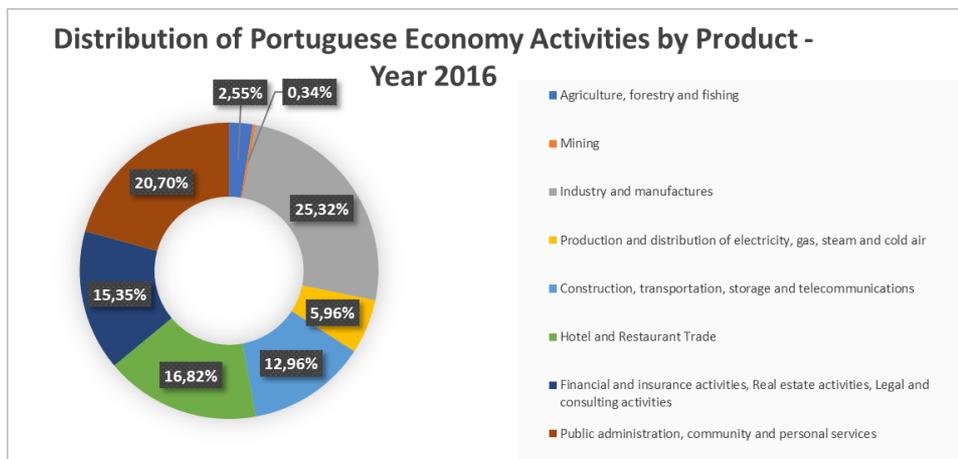
3.2. Ibero-American market analysis

The nature of the market in the three regions that make up the area is somewhat different, especially between the American countries and the states that make up the Iberian Peninsula. For the former, we can identify that there is a greater emphasis on primary and extraction activities, as well as on construction, which reveals the relative gap in the development of these regions, where the need to build infrastructure to support economic activities is evident. Comparing with Portugal, we also note that in the American Regions there is a much lower weight of manufacturing industries. These are some of the conclusions that we can draw through a careful reading of Graphs 2 to 4.

⁸ As stated on the website of the Ibero-American General Secretariat, <https://mandatos.segib.org/pt-br> [Consulted on 18/02/2019].

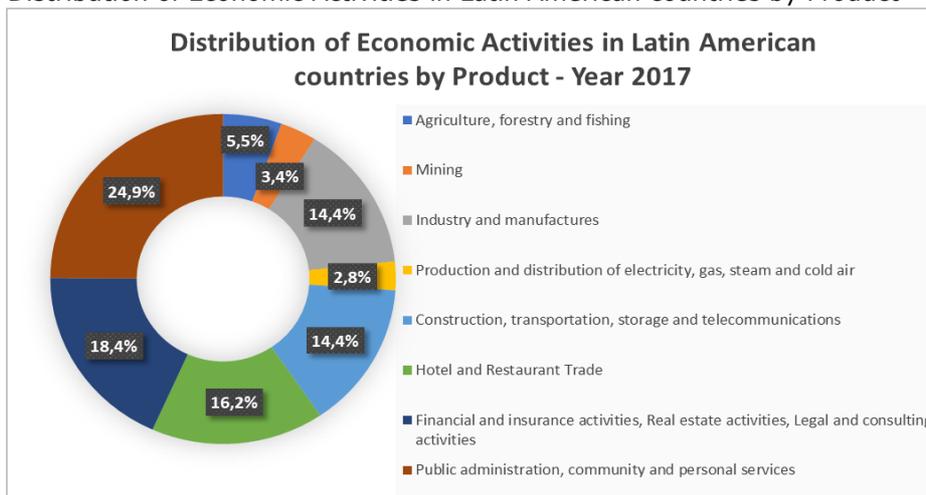


Graph 2 - Distribution of Portuguese Economy Activities by Product - Year 2016



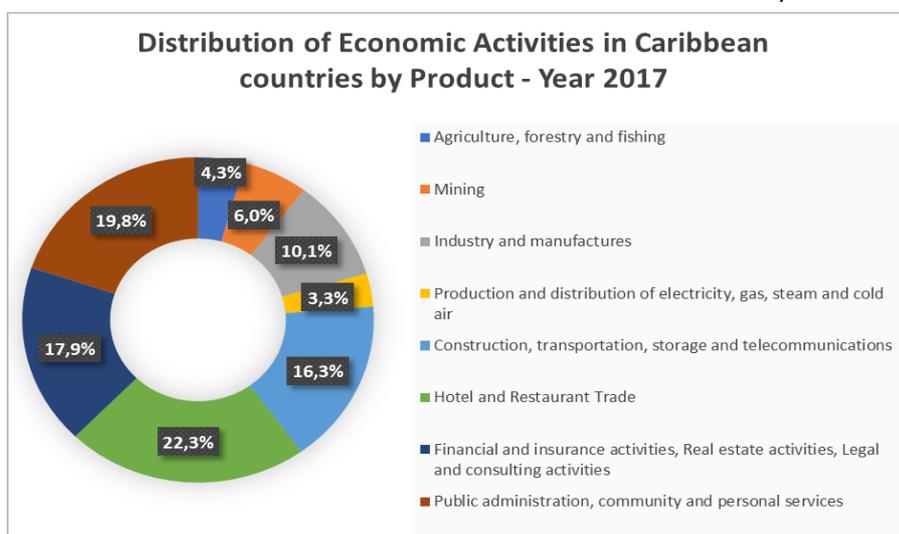
Source: PORDATA - 2019. Edited by the authors.

Graph 3 - Distribution of Economic Activities in Latin American countries by Product - Year 2017



Source: ECLAC - Latin American and Caribbean Yearbook, 2018. Edited by the authors.

Graph 4 - Distribution of Economic Activities in Caribbean Countries by Product - Year 2018



Source: ECLAC - Latin American and Caribbean Yearbook, 2018. Edited by the authors.



According to what we referred to in the theoretical part, and analyzing the distribution of production in the countries of Latin America and the Caribbean it can be concluded that they have a strong endowment in natural resources, so it is not surprising that their exports have a significant weight of products associated with raw materials, which makes them very sensitive to fluctuations in their prices in international markets. For example, the fall in the price of commodities in the mid-2010s was one of the factors that most contributed to the poor economic performance in several countries in the region, compared to the first decade of the XXI century.

3.3. International Cooperation in the Ibero-American Space

The integration process of the Ibero-American Space has several levels, since it is subdivided by the set of international cooperation relations between states. Portugal and Spain are on a higher level of integration, since they belong to the European Community (since 1986), the European Union (since 1992 with the Maastricht Treaty), and the Monetary Union (since 1999), making them partners for excellence with regard to most of the international community policies, constituting in particular an important factor for the development of the process of rapprochement between the European Union and the Latin American countries (Trein and Guerra Cavalcanti, 2007). Indeed, the strong links of the two Iberian countries to Latin America are one of the aspects that most value their position in the European context. It is not surprising that the I Ibero-American Summit⁹ was held in Guadalajara, Mexico in 1991, taking the first step in the process of integrating the Ibero-American Space in its entirety, just a few years after Portugal and Spain joined the European Community.

For its part, the Latin American Market is distinct from the point of view of the cooperation and integration of the Regions of Central America and the Caribbean, and of South America. We will now highlight the two most relevant cases from this point of view. In 1991, the Mercosur Treaty was signed, originally by four countries in South America: Argentina, Brazil, Paraguay and Uruguay and later in 2012 Venezuela also joined, appearing with the objective of promoting an integration logic, aiming at an enlarged and deeper common market, that serves as a platform for the participation of these states in the global market under more favorable conditions (Diz and Luquini, 2011; Kegel e Amal, 2013). More recently in 2012, the Pacific Alliance was created, "composed by Colombia, Peru, Chile and Mexico, which brings together countries with very close international patterns, guided by trade liberalization and the signing of free trade agreements with developed and developing countries" (Bressan and Luciano, 2018: 74).

Regarding institutional relations between the European Union and Latin America, reference should also be made to the "signing of the Interregional Agreement between the EU and Mercosur, with the aim of covering trade and economic issues, cooperation on integration and other areas of mutual interest, in order to strengthen relations between the two regions" (Santos, 2014: 24)¹⁰. However, and according to Diz and Luquini (2011), there has not been a great evolution in the integration of these two spaces, and over the past two decades there were some advances, but numerous obstacles to the process were also raised. However, and more recently, the European Union and Mercosur signed a new agreement on 28 June 2019, which could lead to deeper economic integration between these two spaces, that is, as reported, "today they reached a political agreement with a view to an ambitious, balanced and comprehensive trade

⁹ XXVI Summits (Cumbres) have been held so far, and the Ibero-American Cooperation Secretariat was established at the IX Summit in Havana, Cuba in 1999 (SECIB). Organ that stipulates the true institutionality of the Ibero-American system (Freres, 2005).

¹⁰ Interregional Agreement signed in 1995, however, it was only approved by the Council of European Ministers in 1999.



agreement. The new commercial framework — which is part of a wider association agreement between the two regions — will consolidate a strategic partnership at the political and economic level and create important sustainable growth opportunities for both parties”¹¹. Regardless of this step forward, it should be remembered that the process leading to a greater degree of free trade between the EU and Mercosur was launched in the 1990s and the results to date have been scant,¹² so the new agreement must be monitored with caution, especially since important doubts persist about its implementation from both sides.

3.4. Portugal and the Latin American market

It is also necessary to make a brief analysis of the economic relations between Portugal and the Latin American countries.

