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**THE DEVELOPMENT OF THE MOLDOVAN-GREEK  
ECONOMIC RELATIONS: HINDRANCES AND  
OPPORTUNITIES**

**521.02. WORLD ECONOMY; INTERNATIONAL ECONOMIC RELATIONS**

**PhD thesis in economic sciences**

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**DEZVOLTAREA RELAȚIILOR ECONOMICE MOLDO-  
GRECEȘTI: OBSTACOLE ȘI OPORTUNITĂȚI**

**521.02. ECONOMIE MONDIALĂ; RELAȚII ECONOMICE  
INTERNAȚIONALE**

**Teză de doctor în științe economice**

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## ANNOTATION

**Name and surname of the author:** CAZACU Stela

**Thesis title:** The development of the Moldovan-Greek economic relations: hindrances and opportunities

**Academic degree required:** PhD thesis in Economics

**City:** Chişinău

**The year of issuance:** 2018

**Thesis structure:** annotation, introduction, three chapters, conclusions and recommendations, bibliography (189 titles), 147 pages of basic text, 39 figures, 12 tables and 21 annexes. The results of the research were presented at 7 national and international conferences and were published in 15 scientific articles.

**Keywords:** international economic relations, trade, foreign direct investments, tourism, migration, technology transfer, bilateral economic flows, gravity theory, opportunity, hindrance, mechanism.

**Field of research:** Specialty 521.02 - World Economy; International Economic Relations.

**The purpose and objectives of the thesis.** The **aim** of the thesis consists in the analysis of the evolution of Moldovan-Greek economic relations, focused on bilateral trade, foreign direct investments and tourism, as well as in the determination of the opportunities and hindrances of those relations and, on this basis, the elaboration of mechanisms for the development of bilateral economic relations, as part of European integration endeavor. In order to attain this goal, the following **objectives** were set: identification, critical analysis and systematization of methodological frame for explaining bilateral trade, foreign direct investment and international tourism theories and their applicability for establishing economic relations between Moldova and Greece; assessment of the evolution of Moldovan-Greek relations and description of their legal and institutional frames; analysis of the current Moldovan-Greek trade, FDI and tourism flows; identification of opportunities and hindrances for the development of economic relations between the two countries; suggestion of mechanisms that would improve the economic relations between the two countries.

**Scientific novelty and originality of obtained results** consists in elaboration of the theoretical and methodological premises for the research on the evolution of Moldovan-Greek economic relations with focus on the most intense forms, such as bilateral trade, foreign direct investments and international tourism; identification of a modern theory in evaluating bilateral economic flows (i.e. gravity theory) and its application in the evaluation of the Moldovan-Greek economic flows; determination of the complementary economic specializations of Moldova and Greece; application of the destination image theory in evaluating the Greek and Moldovan image among the Moldovan and Greek consumers using Bozbay and Ozen model; measurement of Moldovan and Greek consumer ethnocentric tendencies; evaluation of the the factors that affect the tourism flows from Moldova to Greece and vice versa, by means of Bruce Prideaux theoretical framework; evaluation of the FDI flows from Greece to Moldova on the basis of a sociological study.

**The important scientific problem solved in the investigated field** consists in the determination of the methodological prerequisites for the research of the evolution of the Moldovan-Greek economic relations, having as an effect the identification of the obstacles and opportunities to ensure several mechanisms that would contribute to the development of these relations in the context of the European economic integration.

**The theoretical importance and the applicative value of the thesis** consist in the elaboration of theoretical and practical recommendations for the development of economic relations between Moldova and Greece as part of Moldova's European integration endeavour.

**Implementation of the scientific results:** The recommendations given in this thesis have been implemented by the National Association of Tourism Agencies of Moldova, by MIEPO, by Perrotis College from Greece for its MSc courses and by Paradis-Tur Agency from Moldova.

## ADNOTARE

**Numele și prenumele autorului:** CAZACU Stela

**Titlul tezei:** Dezvoltarea relațiilor economice moldo-grecești: obstacole și oportunități

**Gradul științific solicitat:** teză de doctor în științe economice

**Localitatea:** Chișinău

**Anul perfectării tezei:** 2018

**Structura tezei:** adnotare, introducere, trei capitole, concluzii și recomandări, bibliografie (189 de titluri), 147 pagini text de bază, 39 de figuri, 12 tabele și 21 anexe. Rezultatele cercetării au fost prezentate la 7 conferințe naționale și internaționale și au fost publicate în 15 articole științifice.

**Cuvinte-cheie:** relații economice internaționale, comerț, investiții străine directe, turism, migrație, transfer tehnologic, fluxuri economice bilaterale, teoria gravitației, oportunitate, obstacol, mecanism

**Domeniul de studiu:** Specialitatea - 521.02 economie mondială, relații economice internaționale

**Scopul și obiectivele tezei.** Scopul tezei constă în analiza evoluției relațiilor economice moldo-grecești, axată pe comerțul bilateral, investițiile străine directe și turismul bilateral, precum și în determinarea oportunităților și obstacolelor acestor relații și, pe această bază, elaborarea mecanismelor de dezvoltare a relațiilor economice bilaterale, ca parte a eforturilor de integrare europeană. Pentru atingerea acestui scop au fost stabilite următoarele **obiective:** identificarea, analiza critică și sistematizarea cadrului metodologic pentru a explica teoriile de comerț bilateral, investiții străine directe și turism internațional bilateral și aplicabilitatea acestora în stabilirea relațiilor economice dintre Moldova și Grecia; evaluarea evoluției relațiilor moldo-grecești și a cadrelor lor juridice și instituționale; analiza fluxurilor de comerț, ISD și turism moldo-grec actual; identificarea oportunităților și obstacolelor pentru dezvoltarea relațiilor economice dintre Moldova și Grecia; propunerea de mecanisme care ar îmbunătăți relațiile economice dintre cele două țări.