As we have already mentioned, exports have recently been determinant for the development of the Portuguese economy, the country has been experiencing a consolidated growth where we can see that the weight of exports in relation to Portuguese GDP grew significantly. Table 1 showed that in 2010, the weight of exports (goods and services) in GDP was 30.1%, and that, in 2018, it was expected to reach a value of 43.3% of GDP, which corresponds to an effective transformation of the Portuguese tradable economy. With regard to the exports of goods (those that have the greatest weight in the group), they present some diversification of the products supplied by the industry, since there is not an excessive concentration in one or two main products. Thus, we can identify the main products exported by Portugal in 2017, as a percentage of total exports: Refined Petroleum Products (4.7%), Motor Vehicles (4.2%), Automotive Components (4.1%), Leather Shoes (3.5%), Uncoated Paper (1.9%), Tire Rubber (1.8%), Packaged Medicines (1.7%), Seats (1.7%), Knitted Sweaters (1.4%), Wine (1.4%). These ten products are equivalent to about 26.4% of total Portuguese exports.¹³

Looking now at exports to the Latin American market, we find that this space does not have a large weight in the total of Portuguese exports, having varied between 3.1% and 4% in the last decade (Graph 5). On the other hand, and according to Table 5, in the region, the main destination countries for Portuguese exports are: Brazil with a weight between 1.26% and 1.73%; Mexico between 0.65% and 0.97%; Argentina between 0.15% and 0.36%; Chile between 0.18% and 0.27%; Colombia, which grew in this decade from 0.06% in 2010 to 0.18% in 2016; finally, Venezuela, a country where a vast community of the Portuguese diaspora lives, but that, in recent years, has been going through a deep economic crisis, with direct repercussions on Portuguese exports. Indeed, we can see that Venezuela absorbed 0.64% of national exports in 2013, and that it does not go beyond 0.02% in 2017. Despite the fact that the Ibero-American market does not have a very significant weight in Portuguese exports, it should not be neglected, quite the opposite, as it is a market that allows an expansion of Portuguese foreign trade. Due to its Latin linguistic and cultural proximity, including migration movements, whose influence we have referred to in the theoretical part, but also to the size and potential of the market itself, both factors put Latin American countries as an important space in future Portuguese internationalization strategies.

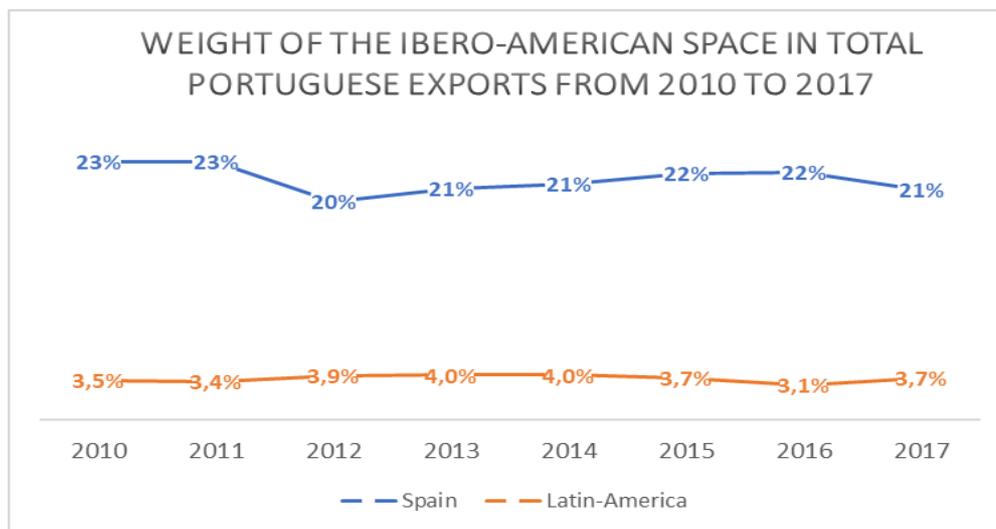
¹¹ https://ec.europa.eu/commission/presscorner/detail/pt/ip_19_3396 [Consulted on 12/07/2019]

¹² For an analysis of the initial phase of this process and the main problems that arose since its very beginning, as well as its permanence and difficult resolution, see for a broader development chap. 3 of Silva, 2002b: 161-202.

¹³ According to the data collected from Observatory of Economic Complexity (OEC) - <https://atlas.media.mit.edu/pt/profile/country/prt/> [Consulted on 08/04/2019].



Graph 5 – Weight of the Ibero-American Space in Total Portuguese Exports from 2010 to 2017



Source: Observatory of Economic Complexity (OEC) – 2019. Edited by the authors.

In this regard, it is worth mentioning the example of Spain, which is currently the main foreign market of Portugal with a share from 1/4 to 1/5 of national exports (Graph 5) because in the last 50 years this bilateral trade witnessed a radical transformation. In 1968, Spain represented no more than 1.5% of Portuguese exports, only having a significant weight after the EEC membership, in 1986, in the year of 1988 the neighboring country reached a weight of 11.2% and in 1991 of 14.9% (Silva, 1993: 182). This example demonstrates that economic relations between states are not static, and that often depend on internationalization strategies and institutional relations between countries, hence we consider that just like the Spanish case in the last half century, the Ibero-American market may come to play an important role in future Portuguese internationalization strategies, with important effects in terms of the orientation of companies and their preparation.

Table 5 – Portuguese Exports to the Latin American Space (as a percentage of total Portuguese exports).

	2010	2011	2012	2013	2014	2015	2016	2017
Spain	23%	23%	20%	21%	21%	22%	22%	21%
Latin-America	3.5%	3.4%	3.9%	4%	4%	3.7%	3.1%	3.7%
Argentina	0.20%	0.15%	0.19%	0.36%	0.18%	0.32%	0.16%	0.23%
Bolivia	0.004%	0.01%	0.01%	0.01%	0.02%	0.03%	0.01%	0.02%
Brazil	1.26%	1.46%	1.7%	1.69%	1.73%	1.45%	1.18%	1.68%
Chile	0.29%	0.21%	0.22%	0.18%	0.23%	0.23%	0.25%	0.26%
Colombia	0.06%	0.09%	0.13%	0.10%	0.16%	0.16%	0.18%	0.12%
Costa Rica	0.03%	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%	0.01%
Cuba	0.05%	0.05%	0.10%	0.07%	0.07%	0.09%	0.09%	0.08%
Dominican Republic	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%	0.05%
Ecuador	0.03%	0.03%	0.03%	0.07%	0.05%	0.1%	0.07%	0.04%
El Salvador	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%	0.02%	0.03%
Guatemala	0.01%	0.01%	0.01%	0.02%	0.02%	0.04%	0.03%	0.03%
Honduras	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Mexico	0.97%	0.88%	0.64%	0.61%	0.75%	0.70%	0.71%	0.94%
Nicaragua	0.002%	0.002%	0.005%	0.004%	0.004%	0.005%	0.004%	0.01%
Panama	0.018%	0.02%	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%



Paraguay	0.005%	0.04%	0.05%	0.06%	0.046%	0.03%	0.03%	0.04%
Peru	0.06%	0.06%	0.08%	0.08%	0.08%	0.1%	0.08%	0.08%
Uruguay	0.02%	0.02%	0.03%	0.04%	0.09%	0.03%	0.02%	0.02%
Venezuela	0.44%	0.30%	0.59%	0.64%	0.44%	0.27%	0.15%	0.02%

Source: Observatory of Economic Complexity (OEC) – 2019. Edited by the authors.

4. Analysis of the Internationalization of Portuguese SMEs to the Latin American Space

4.1. The empirical survey and its methodology

As part of this work, in June 2014, a survey was carried out on Portuguese SMEs, in order to characterize their internationalization process for Latin America, which results are presented and analyzed in this section. We started from a database of SMEs and exporters to Latin American countries of 5872 companies as the universe of the study. This total was reached by joining a list of excellence SMEs in the year 2013 from IAPMEI with 3920 companies, and a database of companies exporting to the Central and South American markets of AICEP with 1952 companies. In the development of the research, we also counted on the precious help of business associations that participated in the survey and disclosed it to their associates.

We obtained responses from 107 companies, corresponding to 1.8% of the universe's population, of which 50 questionnaires were validated within the parameters of the study (0.85% of the population), for being SMEs according to the criteria mentioned above and for being internationalized to Latin America.

The survey was divided into four categories of questions: I - Company data, II - Export profile of the SME, III - Outline of the international investment profile of the SME, IV - Outline of the internationalization process and assessment of the institutional role. In preparing the inquiry, we took as a base the survey prepared by Simões (2010), and adapted to the study of SMEs by Silva and Simões (2012), which was complemented with new questions, aimed at obtaining data on the assessment of organizations, following the methodologies of Hill and Hill (2008) and Manheim *et al.* (2007). SPSS (version 22) was also used to perform tabulation, coding and analysis of information, based on a descriptive analysis of frequencies.

4.2. Outline of the profile of SMEs and their internationalization

Most of the companies that compose the sample come from 5 districts of the coast of Portugal (Porto, Aveiro, Lisbon, Leiria and Setúbal), which correspond to 76% of the total. Most of these companies are connected to the manufacturing industries, 64%, and most companies have an equity capital over 100 thousand euros, 69.4%. From the point of view of jobs, we identified that 88% of the SMEs surveyed have more than 10 workers. We could also observe that in the international activity, 70% of the companies are orientated to export, 16% export and make direct investment, and that 14% maintain another type of international activity, such as partnerships.