**Noutatea și originalitatea științifică a rezultatelor obținute** constă în elaborarea premiselor teoretice și metodologice pentru cercetarea evoluției relațiilor economice moldo-grecești cu accent pe cele mai intense forme, cum ar fi comerțul bilateral, investițiile străine directe și turismul internațional; identificarea unei teorii moderne în evaluarea fluxurilor economice bilaterale (adică a teoriei gravitației) și aplicarea ei în evaluarea fluxurilor economice moldo-grecești; determinarea specializărilor economice complementare ale Moldovei și Greciei; aplicarea teoriei imaginii de destinație în evaluarea imaginii grecești și moldovenești în rândul consumatorilor moldoveni și greci folosind modelul Bozbay și Ozen; măsurarea tendințelor etnocentrice ale consumatorilor moldoveni și greci; evaluarea factorilor care afectează fluxurile turistice din Moldova spre Grecia și invers, prin intermediul cadrului teoretic Bruce Prideaux; evaluarea fluxurilor de ISD din Grecia în Moldova pe baza unui studiu sociologic.

**Problema științifică importantă soluționată în domeniul investigat** constă în determinarea premiselor metodologice de cercetare a evoluției relațiilor economice moldo-grecești, având ca urmare identificarea obstacolelor și oportunităților în vederea asigurării mai multor mecanisme ce ar contribui la dezvoltarea acestor relații în contextul integrării economice europene.

**Semnificația teoretică și valoarea aplicativă a tezei** constau în elaborarea recomandărilor teoretice și practice pentru dezvoltarea relațiilor economice dintre Moldova și Grecia, ca parte a efortului de integrare europeană a Republicii Moldova.

**Implementarea rezultatelor științifice:** Recomandările din această teză au fost implementate și sunt în process de implementare de către Asociația Națională a Agențiilor de Turism din Moldova, de către MIEPO, de Colegiul Perrotis din Grecia pentru cursurile de masterat și de Agenția Paradis-Tur din Moldova.

## АННОТАЦИЯ

**Имя, фамилия:** Казаку Стела

**Название диссертации:** Развитие молдавско-греческих экономических отношений: препятствия и возможности

**Соискание ученой степени:** Кандидат экономических наук

**Место защиты:** Мун. Кишинэу

**Год представления диссертации:** 2018

**Структура диссертации:** аннотация, введение, три главы, выводы и рекомендации, библиография (189 элементов), 147 страниц основного текста, 39 рисунков, 12 таблиц и 21 приложений. Результаты исследования были представлены на 7 национальных и международных конференциях и опубликованы в 15 научных статьях.

**Ключевые слова:** международные экономические отношения, торговля, прямые иностранные инвестиции, туризм, миграция, передача технологий, двусторонние экономические потоки, теория гравитации, возможность, препятствие, механизм.

**Область изучения:** Специальность 521.02 – мировая экономика, международные экономические отношения.

**Цель и задачи исследования. Цель диссертации** состоит в анализе эволюции молдавско-греческих экономических отношений, ориентированных на двустороннюю торговлю, прямые иностранные инвестиции и туризм, а также определение возможностей и препятствий для этих отношений, и на этой основе разработка механизмов для развития двусторонних экономических отношений в рамках усилий по европейской интеграции. Для достижения этой цели были поставлены следующие **задачи:** выявление, критический анализ и систематизация методологической основы для объяснения двусторонней торговли, прямых иностранных инвестиций и туристических теорий и их применимости для установления экономических отношений между Молдовой и Грецией; анализ молдавско-греческой торговли, прямых иностранных инвестиций и потоков туризма; выявление возможностей и препятствий для развития экономических отношений между Молдовой и Грецией; предложение механизмов, которые улучшат их экономические отношения.

**Научная новизна и оригинальность полученных результатов** заключается в разработке теоретических и методологических предпосылок для исследования эволюции молдавско-греческих экономических отношений с акцентом на наиболее интенсивные формы, такие как двусторонняя торговля, прямые иностранные инвестиции и международный туризм; определение современной теории при оценке двусторонних экономических потоков (т. е. теории гравитации) и ее применение при оценке экономических потоков Молдовы и Греции; определение дополнительных экономических специальностей Молдовы и Греции; измерение этноцентрических тенденций в Молдове и Греции; оценка факторов, влияющих на туристические потоки из Молдовы в Грецию, и наоборот, с помощью теоретической основы Брюса Прадо; оценка потоков прямых иностранных инвестиций из Греции в Молдову на основе социологического исследования.

**Важная научная проблема** которая решается в диссертации заключается в определении методологических посылок исследования эволюции молдавско-греческих экономических отношений для выявления препятствий и возможностей их развития, и предложении механизмов, которые могли бы способствовать прогрессу этих отношений, в контексте европейской экономической интеграции.

**Теоретическое значение и практическая ценность диссертации** заключаются в разработке теоретических и практических рекомендаций по развитию экономических отношений между Республикой Молдова и Грецией в рамках европейской интеграции.

**Внедрение научных результатов:** Рекомендации этой диссертации были реализованы Национальной ассоциацией туристических агентств Молдовы, МІЕРО, Колледжем Perrotis из Греции для курсов и Агентством Paradis-Tur из Молдовы.

## **LIST OF ABBREVIATIONS**

ASEAN - The Association of Southeast Asian Nations;  
ASYCUDA - Automated System for Customs Data;  
BSEC - Organization of the Black Sea Economic Cooperation;  
BSTDB - Black Sea Trade and Development Bank;  
CETSCALE – Consumer Ethnocentrism Scale;  
CIS – Community of Independent States;  
Corp. – Corporation;  
DCFTA – Deep and Comprehensive Free Trade Area;  
EU - European Union;  
EUR – Euro (European Monetary Unit);  
FDI – Foreign Direct Investments;  
GDP - Gross Domestic Products;  
GR – Hellenic Republic;  
ICT – Information Communication Technologies;  
LLC - Limited Liability Company;  
MD – Republic of Moldova;  
MDL – Moldovan Currency Leu;  
MERCOSUR – Mercado Comun del Sur;  
MIEPO – Moldovan Investment and Export Promotion Organization;  
MNE - Multinational Enterprise;  
NTFS - National Trade Facilitation Strategy;  
OLI – Ownership-Location-Internalization;  
OSCE – Organization for Security and Co-operation in Europe;  
S.A. – Societate pe Acțiuni (Corporation);  
SME – Small and Medium Enterprise;  
S.R.L. – Societate cu Răspundere Limitată (Limited Liability Company - LTD);  
UK – United Kingdom;  
UNCTAD - United Nations Conference on Trade and Development;  
UNWTO – World Tourism Organization;  
USA - the United States of America;  
USD – the United States Dollar;  
VAT – Value Added Tax;  
WTO - World Trade Organization.

## INTRODUCTION

**Actuality of the researched topic and the importance of the addressed issue.** As the international economic activities have been constantly growing and evolving, their impact on the national economies has also increased. As a result, the world economies have become increasingly interdependent, particularly over the past half century. In a globalised world, where political, economic and technological barriers are rapidly disappearing, the ability of a country to take part in global activity is an important indication of its performance and competitiveness.

In this context, the economic relations of Republic of Moldova with other world countries represent an indication of its international performance and competitiveness. Hence, the development of Moldova's economic relations with a specific country is a significant issue that must be researched thoroughly. In this context, because of Moldova's European integration endeavor, investigating the development of Moldova's economic flows with an older member of the EU which has a wide and long-term experience in international economic activities, for instance Greece, is a way of identifying opportunities and hindrances related to the development of the economic flows between these two countries and, consequently, between Moldova and the EU. At the same time, it is challenging to determine mechanisms for the development of economic relations of Moldova with Greece, which has been recently through a government-debt crisis and which is affected by the economic austerity measures related to the crisis.

**Description of the situation in the field and identification of research problems.** One can notice that the concept of international economic relations, which is widely used by the Moldovan authors, is similar to the concept of international economy/economics, which is largely used within the international literature. Also, like many disciplines, international economics consists of two parts: theoretical part (i.e. general rules, models, abstractions and consistent frameworks) and descriptive part (i.e. depiction of international economic matters). The subjects of the international economic relations are the parties whose activities unfold outside the national borders, such as the companies, the state, the transnational corporations and so on.

Over the last years, the following economists have been publishing and discussing widely on the topic of international economic relations:

- a) *World researchers:* Jackson J.H., Carbaugh R.J., Carpenter M.A., Dunung S.P., Sargent D., Deardorff A.V., Boxell L. (USA), Cherunilam F. (India), Morgan R.E. and Katsikeas C.S., Ingham B., Smith A., Stack M.M. (UK), Kozak Y. et al. (Ukraine), Kjeldsen-Kragh S. (Denmark), Sută N. and Miron D., Vintila D. (Romania), Van Berkum S. and Meijl H. (Netherlands), Kulkarni K.G., Gupte R. and Sethi S., Nayak D. and Choudhury R.N. (India), Gómez-Herrera E. (Spain), Berthelemy J. and Demurger

S., Chaney T. (France), Oh J. and Sardar R.R. (Bangladesh), Tekçe M. and Öncel B., Bozbay Z. and Ozen H. (Turkey), Chionis D. and Liargovas P. , Koutroupi E, Natos D. and Karelakis C. (Greece), Jajri I. (Malaysia) , Faeth I., Prideaux B. (Australia), Hattari R. and Rajan R.S (Indonesia) and others.

b) *Moldovan researchers*: Roșca P., Stratan A., Moldovanu D., Gribincea A., Țâu N., Rusu G., Șișcan Z., Ulian G., Onofrei A., Corețchi B., Harcenco D., Burbulea R., Pârțachi I., Aculai E., Gonța E., Slonovschi D., Joldîbaeva M., Andreeva T., Deseatnicov I., Barcari I., Gurgui A., Crotenco I., Chirilă T., Turcov E., Lupușor A., Popa A., Prohnițchi V., Oprunenco A., Livandovschi R., Godoroja D. etc.

Based on the numerous definitions provided by the world economists, the author defines comprehensively the international economic relations as the economic relations among the world nations, expressed in five forms: international trade of goods and services, international movement of capital and financial relations, international migration, international technology transfer and international monetary relations. As regards the economic relations between Moldova and Greece, the author has noticed that the international trade, foreign direct investments and international tourism flows are the most intense forms of international economic relations between the two countries. Hence, in this research study, the author will put considerable emphasis on the theoretical and practical views related to the research topic, particularly to bilateral trade, FDI and tourism flows and their related opportunities and hindrances. Subsequently, the scientific intervention will offer practical solutions aimed at the development of the economic relations between Moldova and Greece.