From the point of view of consolidating the internationalization of companies, the results of the survey show that two thirds have had international activity for more than ten years, i.e., 66%. Regarding the importance of international activity in the invoicing of companies, we found that the weight was greater than 50% of the total in 40% of the sample, and between 25 to 50% of the total in 23% of the sample. Regarding the type of presence in the countries to which they export, through Table 6, we can see that the most frequent way is the "direct approach to the customer" (28%), followed by 'no presence' (8%), the existence of an 'agent' (8%), and a 'network of distributors' (8%).

Table 6 – Types of External Presence



Types of Presence	Frequency	Percentage	Cumulative percentage
Direct Customer Approach	14	28%	28%
No presence	4	8%	36%
Agent	4	8%	44%
Distributor Network	4	8%	52%
Agent and Direct Customer Approach	3	6%	58%
Agent Network, Direct Customer Approach	3	6%	64%
Distributor Network, Direct Customer Approach	3	6%	70%
Agent, Agent Network, Distributor Network	2	4%	74%
Subsidiary / Branch	2	4%	78%
Agent, Agent Network, Direct Customer Approach	1	2%	80%
Agent, Agent Network, Distributor Network, Direct Customer Approach	1	2%	82%
Agent, Distributor Network	1	2%	84%
Agent, Distributor Network, Direct Customer Approach	1	2%	86%
Agent, Distributor Network, Subsidiary / Branch	1	2%	88%
Agent, Distributor Network, Subsidiary / Branch, Direct Customer Approach	1	2%	90%
Subsidiary / Branch, Direct Customer Approach	1	2%	92%
Displaced service provision	1	2%	94%
Agent Network	1	2%	96%
Agent Network, Distributor Network, Direct Customer Approach	1	2%	98%
Tourism	1	2%	100%
Total	50	100%	

Respecting the (export) activities that have already been carried out, it was found that the country most mentioned by companies was Brazil (31% of the mentions), followed by Colombia (16%), Mexico (12%), Chile (10%), Argentina (7%), and Uruguay (7%), and they still export irregularly to ten other countries and seven others are not even mentioned (Table 7). However, we found that 47% of the companies expressed interest in exporting in the future to Latin America, with special relevance to Colombia (13%), Brazil (10%) and Mexico (8%) (Table 8).

Table 7 - Latin American Countries to which they Export?

Country	Total Mentions		1st Position		2nd Position		3rd Position	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Brasil	18	31%	16	57%	1	5%	1	8%
Colombia	9	16%	2	7%	4	18%	3	23%
Mexico	7	12%	4	14%	2	9%	1	8%
Chile	6	10%	4	14%	1	5%	1	8%
Argentina	4	7%	1	4%	2	9%	1	8%
Uruguay	4	7%	0	0%	2	9%	2	15%
Honduras	2	3%	0	0%	2	9%	0	0%



Country	Total Mentions		1st Position		2nd Position		3rd Position	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Peru	2	3%	0	0%	1	5%	1	8%
Venezuela	2	3%	0	0%	1	5%	1	8%
Costa Rica	1	2%	0	0%	0	0%	1	8%
El Salvador	1	2%	1	4%	0	0%	0	0%
Panama	1	2%	0	0%	1	5%	0	0%
Paraguay	1	2%	0	0%	0	0%	1	8%
Bolivia	0	0%	0	0%	0	0%	0	0%
Cuba	0	0%	0	0%	0	0%	0	0%
Ecuador	0	0%	0	0%	0	0%	0	0%
Guatemala	0	0%	0	0%	0	0%	0	0%
Haiti	0	0%	0	0%	0	0%	0	0%
Nicaragua	0	0%	0	0%	0	0%	0	0%
Dominican Republic	0	0%	0	0%	0	0%	0	0%
Total Validated	58	100%	28	100%	17	77%	13	100%
<i>Others without indication</i>	15		5	15%	5	23%	5	28%
Total	73		33		22		18	
<i>Jamaica</i>					1		0	
<i>Guyana</i>							1	

From the point of view of FDI, we note that its importance is reduced when compared to exports. In this sense, only 46% companies of the sample responded to the survey, but we were still able to identify the following: 65% of these companies hold FDI in Latin America for less than 2 years. The weight of these investments is still low as for 44% of respondents it is less than 5% of the billing, and with an accumulated value of 88% of companies where the weight is less than 25% of the billing. In terms of the countries receiving FDI, out of the 20 possible, it appears that only 8 countries attracted direct investment by the companies surveyed, where Brazil stands out (22%), Argentina (11%), Chile (11%), Colombia (11%), Costa Rica (11%), Mexico (11%), Panama (11%), and Peru (11%). In answering the question about the interest in future FDI movements, only 18% of possibilities for investments in Latin America were considered, with the remaining 82% in several countries on other continents.

Table 8 - Future Exports for Countries in the General Context

Country	Total Mentions		1st Position		2nd Position		3rd Position	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Percentage	Frequency
Colombia	8	13%	3	13%	3	14%	2	12%
Brazil	6	10%	5	21%	1	5%	0	0%
EUA	5	8%	3	13%	1	5%	1	6%
Mexico	5	8%	0	0%	3	14%	2	12%
Germany	4	6%	1	4%	1	5%	2	12%
France	3	5%	0	0%	3	14%	0	0%



Country	Total Mentions		1st Position		2nd Position		3rd Position	
	Frequenc y	Percentag e	Frequenc y	Percentag e	Frequenc y	Percentag e	Percentag e	Frequenc y
Russia	3	5%	2	8%	0	0%	1	6%
Angola	2	3%	1	4%	1	5%	0	0%
Argentina	2	3%	1	4%	0	0%	1	6%
Spain	2	3%	1	4%	0	0%	1	6%
Panama	2	3%	1	4%	1	5%	0	0%
Peru	2	3%	2	8%	0	0%	0	0%
Poland	2	3%	0	0%	1	5%	1	6%
Uruguay	2	3%	0	0%	0	0%	2	12%
Saudi Arabia	1	2%	0	0%	0	0%	1	6%
Belgium	1	2%	1	4%	0	0%	0	0%
Belize	1	2%	0	0%	1	5%	0	0%
Cape Verde	1	2%	1	4%	0	0%	0	0%
Chile	1	2%	1	4%	0	0%	0	0%
China	1	2%	0	0%	1	5%	0	0%
South Korea	1	2%	0	0%	1	5%	0	0%
Holand	1	2%	0	0%	1	5%	0	0%
Indonesia	1	2%	0	0%	0	0%	1	6%
Mozambique	1	2%	0	0%	1	5%	0	0%
Norway	1	2%	0	0%	0	0%	1	6%
Paraguay	1	2%	0	0%	1	5%	0	0%
United Kingdom	1	2%	0	0%	0	0%	1	6%
Trinidad and Tobago	1	2%	1	4%	0	0%	0	0%
Total	62	100%	24	100%	21	100%	17	100%
<i>Latin America</i>	29	47%	13	54%	9	43%	7	41%
Other Regions	33	53%	11	46%	12	57%	10	59%

4.3. Evaluation of the internationalization process and of the Portuguese Institutions that provide support

Other relevant aspects for the internationalization process were also inquired, namely, what are the preferential forms of approach? What are their motives? What are the main obstacles to the process?

In terms of the preferential forms of approach, we identified that the main were «Displacement and direct contact» (74%), and «Participation in fairs» (68%). Regarding the motives, the most mentioned was «Increase in market share» (82%), followed by «Notoriety and recognition in the national market» (30%) and «Proximity to customers» (28%) (Table 9). As for the obstacles identified in the process, the most relevant were the «Bureaucratic aspects» (64%), as the second most frequent reason is the «Lack of incentives» (34%), following in third position, simultaneously, the «Difficulty to obtain financing» and the «Lack of information» (22%). A still relevant reason is the «Difficulty of access to institutions» (18%).



Table 9 - Main Motives for Internationalization?

Motives for internationalization	Yes		No		Total
	Frequency	Percentage	Frequency	Percentage	
Increased market share	41	82%	9	18%	50
Notoriety and recognition in the national market	15	30%	35	70%	50
Resource search	7	14%	43	86%	50
Proximity to customers	14	28%	36	72%	50
Fairer product valuation	1	2%	49	98%	50
Presence of a foreign community in the company's region	1	2%	49	98%	50

The companies also carried out an evaluation of the main institutions that, in Portugal, give support to the internationalization process, from Bad (score 1) to Very Good (score 5), reserving a score of 3 for cases in which the company does not know or does not respond (position of indifference). The results are showed in Table 10: the Business/Commercial Associations are the highest scored (165 points), followed by Chambers of Commerce (152 points), IAPMEI (151 points), AICEP and Embassies/Consulates (140 points) and finally the Government (122 points). It is interesting to note that the responding firms value professional organizations such as business associations and chambers of commerce more than government bodies like AICEP, embassies/consulates (or the government), the latter being specifically formed or dedicated to the purpose.

Table 10 – Assessment of Institutions

	AICEP	Business/Trade Associations	Chambers of Commerce	Embassies/Consulates	Government	IAPMEI
Bad (1)	16	5	8	15	16	5
Reasonable (2)	9	14	7	4	3	13
Good (4)	13	11	7	4	3	12
Very Good (5)	9	14	9	10	2	6
NS/NR (3)	3	6	19	17	26	14
Score	140	165	152	140	122	151

Companies were also asked to suggest improvements to institutions. Of the 50 companies, 24% presented suggestions, which were summarized in Table 11.

Table 11 – Companies' Suggestions for Improving the process

Summary of Suggestions
<ul style="list-style-type: none"> • Have an organized and credible dossier by markets with potential buyers so that companies can make the contacts
<ul style="list-style-type: none"> • Simplification of processes
<ul style="list-style-type: none"> • Create representations manager, hold meetings with commercial attachés of embassies who do not want only the prestige of the name of the position, look for the main purchasing managers in companies with placement capacity, etc. Anyway, anything that is not passive, reactionary and lethargic
<ul style="list-style-type: none"> • In some markets, more human and financial resources are needed for the local support of companies
<ul style="list-style-type: none"> • Ability to streamline processes and facilitate financing for SME projects



Finally, it was important to know what is the assessment that companies have of their own internationalization process, with only 6% of companies considering their experience as unsatisfactory (Table 12). The remaining companies, with the exception of 6% who have no opinion, considered the experience as positive, albeit to varying degrees. It should be noted that 42% rate the experience as good and 16% as very good.

Table 12 - How do you Evaluate your Internationalization Experience?

	Frequency	Percentage	Cumulative percentage
Unsatisfactory	3	6%	6%
Satisfactory	15	30%	36%
No opinion	3	6%	42%
Good	21	42%	84%
Very good	8	16%	100%
Total	50	100%	

5. Conclusions

This work aimed to carry out a political and economic analysis of the internationalization of the Portuguese economy to Latin America, focusing on the role of SMEs. We first saw how SMEs are a major driver of the Portuguese economy, both in terms of their number and the weight they have on gross added value and employment. The recessionary climate of the Portuguese economy in the early 2010s made the need for going international imperative. It is in this context that we intend to assess how Latin America, an area where there is linguistic and historical proximity (just remember the great migration currents of the past) prove to be an international destination of significance for Portuguese SMEs.

In the light of the internationalization theories that we focused on the theoretical section, we tried to identify the contours of this process, for example, testing the relevance of some concepts such as Psychic Distance. In this sense, it was possible to confirm that the Ibero-American market is not very expressive in the Portuguese exports as it did not correspond, on average of the years 2010-2017, to more than 3.7% of the total. Even so, and from the responses to the survey, we found that the Latin American space should be taken seriously into consideration in the further steps towards internationalization of Portuguese SMEs, insofar it corresponds to 47% of the companies' intentions of exportation.

In an evaluation of the internationalization process of the SMEs that were surveyed, we can identify that they present a behavior somewhat similar to the process suggested by the Theory of the Nordic School of Business, i.e., a "gradual process of internationalization". Since most companies (about 70%) are only dedicated to exports, and directly looking for the customer, we note a residual number of companies that have an "agent" or a "distribution network". With regard to FDI, we confirmed that few companies in the sample invested in Latin America, which for the case of SMEs should not be surprising given what we referred to above regarding their access to resources, namely financial and human resources. Considering another recent survey (*Return on Ideas*, 2018), it corroborates the analysis we presented earlier with regard to the internationalization of Portuguese SMEs into the world market. Actually, it states that direct exports to international customers (61%), occasional exports (25%), and exports through international agents (16%) are the main forms of internationalization for Portuguese SMEs, while the use of FDI by these companies is residual, taking the form of its own branch and/or subsidiary (9%) and the presence abroad is rarely translated into production/manufacturing units (1%).



Despite the profile that has just been traced, it must be underlined that the importance of the international component in the turnover is quite significant for the companies that responded to the inquiry, showing that SMEs are in a process of gradual growth towards internationalization, eventually in the future making even medium and long term investments abroad, thus providing a continuous learning process. This will require the existence of international strategies and operations, which are necessary and correspond to needs, not even excluding investments. Taking into account this analysis, the self-assessment carried out by the companies seems consistent.

This work is far from being the end of the research carried out, it is rather another step in the investigation on the internationalization of the Portuguese economy and firms, to an important world region, where they can benefit from advantages, if their action is adequate and they know well the ground (of course, presumed cultural proximity is not enough per se). Thus, we have in mind the pursuit of this research, developing the theme of the internationalization of SMEs to Latin America, expanding the sample, and complementing it with case studies, which would allow to go beyond the limits that a survey carried out in a given year, although recent, necessarily has. Such an approach would lead to a more longitudinal view of the analyzed process, allowing stronger conclusions. Another issue raised by this research is that of an empirical study comparing in depth the Portuguese case, with the process of Spanish SMEs for the same economic space, assessing similarities and differences and their causes and implications.

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ENTREPRENEURSHIP AND ECONOMIC GROWTH: THE MEDIATION ROLE OF ACCESS TO FINANCE

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Abstract

The purpose of this paper is to examine the mediating role of finance in the relationship between economic growth and entrepreneurship in a sample of 17 OIC countries. We developed a model where banking finance as a proxy for Access to finance mediates the relationship between the total early stage entrepreneurship (TEA) as a proxy for entrepreneurship and economic growth. Correlation, Baron and Kenny approach (causal steps approach) and PROCESS Macro (normal test theory) developed by Hayes were used to find out the direct and indirect effects of financing between entrepreneurship and economic growth. The bootstrap mediation results indicated that finance was a significant predictor of entrepreneurship and entrepreneurship was a significant predictor of economic growth. These findings support the mediation hypothesis. In addition, findings showed that there is a positive relation between entrepreneurship and economic growth and a positive relation between finance and economic growth in OIC countries. Furthermore, the findings of this study indicate that the total association between entrepreneurship and economic growth in OIC countries is not only direct, but also that entrepreneurship contributes to levels of economic growth through the increased levels of finance. As a result, countries with higher levels of access to finance tended to experience entrepreneurship at higher levels, which in turn contributed to the emergence of increased levels of economic growth. The results indicated that the direct effect of entrepreneurship on the economic growth remained significant when controlling for finance, thus suggesting partial mediation. In other words, finance only mediates part of the effect of entrepreneurship on economic growth.

Keywords

Finance, Entrepreneurship, Economic growth, mediation effect

How to cite this article

Khyareh, Mohsen Mohammadi (2020). "Entrepreneurship and Economic growth: the mediation role of finance ". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.7>

Article received on September 3, 2019 and accepted for publication on February 28, 2020





ENTREPRENEURSHIP AND ECONOMIC GROWTH: THE MEDIATION ROLE OF ACCESS TO FINANCE

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1- Introduction

Entrepreneurship is generally seen as an essential stimulus for economic growth through the environment. It is therefore considered essential to recognize the role of entrepreneurship in achieving economic progress factor for recognizing the progress of society (Al-Sokari et al., 2014). A growing body of research has shown positive entrepreneurship impacts on a variety of economic indicators, including investment and foreign direct investment (Goel, 2018), productivity (Williams & Thompson, 1998), equality of income and wealth (Lippman et al., 2005; Packard & Bylund, 2018), human capital development (Martin et al., 2013; Marvel et al., 2016) and exports (Cumming et al., 2014). In addition, previous empirical studies have looked at the relationship between entrepreneurship and economic growth (Wennekers & Thurik, 1999; Audretsch et al., 2006; Carree & Thurik, 2010; Valliere & Peterson, 2009; Baumol & Strom, 2007). They argue that entrepreneurship can make a significant contribution to economic growth by serving as a means to innovate, disseminate knowledge, increase competition and increase diversity. Furthermore, most studies used direct relationships to confirm the impact of entrepreneurship on economic growth. Some of them have demonstrated the significant impact of entrepreneurship on economic growth (Baumol 1990, Kreft & Sobel, 2005; Nyström, 2008; Parker, 2018), while some studies have shown insignificant influence of entrepreneurship on economic growth (Carree et al., 2007). From the above, empirical studies show mixed results on the role of entrepreneurship in economic growth due to the diversity of types of entrepreneurship, but also on the characteristics of the macroeconomic environment in which economic growth takes place.

Some contributions dealt with the nature and scope of the relationship between finance and economic growth (Allen et al., 2005; Law & Singh, 2014). The role of the financial system for economic development has received increasing attention from academics and policymakers (Ndikumana 2001), leading to different views. The focus on this area has increased in recent decades, with mixed results remaining a theoretical and empirical controversy (Boulika and Trabelisi 2002). The main reason why finance is important is that financial development and brokerage has proven empirically to be a major driver of economic growth and development. There is evidence that this process not only leads to economic development but can also play a positive role in reducing poverty and income inequality. Despite their key role in advancing efficiency and equality in society, 2.7 billion people (70% of the adult population) in emerging markets still do not have access to basic financial services, and a large proportion of them come from countries with a predominantly Muslim population. Given the growing interest in the development of a



financial system, it is worth examining the contribution that financing makes to the relationship between entrepreneurship and growth. Access to finance is increasing rapidly worldwide due to the demand for financial products and services.