**The object of the research** are the economic relations between Moldova and Greece. More specifically, this thesis will examine the current Moldovan-Greek trade, FDI and tourism flows using the most appropriate theories that would explain these flows. The analysis will be undertaken using the most recent data – mainly the year 2016. Whenever necessary, for comparison purposes and for illustrating the dynamics of these economic flows, data for the last 10-15 years will be employed.

**The aim of this research** consists in the analysis of the evolution of Moldovan-Greek economic relations, focused on bilateral trade, foreign direct investments and tourism, as well as in the determination of the opportunities and hindrances of those relations and, on this basis, the elaboration of mechanisms for the development of bilateral economic relations, as part of European integration endeavor.

Therefore, in order to attain this goal, the following **objectives** were set:

- ✓ Identification and analysis of theoretical approaches to the international economic relations focused on Moldovan-Greek relations;
- ✓ Critical analysis of bilateral trade models and their applicability for trade between Republic of Moldova and Greece;
- ✓ Analysis and systematization of methodological frame for explaining the determinants of foreign direct investments between Republic of Moldova and Greece;
- ✓ Identification and critical depiction of methodological approaches to tourism relations between the two countries;
- ✓ Assessment of the evolution of Moldovan-Greek relations and description of their legal and institutional frames;
- ✓ Analysis of the Moldovan-Greek trade and its potential;
- ✓ Analysis of Greek direct investments in the Republic of Moldova;
- ✓ Evaluation of the bilateral tourism between Republic of Moldova and Greece;
- ✓ Identification of opportunities for the development of economic relations between the two countries;
- ✓ Identification of hindrances related to Moldovan-Greek economic relations;
- ✓ Suggestion of mechanisms that would improve the economic relations between the two countries.

**The research methodology** of this thesis consists of both quantitative and qualitative methods of research. The study used the empirical approach (questionnaires, interviews), analysis and synthesis, induction and deduction, evolutionary approach, as well as methods specific to economic sciences, i.e. documentation, observation and comparison, grouping and selection, statistical analysis, correlation, econometric modeling. The undertaken research made use of a combination of secondary (existing internet-based reports, statistical websites of national and international institutions) and primary data (questionnaires, interviews). For analysing the data, mainly the SPSS 17 statistical software was utilized.

In the theoretical chapter of the thesis, which is dedicated to a comprehensive review of the specialized literature, of the main ideas and theories in the field and their application and actuality in current research studies, were used the classical approaches of economic research, such as analysis, synthesis, comparison and deduction.

In the second chapter of the thesis, which is dedicated to a detailed analysis of the current most intense economic flows between Moldova and Greece, were utilized mainly the following methods: the historical perspective, inductive and deductive methods, comparative and statistical methods of analysis. Also, there were employed the quantitative research methods (i.e. self-

administered questionnaires) in evaluating the consumer attitudes towards private labelling, towards imported products, as regards their perceptions of Moldova and Greece as a tourism destination. In addition, there were used the horizontal single-blind tasting and horizontal sighted tasting for investigating the impact of country-of-origin on consumers' evaluation of wine. It was made use of qualitative methods as well, i.e. interviews among Greek investors in Moldova.

In the final chapter of the thesis, which aims to identify mechanisms for the development of the Moldovan-Greek economic relations, there were used basically analytical, induction, deduction and observation methods.

**The important scientific problem solved in the investigated field** consists in the determination of the methodological prerequisites for the research of the evolution of the Moldovan-Greek economic relations, having as an effect the identification of the obstacles and opportunities to ensure several mechanisms that would contribute to the development of these relations in the context of the European economic integration.

**Scientific novelty and originality of the obtained results** consists in improving the bilateral international economic relations analysis in order to obtain the following innovative elements:

- ✓ Elaboration of the theoretical and methodological premises for the research on the evolution of Moldovan-Greek economic relations with focus on the most intense forms, such as bilateral trade, foreign direct investments and international tourism; the most suitable theories for explanation and application of bilateral economic flows have been classified and substantiated; the gravity theory has been applied within the limits of the thesis in the evaluation of the most intense Moldovan-Greek economic flows as well as the complementary economic specializations of Moldova and Greece has been determined.
- ✓ Application of a number of theories and models of international trade and tourism to study the Moldovan and Greek consumers' attitudes towards the foods and services (touristic ones) traded between Greece and Moldova, respectively: the destination competitiveness/image theory in evaluating the Greek and Moldovan image among the Moldovan and Greek consumers has been done by the use of the Bozday and Ozen model; measurement of Moldovan and Greek consumer ethnocentric tendencies has been fulfilled by means of CETSCALE methodologic instrument and using the impact of country-of-origin on consumers' evaluation model; evaluation of the factors that affect the tourism flows from Moldova to Greece and vice versa has been realized by means of Bruce Prideaux theoretical framework.
- ✓ Evaluation of the FDI flows from Greece to Moldova on the basis of a sociological study (interviewing the Greek investors);

- ✓ Identification of opportunities, hindrances and mechanisms for the development of economic relations between Moldova and Greece.

**The theoretical value of the thesis** consists in the scientific systematization and development of the concepts of bilateral international economic relations and their most intense flows, i.e. international trade, foreign direct investments and international tourism.

**The applicative value of the thesis** consists in proposing mechanisms of capitalizing on the identified opportunities and of eliminating the obstacles for the development of economic relations between Moldova and Greece, as part of Moldova's European integration endeavour. The findings of this research are valuable to the business representatives, to the investors, to the governments and to other institutions of the two countries, taking into consideration the fact that the thesis suggests numerous mechanisms on different levels, such as consumer, business, information technologies practices, institutional, governmental, geopolitical level etc. Moreover, if the recommended mechanisms are applied, Moldova and Greece will experience economic growth, due to the advantages that the international competitiveness brings to a country's economy.