All of these different views provide sufficient reasons to think about the indirect and mediating relationship that is the main goal of the current study. While previous research has focused primarily on determining whether there is a relationship between a pair of these three variables. As a result, the main concern of the current study is to fill the gap and examine the relationship between these three variables by including indirect relationships between entrepreneurship and economic growth. the effects of financial development on entrepreneurship-growth nexus. In this context, the goal of our research is to examine the mediating role of banking finance as a proxy for access to finance in the relationship between the total early stage entrepreneurship (TEA) as a proxy for entrepreneurship and economic growth (expressed as per capita (gross domestic product GDP)) and to determine whether the contribution of entrepreneurship to economic growth differs depending on access to finance of entrepreneurs in a country. Our empirical analysis is based on the panel data covering the period 2013-2018 and 17 member countries of Organization of Islamic Cooperation (OIC) (Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Malaysia, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sudan, Turkey, and United Arab Emirates), which were selected based on the availability of data relating in particular to entrepreneurship The study contributes to the literature on entrepreneurship and economic growth in three ways. First, we offer new insights on the mediating role of access to finance on entrepreneurship-growth nexus. Second, to the best of our knowledge, no article has examined the relationship between financial development, entrepreneurship and economic growth in OIC countries. Third, this paper will equally contribute to the literature by incorporating up-to-date time series data covering recent strategies for the main variables used. In this direction, this paper tries to answer the following research question: whether the financing mediates the relationship between entrepreneurship and economic growth in OIC countries?

The rest of the paper study was divided into five sections. Section two discusses entrepreneurship literature and its relevance to finance and economic growth. While the third presents the empirical method and data used; section four deals with research methodology and the last section deals with the practical implications, conclusions and limitations of this article.

2- Literature Review

2.1- Entrepreneurship and economic growth

Entrepreneurship is considered one of the basic motives for economic growth as it increases the prosperity of the society that produces and goods more services and creates new employment opportunities. For this reason, many countries have tried to consolidate entrepreneurial activities and look for the factors that improve such activity as it plays an active role in economic growth (Méndez-Picazo et al., 2012).

Entrepreneurship has aroused great interest in recent decades and is seen as an important driver of economic development, inclusive society, well-being and a source of innovation. There are two trends in business literature when assessing the impact of entrepreneurship on economic development. One is based on horizontal innovation



growth models and an increasing product range (e.g. Romer, 1990). The other is based on vertical innovation growth models and increasing quality (e.g. Schumpeter 1934; Aghion & Howitt, 1992), which is mainly explained by Joseph Schumpeter's famous argument of "creative destruction", according to which an entrepreneur says when a new product or When a technological innovation is marketed, the less productive companies are withdrawn from the market and a more competitive environment is created that leads to higher productivity and economic growth (Schumpeter, 1934). Since then, Acs, et al., (2012)) completed the economic literature with the knowledge spillover theory of entrepreneurship. The authors assume that economically relevant knowledge is most important, with entrepreneurship playing the role of the link between knowledge, commercialization, and economic growth. There are several theoretical explanations for the relationship between economic growth and entrepreneurship (Baumol, 1990; Desai et al., 2013). While Solow (1956) viewed physical and human capital as the drivers of economic growth, Romer (1990) developed Solow's (1956) model by emphasizing the importance of knowledge capital as an endogenous factor, with human capital and technological innovations as the main drivers The main drivers are economic growth. Romer (1990) further argued that new ideas and most research and development (R&D) are produced by well-educated entrepreneurs who create and exploit new technological advances and ultimately drive economic growth. Although Romers (1990) economic growth model helped explain the different growth rates between countries, Acemoglu et al. (2014) argued that if these institutions provide adequate incentives for entrepreneurs to be more productive and ultimately contribute to economic growth, institutions could play a central role in the production and organization of factors of production (i.e. physical capital, human capital and technological innovations). Historically, Schumpeter (1934) first introduced the important role of entrepreneurship in economic growth. He claimed that innovative entrepreneurs were referred to as "agents of creative destruction". These "agents" destroy the value of existing markets by creating new markets with new products, services and technological innovations that offer higher returns than existing companies. Unlike previous growth models, Schumpeter (1934) concluded that creative destruction is the ultimate source of economic growth. Given economic growth and development, it is best to focus on entrepreneurship that can lead to economic growth (Acs, 2006).

2.2- Finance and economic growth:

Economic growth has been of focal interest in many macroeconomic papers and researches. Thus, it is imperative that this topic is also addressed in light of access to finance. The relationship between finance and growth begins with Bagehot's (1873) articles on classic thinking and later with the work of Schumpeter (1912). On the other hand, modern literature on economic growth often begins with research that led to Robert Solow receiving a Nobel Prize in the mid-1950s. Nonetheless, the theoretical and empirical literature of that time focused mainly on the role of capital and labor resources and the use of technology as growth resources to secure economic growth.

The role of financial development is particularly important in allocating resources to their most productive use. Moreover, the services provided by the financial sector can contribute to economic growth by: (i) producing ex-ante information about investment opportunities; (ii) improving ex-post monitoring of investment and exerting corporate



governance; (iii) facilitating risk management and diversification; (iv) mobilizing and pooling savings; and (v) easing the exchange of goods and services (Levine, 2005).

In addition, Much evidence has pointed in the direction that financial development is a driver for economic growth (see for instance Levine et al., 2000; Beck et al., 2000). Furthermore, Levine (2002) claims that overall financial development is robustly linked to economic growth regardless of it being bank-based or market-based. Lack of adequate access to financing sources for entrepreneurs is considered as one of the main challenges of starting a business. Because of the disadvantages of commercial banks and financial institutions active in the field of financial services of the countries, financing and provision of other financial services to micro, small and medium businesses is often costly. Existing research on access to finance for entrepreneurs considers both the demand and supply side factors affecting access to finance for entrepreneurs (Carter et al., 2003). Demand-side arguments raise risk aversion as a factor in reducing the willingness of entrepreneurs to use external financial resources (Mittal & Vyas, 2011). On the other hand, supply-side argumentation discriminates financial institutions on the payment of entrepreneurship-based financial resources (Carter & Shaw, 2006). Access to finance is also the most widely recognized object of entrepreneurship policy, and non-entrepreneurs regularly cite insufficient finance as a barrier to starting a business (Choo and Wong, 2006). Moreover, the field of entrepreneurship, with seminal contributions from Williamson (2000), argues that entrepreneurship play a key role in economic development. Recent studies on economic growth show that entrepreneurs are a fundamental cause of economic growth, shaping more proximate causes like the accumulation of physical and human capital (Hall and Jones 1999; Acemoglu et al. 2014). The literature, however, largely separates analyses of finance on relation between entrepreneurship and economic growth. Some of authors investigate the links between finance, entrepreneurship and economic growth.

Thus, based on the above literature, we came up with the following hypotheses:

H1: "There is a positive association between finance and economic growth"

H2: "There is a positive association between finance and entrepreneurship"

H3: "finance mediates the relation between economic growth and entrepreneurship"

3-Development Challenges and the Role of Finance in OIC Countries

The financial system has an outstanding role in channeling funds to investments efficiently

to support economic growth resulting in the decrease of income inequality, especially in developing and underdeveloped nations such as the members of Organization of Islamic Cooperation (OIC) countries. The financial system plays a prominent role in the efficient channeling of funds for investments to support economic growth, which leads to a reduction in income inequality, especially in developing and underdeveloped countries such as the members of the countries of the Organization for Islamic Cooperation (OIC). The key component in a financial system is banks. They act as an intermediary between fund providers and those who need funds that contribute to economic growth. Banks also play a role in the implementation of a country monetary policy. In this way, profitable banks will ensure the continuity of economic growth and the stability of the financial system.



Based on OIC Economic Outlook (2019), the OIC countries are well endowed with productive resources, especially human and natural resources. Efficient use of these resources can lead to higher economic growth rates and human welfare. Ineffective use of productive resources leads to lower growth rates and income levels. This is also due to the fact that the OIC economies are mainly characterized by a high export concentration and limited diversification of the domestic economy. Another important consequence of inefficient use of productive resources is the lack of competitiveness. In this context, the OIC member countries could not grow in the long term like the industrialized countries in the last century. There are a number of tools that OIC countries can use to meet development challenges and achieve higher growth rates. This includes investing in human and institutional capacity, facilitating technological progress and innovation, and channeling resources for productive investment through financial development. An important element in the policy mix to increase productivity and competitiveness is the need to maintain macroeconomic stability, as this would create a business environment that is free from uncertainty and unexpected costs. In addition to economic instability, political instability also has a major impact on growth paths in some OIC countries where the negative impact of armed conflict goes well beyond the measurable social and economic cost. The initiatives at the global level, regional resolution mechanisms and efforts at the national level did not meet the growing needs of developing countries to fund their development and enable them to complete developing country status. UNCTAD estimates that total funding needs, including investment needs, in developing countries alone range from \$ 3.3 trillion to \$ 4.5 trillion a year. Some OIC countries are rich in resources where such resources have great potential to promote development. From a financial perspective, Islamic funding in the OIC countries offers a window of opportunity that could be used to fill the development funding gap. The OIC countries have a long history of active collaboration within the OIC in many areas, from trade and infrastructure development to capacity building and investment. This facilitates the transfer of capital, know-how and expertise between OIC member countries, which are crucial for development. This also enables several OIC countries to benefit from each other's experiences and sources and at the same time to advance their development paths. Finally, the OIC countries have unique tools and mechanisms, including Islamic financial instruments, Zakat and Waqf funds, that have the potential to make a significant positive contribution to financing development. Overall, these factors would improve funding for development in the OIC countries by helping to go beyond traditional understanding and benefit from unique solution mechanisms.

4- Data and Methodology

4.1- Data

In the current study, entrepreneurship as the independent variable decided to take a share of total early stage entrepreneurial activity (TEA). Entrepreneurship data was taken from the Global Entrepreneurship Monitor database from 2013-2017. The paper uses the domestic credit to private sector by banks as a proxy for Access to finance. To have a balanced panel of data, we had limited the data used to years that are covered in all data sets, and then we would have ended up the data consists of 17 countries



from all around the world and tracks information from 2013 until 2017. The dataset for economic growth obtained from World Bank.

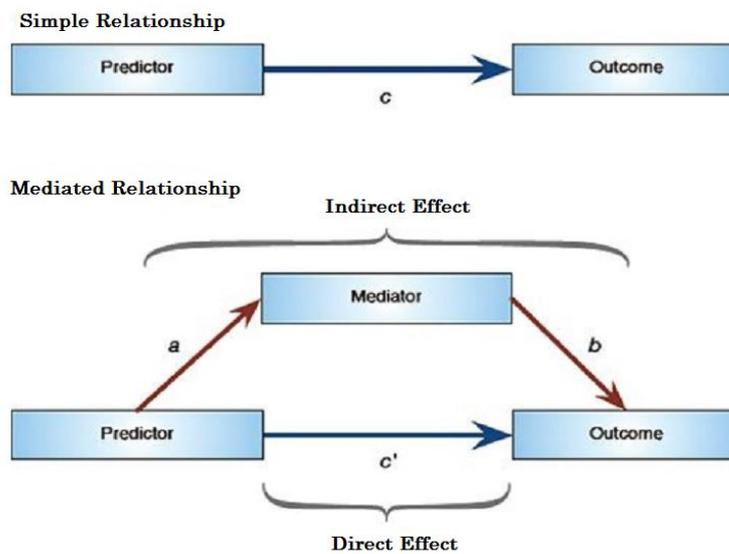
The GDP growth of OIC countries has slowed down to 3.1% in real terms in 2018, as compared to 3.8% in 2017. Economic growth in OIC countries is expected to decline to 2.4% in 2019 and continue to remain below the world average. Only in 2020, OIC countries are expected to grow above the world average. Lower income OIC countries have been growing at a lower rate than the OIC average during 2014-2018, implying a widening gap between rich and poor OIC countries. At the individual country level, Libya, with a growth rate of 17.9% in 2018, was the fastest growing economy in the group of OIC countries. In total, 26 OIC countries recorded a growth rate higher than the world average of 3.6% in 2018 (OIC Economic Outlook, 2019).

The level of financial sector development in OIC countries remains shallow. The broad money relative to the GDP of OIC countries was recorded at 60.1% in 2018, much as 137% in non-OIC developing countries and 124% of the world average. Domestic credit provided by the financial sector in OIC countries was on average of the GDP whereas this figure was 141.8% in non-OIC developing countries and On the other hand, access to finance in OIC countries improved significantly or increased from 27.8% in 2011 to 46.3% in 2017. Financial depth in OIC countries remains shallow and needs to be further improved. Without access to finance, it would be difficult to expect entrepreneurial activities to flourish and contribute to economic development. Access to finance in OIC countries remains among the most important constraints faced in promoting entrepreneurial activity. Moreover, small firms consistently report higher financing obstacles than medium and large companies, and they are also more adversely affected in their operation and growth by these obstacles. Therefore, innovative approaches are needed to solve the financing constraints of businesses for them to invest in productive investment opportunities. More detailed discussions will be made in the following chapters on the issue of mobilizing resources for financing development (OIC Economic Outlook, 2019).

4.2- Model

Baron and Kenny's method of determining whether an independent variable influences a dependent variable through a mediator is so well known that it is used by authors and requested by reviewers almost reflexively. To determine that an independent variable X influences distal dependent variable Y through a mediating variable M, as shown in Figure 1, Baron and Kenny (1986) recommend three tests.

Figure 1: Diagram of a basic mediation model



A variable acts as a mediator if it meets the following conditions: (a) Variations in the levels of the independent variables explain significant variations in the suspected mediator (i.e., path a), (b) Variations in the mediator explain significant variations in the dependent variable (i.e., path b) and (c), when paths a and b are controlled, a previously significant relationship between the independent and dependent variables is no longer significant, with the strongest evidence of mediation occurring when path c is zero. Note that condition c requires a significance test for the "direct" path c. Paths a, b and c are tested and estimated by equations 1, 2 and 3:

$$M = i_1 + aX + e_1 \quad (1)$$

$$Y = i_2 + c'X + e_2 \quad (2)$$

$$Y = i_3 + cX + bM + e_3 \quad (3)$$

Baron and Kenny then state: To test mediation, one should estimate the three following regression equations: first, regressing the mediator on the independent variable; second, regressing the dependent variable on the independent variable; and third, regressing the dependent variable on both the independent variable and on the mediator. . . . To establish mediation, the following conditions must be met: first, the independent variable must affect the mediator in the first equation; second, it must be shown that the independent variable influences the dependent variable in the second equation; and third, the mediator must influence the dependent variable in the third equation. Baron and Kenny go on to recommend the Sobel z-test for the indirect path $a \times b$ in figure 1, as shown in equation (4):

$$z = \frac{a \times b}{\sqrt{b^2 s_a^2 + a^2 s_b^2}} \quad (4)$$

Here a , b , and their squared standard errors come from equations 1 and 3, respectively. We will contest three of these points. First, Baron and Kenny claim that mediation is

strongest when there is one indirect effect, but no direct effect in equation 3. But the strength of mediation should be measured by the size of the indirect effect, not the absence of the direct effect. The presence of the direct effect can inform theorizing about other mediators. Second, there must be no significant "mediate effect" in Equation 2. There should only be one requirement to establish mediation that the indirect effect $a \times b$ is significant. Other Baron and Kenny tests are especially helpful in classifying the type of mediation. Third, the Sobel test is in some cases extremely poor compared to a bootstrap test popular by Preacher and Hayes (2004). In addition, a researcher expecting a positive indirect effect $a \times b$ can overlook the fact that despite positive correlations between X and Y, X and M, and Y and M, it can be significant and negative. Baron and Kenny (1986) claimed that the evidence for Mediation is strongest, but when there is an indirect effect, there is no direct effect that they call "full mediation". If there are both indirect and direct effects, they call it "partial mediation". Although full mediation is the gold standard, Iacobucci (2008) states "If all tests are done and reported properly, most articles end with" partial mediation ". That is, mediation is usually accompanied by a direct effect.

5-Results and Analysis

Multiple regression and mediation analysis were conducted to assess each component of the proposed mediation model, using PROCESS Macro (Hayes, 2013) and SPSS 23.

In the first step, it was found that entrepreneurship was positively associated with economic growth (total effect) ($b = 23.2, t = 18.23, p < .001$). In the second step, it was found that finance was positively related to entrepreneurship ($b = 10.34, t = 12.82, p < .001$). Lastly, in the third step results indicated that the increasing in finance was positively associated with economic growth ($b = 1.225, t = 4.32, p < .001$).

Figure 2: Model of access to finance as a mediator

Entrepreneurship-economic growth

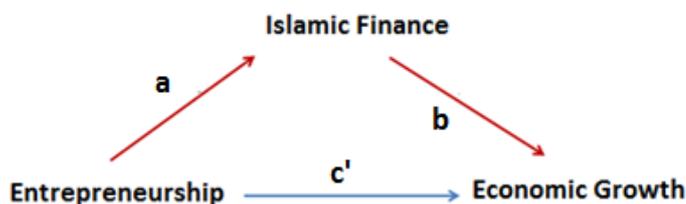


Table 2 and 3 illustrate that all the paths are statistically significant. Results of the mediation analysis confirmed the mediating role of finance in the relation between access to entrepreneurship and economic growth in OIC countries ($b = 12.67; CI = 4.231$ to 8.581).

In addition, results indicated that the direct effect of entrepreneurship on the economic growth remained significant ($b = 12.67, t = 5.36, p < .001$) when controlling for finance, thus suggesting partial mediation. In other words, financing only mediates part of the effect of entrepreneurship on economic growth, that is, the intervention



(entrepreneurship) has some residual direct effect even after the mediator (finance) is introduced into the model.

Table 2: Mediation effect of access to finance on economic growth through entrepreneurship

Effect	Path	Mean	SD	95% bound (BC)	Lower bound (BC)	95% bound (BC)	Upper bound (BC)
Indirect effect	<i>FIN</i> → <i>ENT</i> → <i>GDP</i>	12.67	1.351	4.231		8.581	

Note: SD: standard deviation; BC: Bias-Corrected

From the bootstrap percentile confidence interval shown in Table 2, the entire path is 95% of the bootstrap estimates, not including zero. This confidence interval leads to the conclusion that the indirect effects of access to finance on entrepreneurship are significantly different from zero.

Table 3: The direct effect, indirect effect and total effect

path	Direct	Indirect	Total
<i>FIN</i> → <i>ENT</i>	10.53	12.67	23.2
<i>ENT</i> → <i>GDP</i>	1.225	-	1.225

Table 4: Summary of Zero-Order Correlations, Semi-Partial Correlations & Squared Semi Partial Correlation Coefficients

variable	R^2	Zero order	partial	Semi partial (part)	* sr^2
Finance	0.489	0.598	0.259	0.262	0.146
Entrepreneurship		0.421	0.135	0.142	0.171

* Squared semi partial correlation

Table 4 shows the output for the zero order, partial and part (semi partial) correlation of access to finance and economic growth controlling for entrepreneurship. The partial correlation between access to finance and economic growth is 0.259, which is less than the correlation when the effect of entrepreneurship is not controlled for ($r = 0.598$). In terms of variance, the value of R^2 for the partial correlation is 0.13, which means that entrepreneurship now shares only 13% of the variance in economic growth (compared to 35.8% when finance was not controlled). Running this analysis has shown us that entrepreneurship alone does explain some of the variation in economic growth. Semi partial correlations (also called part correlations) indicate the "unique" contribution of an independent variable. Specifically, the squared semi partial correlation for a variable tells us how much R^2 will decrease if that variable is removed from the regression equation. If we want to know what R^2 would be if access to finance were eliminated from the equation, just compute $R^2 - sr_1^2 = 0.489 - 0.146 = 0.343$; and, if we want to know what R^2 would be if entrepreneurship were eliminated from the equation, compute $R^2 - sr_2^2 = 0.489 - 0.131 = 0.318$.