**The main scientific results submitted for support** are: development of the concepts of international economic relations and their forms in the context of bilateral relations; identification, systematization and classification of bilateral trade, foreign direct investment and international tourism theories; identification of the most appropriate theories in explaining the bilateral economic flows between Moldova and Greece.

**Implementation of scientific results.** Due to the scientific research undertaken, especially the actual analysis of the dynamics of different forms of economic relations between Greece and Moldova, such as bilateral trade, foreign direct investment and bilateral tourism, the author proposes mechanisms of capitalizing on the identified opportunities and of eliminating the obstacles for the development of economic relations between Moldova and Greece. These mechanisms will benefit both the economy of the Republic of Moldova and the economy of the Hellenic Republic. Moreover, the recommendations based on the results of this thesis have been implemented by the National Association of Tourism Agencies of Moldova, have been used during the courses for its MSc program in Marketing for the Agro-Food Sector by Perrotis College from Greece; also they have been utilized by Paradis-Tur Tourism Agency from Moldova and they are in the process of implementation by the Moldovan and Export Promotion Organisation.

**Approval of research results.** The results of the undertaken research were approved and presented at 7 national and international conferences in Chişinău (Moldova), Iaşi, Cluj-Napoca, (Romania), Kalamata (Greece).

**Publications on the thesis topic.** The main results of this research study were published in 15 scientific articles with a volume of 10,47 sheets of author, out of which 10 were published in national journals and 5 were published in the journals abroad.

**Volume of the thesis and summary of the chapters.** The thesis includes: annotation (in Romanian, English, Russian), list of abbreviations, introduction, three chapters, conclusions and recommendations, bibliography (189 titles), being written on 147 basic text pages, 39 figures, 12 tables and 21 annexes.

In **Introduction** the author presents the actuality, the importance and the degree to which the chosen topic is investigated. Then, the purpose and objectives of the research are formulated. Afterwards, the author presents the elements regarding scientific novelty, theoretical significance and applicative value of the results obtained in the thesis.

**The first Chapter entitled “Theoretical and methodological framework regarding the Moldovan-Greek economic relations”** puts emphasis on the theoretical and methodological approaches to the international economic relations focused on Moldovan-Greek relations. The chapter undertakes a critical analysis and systematization of bilateral trade, foreign direct investments and international tourism theories and their applicability for the respective bilateral economic flows between Republic of Moldova and Hellenic Republic.

**Chapter 2** entitled “**Analysis of the economic relations between Republic of Moldova and Greece**” assesses the evolution of Moldovan-Greek relations, description of their legal and institutional frames. Then it performs the analysis of the current Moldovan-Greek economic flows, i.e. trade, foreign direct investments and tourism between Republic of Moldova and Greece.

**Chapter 3** entitled “**Opportunities and hindrances regarding the international economic relations between Republic of Moldova and Greece**” identifies the numerous opportunities and hindrances for the development of economic relations between Moldova and Greece. Then, it suggests mechanisms of capitalizing on the identified opportunities and of eliminating the obstacles for advancing the economic relations between Moldova and Greece. In this context, the author suggests several mechanisms on different levels, such as consumer, business, information technologies practices, institutional, governmental, geopolitical level etc.

**The Conclusions and Recommendations** section contains a summary of the research findings of the thesis and specific recommendations on the development of the international economic relations between Moldova and Greece.

**Key-words:** international economic relations, trade, imports, exports, foreign direct investments, tourism, bilateral economic flows, gravity theory, world economy.

# 1. THEORETICAL AND METHODOLOGICAL FRAMEWORK REGARDING THE MOLDOVAN-GREEK ECONOMIC RELATIONS

## 1.1. Theoretical approaches to the international economic relations focused on Moldovan-Greek relations

Due to the fact that international economic activities have been constantly growing and evolving, their impact on the national economies has also increased [61; 176; 171; 12]. As a result, the world economies have become increasingly interdependent, particularly over the past 50 years [61; 12]. The effects of this interdependence are (1) positive, i.e. lower production costs, wider choice for consumers, advantages of economies of scale, and (2) negative, e.g. vulnerability of developing countries in case of a recession in a strong developed country [61].

Hence, **the concept of international economic relations** has been widely discussed among Moldovan and world economists. According to *Petru Roșca*, the international economic relations represent „the economic relations between the national economies of certain countries, certain economic subjects” [176, p.17]. These relations are based on the international division of labor.

*Dumitru Moldovanu* considers that international economic relations and international economic flows are related concepts. Hence, he defines the international economic flows as „concrete forms of maintaining economic relations among the countries of the world. They represent the movement of certain material, financial or spiritual values from one country to another” [171, p. 388]. Dumitru Moldovanu also considers that all the world countries participate at the international economic relations, though with some peculiarities, no matter of the countries’ economic development and political regime.

*Alexandru Gribincea* states that international economic relations represent „a complicated and contradictory system of economic relations within the world economy among countries, their regional and national associations, international companies and transnational companies” [160, p. 74]. The author considers that the international economic relations have changed considerably over the last 100 years and that the most significant determinant of their development is the international trade.