From the above results, we can conclude that access to finance has a positive effect on entrepreneurship; which indicates that our first hypothesis is confirmed empirically. Moreover, entrepreneurship tends to increase the level of economic growth; these results support our second hypothesis. In addition, an examination of the specific indirect effect (see table 1) indicates that access to finance is a mediator.

6- Conclusion

The main purpose of this research was to provide information about the mediating role of finance in the relationship between entrepreneurship and growth. We find clear evidence that entrepreneurship after controlling access to finance has a significant positive impact on economic growth. The positive relationship between entrepreneurship and economic growth is well known and documented. However, we show that entrepreneurship also has indirect positive effects on economic growth by improving access to finance and not just having a direct impact. The mediation of finance between entrepreneurship and economic growth shows that better access to finance would lead to an improvement in economic growth. These results show that the overall relationship between entrepreneurship and economic growth is not only direct, but also that entrepreneurs' access to finance contributes to economic growth. As a result, higher-level OIC countries tended to experience higher-level entrepreneurship, which in turn contributed to increased economic growth. In addition, the results showed that there is a positive correlation between the increase in business activities and economic growth.

The current study extends the literature on economic growth by taking into account the mediating effect of finance between entrepreneurship and economic growth. Evidence of the indirect impact of funding on the relationship between entrepreneurship and economic growth shows that access to finance makes a significant contribution to promoting economic growth. In addition, the results of current and previous research suggest that to stimulate and improve economic growth, OIC countries should create an environment that can improve access to finance and, consequently, promote economic growth. In financial terms, access to finance in the OIC countries provides a window of opportunity that could be used to fill the development funding gap. Islamic finance, including Zakat, is estimated to be around \$ 2 trillion in 2015, which is expected to increase to \$ 3 trillion by 2020. For example, the provision of Zakat grants by formal institutions can ensure that more people are reached and the neediest are reached and could therefore contribute to the achievement of sustainable development. Many OIC countries need to make more efforts to achieve sustainable development, for which more financial resources have to be devoted to their development.

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NOTES

MARITIME PIRACY IN THE GULF OF GUINEA

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Maritime piracy dates back to the beginnings of maritime navigation, when the first commercial exchanges by sea began, having been considered practically extinct in the 19th century.

It began to increase gradually from the end of the 1980s, however, the world only woke up to this reality with the outbreak of maritime piracy in the waters of Somalia in 2008. Since then, to this day, this phenomenon has become a serious threat to global maritime security.

Currently, the Gulf of Guinea (GG) is the major concern of the international community, due to the high number of acts of piracy that have been registered there.

This growth is due to several factors, mostly common to practically all the countries that are part of this Gulf, such as: deficient social policies, high corruption, high demography, high unemployment rates and huge proliferation of criminal networks. These are the factors that, associated with the lack of maritime policies on the part of the States in the region and of naval means to ensure the surveillance of their waters, have caused this area to register an increasing number of pirate attacks and, consequently, be considered as one of the most dangerous in the world for maritime navigation.



1. Causes, concerns and mitigation actions

There are several locations worldwide that are considered hotspots for maritime piracy¹ and Armed Robbery Against Ships (ARAS)², that is, places that due to different factors have become prone to this type of acts. These locations, situated close to major sea routes, are usually associated with the existence of states with weak or failed governments, where social policies are deficient or non-existent, unemployment rates are very high, poverty levels are extremely high and have a high demographic density, mostly young people. Many of these factors are present, to a greater or lesser extent, in the countries of the GG, which has contributed a lot to the increase in maritime piracy / ARAS in the region, namely in the waters of Nigeria.

The GG region is located³ between Côte d'Ivoire and Gabon, and includes, in addition to these countries, Ghana, Togo, Benin, Nigeria, Cameroon, Equatorial Guinea and São Tomé and Príncipe. Geographically, it contains the crossing of the Equator line with the Greenwich meridian.

This Gulf has become, in recent decades, a place of excellence for commercial navigation. This role is closely associated with the huge hydrocarbon deposits in this area and the geographical location of the region (proximity to Europe and the USA).

Despite all this prosperity, this Gulf is currently one of the most dangerous maritime areas in the world, due to the great regional insecurity that is felt there. If this is not overcome in the near future, it could endanger the entire global economic strategy for this region of the globe, especially the one related to the trade of "black gold" and natural gas from Nigeria.

The existence of an increasing number of criminal networks on land, associated with the lack of maritime policies on the part of the states in the region, has led some of these to engage in maritime piracy / ARAS. These rebel groups, mostly from Nigeria, started their activity on the Nigerian coast, however, they gradually extended their area of activity to the waters of Benin, Togo, Ghana, Cameroon, Equatorial Guinea and São Tomé and Príncipe. The increase in maritime piracy / ARAS in this part of Africa is currently a major concern for the international community, because the states in the region are unable to guarantee maritime safety in their waters. The apprehension about this insecurity at sea is denoted even by the African countries themselves, as these attacks are becoming a serious problem for maritime transport, which has been causing a slight decrease in trade in the region and, consequently, a reduction in port revenues, due to the fact that there are fewer ships practicing them.

In recent years, the states of this Gulf have started to develop some maritime policies, because in the last decades their attention has almost always been focused on the control of their territories on the continent, therefore they have not devoted much attention to

¹ Illicit acts of violence and / or detention and / or pillaging committed, for private purposes, by the crew and / or passengers of a private ship, and directed against a ship and / or people and / or goods on board it, committed beyond 12 nautical miles (territorial sea).

² Illicit acts identical to those of piracy, only committed in the territorial sea or in inland waters. The territorial sea consists of a maritime area, under national sovereignty, that goes up to 12 nautical miles, counted from the "coast line" (straight or normal base line) of a State. One nautical mile is 1852 meters.

³ According to the International Hydrographic Organization. This Gulf is sometimes considered to extend from Senegal to Angola, that is, it is located between the parallels 15°0'0"N and 15°0'0"S.



their sea. As a result, their naval forces are poorly equipped, poorly trained and underfunded to be able to secure state authority at sea in their waters.

The increase in maritime piracy / ARAS in the GG has led the UN to monitor this situation regularly, and with great concern. Proof of this is the approval by its Security Council of two Resolutions related to this theme, Resolution 2018 (2011), of October 31, and Resolution 2039 (2012), of February 29. These included the need for concerted action by countries in the region to deal with maritime piracy / ARAS, through the development of a comprehensive and structured regional strategy, which includes the exchange of information and the development of operational coordination mechanisms.

The various subregional organizations have since been very available to help combat the various types of illegal activities in the region. The Economic Community of Central African States⁴ (ECCAS) has collaborated with the states of this Gulf in implementing a maritime security strategy, which includes support for their navies and assistance in organizing joint exercises in order to fight the insecurity in the GG region.

On the other hand, the Economic Community of West African States⁵ (ECOWAS) has also been interested in collaborating. Good cooperation between ECCAS and ECOWAS could allow for joint maritime patrol actions, as well as the right of persecution across maritime borders. The Gulf of Guinea Commission⁶ (GGC) has also remained active in recent years and it is from all these African organizations the one which mandate gives it special openness to be able to deal specifically with maritime issues.

All the collaboration policies that have been adopted in Africa on maritime security are still in an embryonic phase and, if they are not closely monitored by a continuous presence at sea, they will be mere symbolic actions. Some of the Western powers with interests in the region have shown themselves to be available to support these initiatives both financially and with the exchange of knowledge in the area of security. In recent years, countries such as the USA, France and Portugal, among others, have been very attentive to the region's problems and, through cooperation programs, have participated with their ships in joint exercises with the GG navies. The main objective of these is to increase the capacity of these navies to respond to maritime piracy / ARAS or any other type of maritime crime, through the improvement of interoperability of communications, information sharing and training actions within the scope of operational activities related to maritime safety.

Among the various multinational exercises / activities⁷ that take place regularly in West Africa, the *OBANGAME EXPRESS* exercise, held annually since 2011, inclusive, is the one with the largest number of participating countries / organizations and is sponsored by the USA, through the *U.S. Africa Command*. In March 2019, it held its 9th edition, which brought together forces from Africa, Europe and South and North America, in a total of

⁴ It consists of ten member countries: Burundi, Cameroon, the Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, São Tomé and Príncipe, the Democratic Republic of Congo and Angola.

⁵ The fifteen member countries are: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

⁶ It consists of eight countries: Angola, Cameroon, Democratic Republic of Congo, Congo, Gabon, Equatorial Guinea, Nigeria and São Tomé and Príncipe.

⁷ The *CORYMBE* operation, which has been carried out by France, almost continuously, since 1990, the *GRAND AFRICAN NEMO* exercise, also led by France, and the *OPEN SEA* initiative carried out by Portugal.



31 countries⁸, of which 20 are Africans, with the collaboration of several regional and international organizations, such as ECCAS and ECOWAS, among others.

Despite all these initiatives to fight maritime crime, there are serious doubts regarding its effectiveness and sustainability, because the means will always be few and the criminals will quickly move from the most patrolled areas to the least guarded areas. It is easily anticipated that if there is no involvement of international institutions, with a view to a global maritime security strategy for the region, it is unlikely with single measures that this arduous task of combating maritime piracy / ARAS in GG will be successful.

2. Nigerian pirates: the protagonists of insecurity

Nigeria, despite being the country with the largest economy in the region and having the largest armed forces in the GG, is considered by neighboring countries as the focus of this Gulf's problems, much due to the fact that it is unable to stabilize its region of the Niger River Delta⁹, densely populated area and from which it derives most of the oil exploited on land. The Nigerian economy is still being held hostage by the oil industry, which has not only brought benefits to the country, because it has also contributed significantly to end most of the traditional means of subsistence in that Delta, such as agriculture and fishing. Pollution caused by oil exploration has been gradually contaminating the land due to the deposit of a large amount of hazardous waste, which has led to the abandonment of many agricultural lands, thus increasing even more the subsistence difficulties on the part of the population. The latter is also no longer able to rely on fishing in a large part of its lakes and rivers, as pollution has caused a lack of oxygen in the waters and, consequently, a decrease in the number of fish and an increase in water-borne diseases.

On the other hand, the rapid demographic growth that has been felt in Nigeria, where about 62.3%¹⁰ of the population, in other words, 126 679 957 of Nigerians, less than 25 years old, have undoubtedly been instrumental in justifying the number of young Nigerians who have been associated with maritime piracy / ARAS.

If the situation on the ground is unstable, either in Nigeria or in practically all other GG States, at sea, illicit activity in general and maritime piracy / ARAS in particular have plagued the region a lot in recent years. In the period between 2000 and 2018, inclusive, according to IMB records¹¹, an average of 38 acts of maritime piracy / ARAS per year occurred in this Gulf, with the waters of Nigeria being considered the most dangerous, with an average of 25 acts per year, in the same period of time.

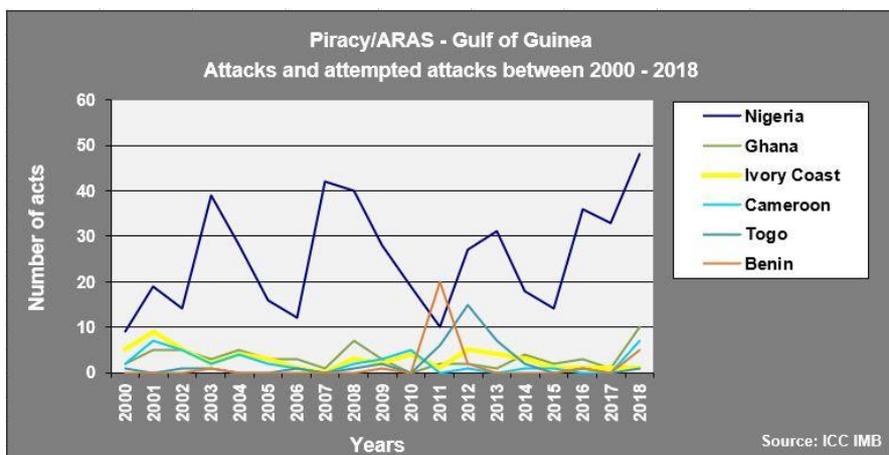
⁸ Angola, Belgium, Benin, Brazil, Cape Verde, Cameroon, Canada, Ivory Coast, Democratic Republic of Congo, Denmark, France, Gabon, Gambia, Germany, Ghana, Guinea, Guinea-Bissau, Equatorial Guinea, Liberia, Morocco, Namibia, Netherlands, Nigeria, Portugal, Republic of Congo, São Tomé and Príncipe, Senegal, Sierra Leone, Spain, Togo, Turkey and the United States.

⁹ Includes the states of Cross River, Akwa Ibom, Rivers, Bayelsa, Delta and Edo.

¹⁰ *The World Factbook*.

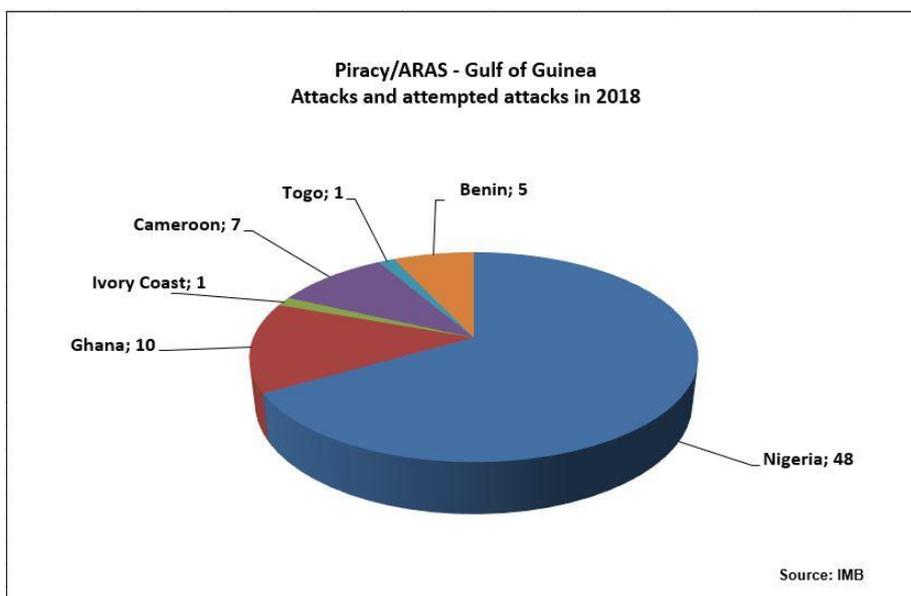
¹¹ IMB – *International Maritime Bureau*.

Figure 1 - Maritime piracy / ARAS acts in the GG between 2000 and 2018



In 2018 alone, there were 72 acts of maritime piracy / ARAS in this Gulf, of which 48 in Nigeria, which makes this year the worst ever in terms of this phenomenon in the last 28 years¹², either in this Gulf or in Nigeria.

Figure 2 - Acts of maritime piracy / ARAS at GG in 2018



The previous highs had been 54 acts in 2008 and 42 acts in 2007, respectively in GG and Nigeria. It is said that, in the case of Nigeria, the number of reported acts may not even reach 50% of those that have actually occurred.

Despite the figures showing the contrary, since 2015 there has been an improvement in patrolling by the Nigerian Navy, which, together with the lowering of crude prices, has

¹² IMB registers the number of acts of maritime piracy / ARAS worldwide since 1991.



caused the pirates' *Modus Operandi* to change. Right now, there are practically no hijackings of ships for theft of crude (*Bunkering*) and subsequent sale on the black market, which had been a common practice in recent years. An act of *Bunkering* can take one or more days to consummate, with the strong possibility that the pirates are discovered and arrested by the authorities. On the other hand, the number of attacks with the purpose of kidnapping crew members of the ships has been increasing, with a view to obtaining high amounts for their rescue. This is the current *Modus Operandi* of the pirates. Their dexterity is already such that they are able to consummate their acts in relatively short periods of time, sometimes around 30 minutes, which allows them to have a very high success rate in their actions. Due to the fact that the activity of pirates in this Gulf is now very much directed towards the kidnapping of seafarers, to obtain ransoms, the number of kidnapped crew members has been increasing significantly in recent times, and the situation is expected to worsen in the near future.

3. Conclusions

Although the GG region is very rich in natural resources, the impoverishment of populations, corruption, anarchy and social dislocation are common to virtually all countries in this Gulf. These are the factors that, associated with the great proliferation of illegal weapons and the proximity of major trade routes, have encouraged the resurgence of maritime piracy / ARAS in the region.

In Nigeria, the country where most of the pirates working in the GG come from, the inter-ethnic tensions caused by the social instability that exists in that country, have generated a lot of violence between armed groups and between them and the government, especially in the various states of the Niger River Delta. Some of these groups started to dedicate themselves to maritime piracy / ARAS as a way to get "easy" money, because they see this activity as profitable and not very dangerous, which allows them not only to finance their activities, but sometimes their livelihood and that of their families.

Since sea piracy / ARAS can never be eradicated from the seas, government efforts should be made to minimize it, therefore, it is necessary for the GG countries to adopt social development measures that provide better living conditions, job creation and promote literacy and social justice. In the particular case of Nigeria, the large amounts obtained from the sale of oil should first be used in the areas from which it is extracted, giving more well-being to local populations.

The fight against maritime piracy / ARAS in GG, to be more effective, must involve everyone, which will only be achieved with greater awareness of the importance of maritime security, either by governments or local populations. The national, regional and global interests of the countries are increasingly passing through the sea - in areas such as trade, maritime transport, fishing, tourism and the exploitation of marine resources, among many other activities -, whose success will only be possible with maritime piracy / ARAS reduced to a minimum, since it will never be possible to eradicate it once and for all.



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How to cite this note

Guedes, Henrique Portela (2020). "Maritime piracy in the Gulf of Guinea". *JANUS.NET e-journal of International Relations*, Vol. 11, N.º 1, May-October 2020. Consulted [online] on the date of the last visit, <https://doi.org/10.26619/1647-7251.11.1.01>