One can notice that the concept of international economic relations, which is widely used by the Moldovan authors, is similar to the concept of international economy/economics, which is largely used within the international literature. For instance, *Robert Carbaugh*, a contemporary US economist, explains the international economic relations as the “international movements of goods and services, labor, business enterprise, investment funds, and technology” [12, p.1]. Moreover, the author states that nowadays no country can exist completely isolated economically. Thus, the nations establish at least some economic relations with other countries.

The Indian economist *Francis Cherunilam* states that “international economics deals with those international forces which influence the domestic economic conditions as well as those which shape the economic relationship between countries, world economic integration and transition” [27, p.3]. Thus, similarly to what other authors mentioned, this author also places emphasis on the economic interdependence among countries, which is due to the international economic relations.

If defined as a science, international economics is “the application of economic theory to situations in which countries are closely connected, through the exchange of goods and services, or through some other type of economic relationship, such as that between a creditor country and a debtor country. International economics is concerned with the interrelationships and interdependencies between national economies” [60, p.1]. Accordingly, the author mentions that a comprehensive understanding of international economics is the basis in understanding a modern economy. Deardorffs' Glossary of International Economics defines international economics as “the study of economic interactions among countries - including trade, investment, financial transactions, and movement of people – and the policies and institutions that influence them” [37].

Similarly to many disciplines, international economics consists of two parts: theoretical part and descriptive part. The theoretical international economics tries to find general rules, models, abstractions and consistent frameworks that can work as a guide to the comprehension of concrete events. The descriptive part deals with the depiction of international economic matters and of the institutional environment in which they happen, e.g. international trade, international flows of financial resources, international organizations etc [27].

The **subjects of the international economic relations** represent all the actors/institutions (e.g. transnational corporations, exporting and importing firms, international tourism agencies, transnational banks, the state etc) that operate outside the national borders. They undertake their activities at various levels, i.e. on the sub-national level – the state, on the regional level – regional economic organizations, on the global level – international economic organizations [68].

Based on the definitions given above, one can identify several **forms of international economic relations**. The economist *Moldovanu Dumitru* identifies six forms of international economic relations: (1) international trade; (2) international movement of capital; (3) international movement of labour forces; (4) international currency and financial relations; (5) flows of technical and scientific knowledge; (6) international tourism [171]. Hence, it can be noticed even through their names that all these forms of economic relations are on the international level.

*The Ukrainian researchers* (Kozak Y. et al.) consider that the international economic relations comprise the following elements: (1) the international trade in goods and services; (2) the

international movement of capital; (3) the international migration; (4) the international transfer of technology; (5) the currency and monetary relations; (6) the global financial system and international financial markets [68, p. 17].

*Petru Roşca* suggests that the international economic relations are expressed in the following forms: (1) international trade of goods; (2) international delivering of services (banking, transportation, tourism, information technologies etc); (3) external movement of capital and other financial relations; (4) international economic cooperation; (5) monetary and currency flows etc. [176, p.18]. If one compares the international economic relations structures proposed above, it can be noticed significant similarities. *Hence, based on the structures given previously, it is suggested in a current article the following forms of international economic relations: (1) international trade of goods and services (including banking, tourism etc); (2) international movement of capital and financial relations; (3) international migration (including international movement of labour); (4) international technology transfer; (5) international monetary relations* (Figure 1.1) [21].

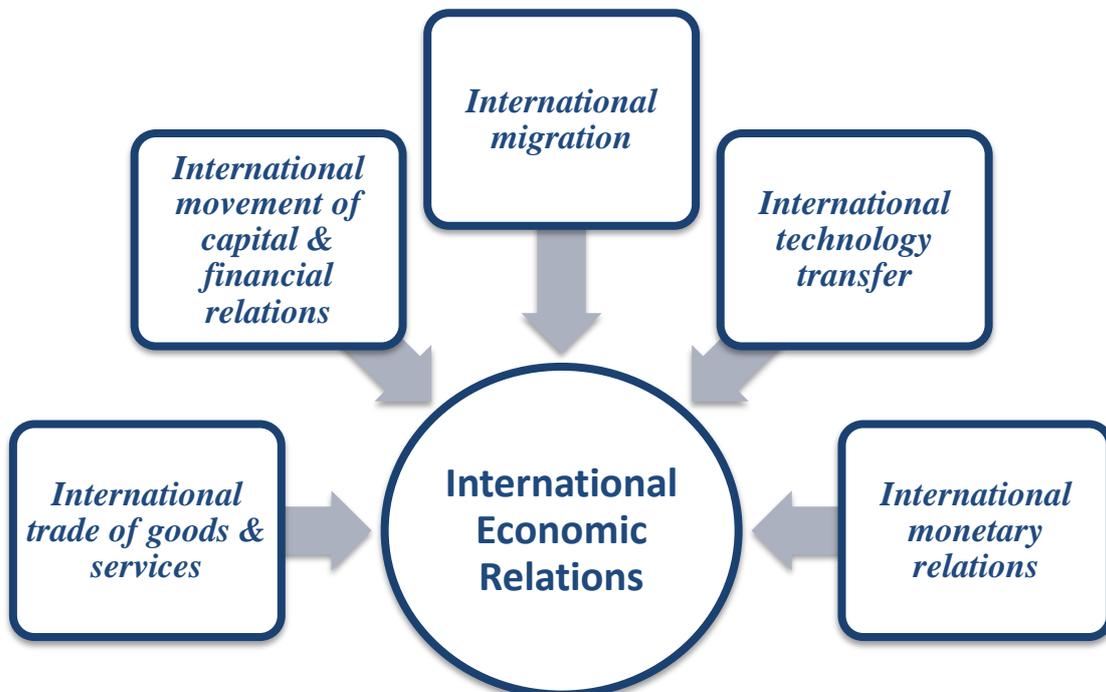


Fig. 1.1. Forms of International Economic Relations

Source: Compiled by the author based on [171; 68; 176]

Further, the thesis provides a short description of each of the international economic relations forms. Firstly, regarding the **international trade**, it is the concept of exchanging goods and services “between people or entities in different countries” [13, p.56]. Basically, nowadays, the world economies are interdependent, which means that they trade with other countries [157; 184]. The *World Trade Organization* considers trade as “the most common form of internationalization chosen by firms, including SMEs”, where internationalization can be done through different forms,

such as direct exports, indirect exports, non-equity contractual agreements, foreign direct investment (FDI) and other forms of equity agreements [138, p.5]. However, large firms dominate international trade, due to their size, organizational structure and enhanced technologies needed to get to foreign markets.

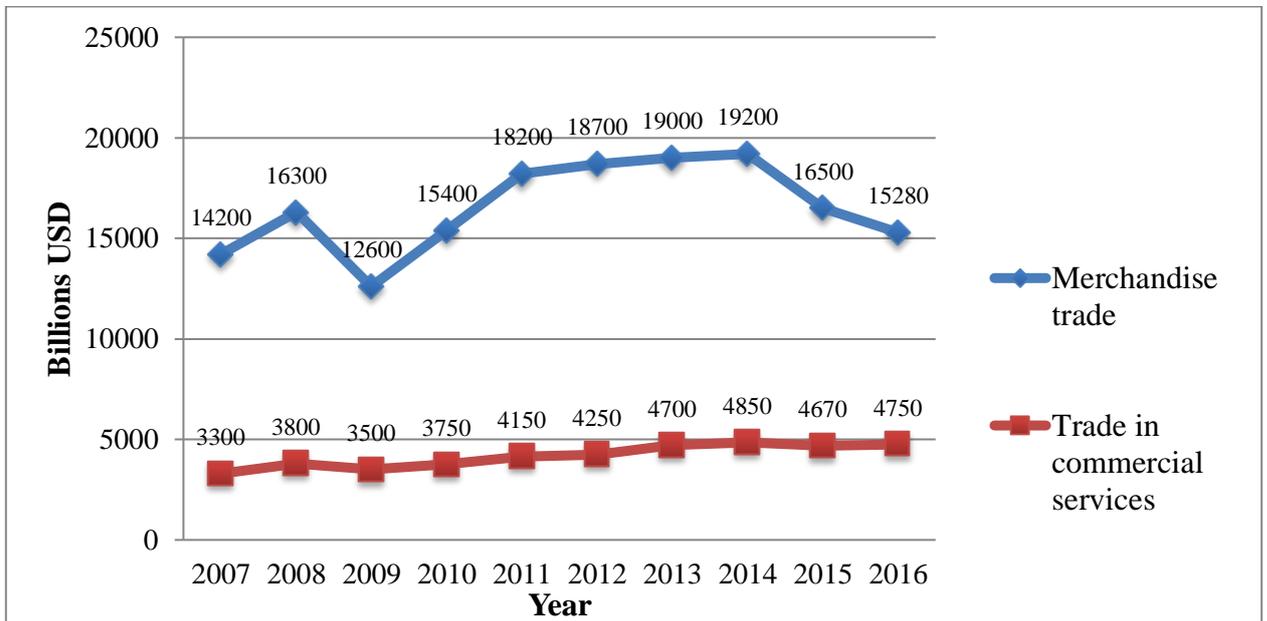


Fig. 1.2. World merchandise trade and trade in commercial services, 2007-2016

Source: Compiled by the author based on World Trade Statistical Review 2017 [139]

Based on the data provided by the World Trade Organization, international trade has grown over the last three decades by approximately 7% annually, both with reference to world merchandise and commercial services [134]. Moreover, as illustrated in Figure 1.2, the value of merchandise trade and trade in commercial services in 2016 was by around 15% larger than this value from 2007 [139].

As the examination of the contemporary specialized literature indicates, the importance of the topic is paid a lot of consideration. Trade, both at the domestic and international level, is, by and large, needed due to similar reasons: the need for the competence of a government, the profit-driven motivation of the producers, and the needs and choices of consumers [5]. The importance of international trade to a country's economic wellbeing and progress has been extensively reported [109; 82; 78; 1; 5; 184]. Moreover, "there is a wide range of circumstances in which all countries gain mutually from trade" [78, p. 61].

The second form of international economic relations is the **international movement of capital and financial relations**. "Its nature consists in the partial removal of the national capital, after which it is included to the manufacturing process or other turnover in other countries" [68, p. 79]. Its mobility is somewhat high and it has stricter restrictions in comparison to international

trade. At the same time, international capital movements can replace international trade, if it is used efficiently. Foreign capital has had a significant positive influence on the development of many countries [27]. That is why capital flows have increased over the last decades more than the international trade flows [27; 68].

International capital flows are classified as follows: direct and portfolio investments; government, institutional and private capital; short-term and long-term capital; home and foreign capital; foreign aid [27]. According to the international balance of payments statistics, international capital flows are split into four essential groups: short-term investment, long-term investment, portfolio investment and direct investment [31, p.1]. The Ukrainian researchers classify the international capital into official (funds of the state budget or budget of international organizations, e.g. International Monetary Fund, World Bank) and private capital (funds of private firms, banks and other non-state organizations, e.g. investment, commercial loans, interbank crediting), business (funds invested for profit earning) and loan capital (funds borrowed for a certain percentage), direct investment and portfolio investment [68].

“International investment is an important aspect of the economic relations among nations” [144, p. 45]. There are two types of international investments – portfolio investments and foreign direct investments (FDI). Investors in the first category invest in a firm’s stocks or assets without seeking control of the company’s operations or management. They simply seek for financial gains of return, in addition to the diversification of the investment risk. The second type of investments – FDI – appears to have a larger significance in the international economy, due to the fact that it is a long-term strategy [13].

The third form of international economic relations, more specifically **international migration**, is defined as “large cross border movement of population due to economic, socio-cultural, geo-physical and political reasons” [27, p. 588]. The international migration flows are of various types – legal or illegal, voluntary or forced, temporary or permanent. The international movement of population clearly implies also the international movement of labor forces. According to Ukrainian economists, “international labor migration is the mobility of labor from one country to another for a period more than one year” [68, p.92].

Migration flows are usually emphasized from economically stagnating regions to prosperous regions [27], which explains why over half of the international migrants are from developing countries and countries with economies in transition [68]. Hence, the most important reason for migration is the search of better economic opportunities. The phenomenon of labour migration has both positive and negative effects on the country receiving labour forces (positive – population growth, cheap labour, economic development; negative – political, social, ethnic,

religious and economic threats) and on the one donating labour forces (positive – remittances, unemployment reduction, knowledge and experience transfer; negative – brain drain) [27].

**International technology transfer** is a significant catalyst of world socio-economic development. It is “the process by which commercial technology is disseminated” among countries [27, p. 546]. It can also be defined as “the complex of the economic relations of different countries concerning the transfer of scientific and technological achievements”. The scientific and technical knowledge is traded in the global market, which represents the product of scientific investigations, engineering and experience of their business utilization, in addition to engineering services for using scientific, technical, technological and managerial enhancement [68, p.99].

*The Agency for Innovation and Technology Transfer* from Republic of Moldova defines technology transfer as “the introduction of specific technologies and equipment, facilities, hybrids, varieties, breeds into the economic cycle, processed or purchased from research organizations in order to increase efficiency and quality of products, services and processes required by the market”. It involves the implementation of innovative activities, as well as the distribution of information, knowledge transfer and consultancy, consequently being able to pass an idea or technology from the author to the recipient [2].

Technology transfer products are objects of intellectual property, such as a patent, a copyright, a trademark, industrial designs, know-how, diverse technical, design, commercial and marketing documentation. One must note that some forms of international technological exchange are non-commercial, for instance, scientific journals; database and databanks; international exhibitions and conferences; training of scientists and specialists in companies, universities and organizations; education of undergraduate and graduate students etc. [68].

Finally, **international monetary relations** represent one of the most dynamic forms of international economic relations, which appear in the process of utilization of monetary means in the international economic relations [176, p. 136]. Every country has its own national currency and, if it is used for international transactions, the national currency must be usually exchanged into a foreign currency on a special market called foreign exchange market [171, p. 400].

One should note that “currency provides communication and interaction of national and world economy” [68, p. 105]. “International monetary relations encompass the range of institutions, relationships, and habits that enable money to function in the international arena”. Complex technical concerns reside at the center of international monetary relations. They consist of the adjustment of exchange rates to put up with the disparities in trade and capital movements and “the provision of liquidity to accommodate economic growth”. International monetary relations are, meanwhile, entangled with power and national interests [103].

As regards the countries which will be the object of this thesis, according to the Ministry of Foreign Affairs and European Integration of the Republic of Moldova, the Department of International Economic Relations of Moldova promotes the objectives of the external economic policy of the Republic of Moldova, which constitute an indivisible component of the external politics of the country, the objectives and economic-commercial interests of the Republic of Moldova in relation to other countries and economic organizations with international, european, regional and sub-regional vocation. Thus, the activities of the Department are focused on the following priority directions: (1) Promotion abroad of economic interests of the Republic of Moldova through its diplomatic Missions; (2) Cooperation with international economic organizations; (3) Coordination of the Ministry of Foreign Affairs and European Integration in the economic context with the national governmental institutions [172, p. 3].

Similarly, the Foreign Ministry of Greece has a General Secretary for International Economic Relations. Previously, the economic and foreign trade affairs were part of the Finance Ministry of Greece, while in 2003 it was incorporated into the Foreign Ministry. The duties of the International Economic Relations department are determined by the Foreign Ministry's responsibilities relating to the promotion of Greece's economic relations and the support of business activity [58].

After performing a preliminary analysis of the all the forms of international economic relations between Republic of Moldova and Greece [18], the author has noticed that the international trade, FDI and international tourism flows are the most intense forms of international economic relations between the two countries. Hence, further this thesis will place significant emphasis on the theories of bilateral trade, FDI and international tourism, respectively.

## **1.2.Models of analysis of bilateral trade between Republic of Moldova and Greece**

In this section, the author will attempt to explore the international trade theories and their applicability and relevance in nowadays research. Subsequently, the author will choose the most suitable trade theories that could explain the trade flows between Greece and Republic of Moldova, which could help in the enhancement of the bilateral trade between the two countries.

It was affirmed that theories of international trade must answer the next question: What is the influence of trade on welfare in comparison with self-sufficiency [66]? The theories of international trade are founded on a broad literature in books and articles. Along with the *Danish economist Soren Kjeldsen-Kragh* [66], **the international trade theories are divided as follows:** (1) The classical theory; (2) Factor proportion theory; (3) Increased numbers of production factors; (4) Economies of scale, firm specialization and technology; (5) Demand differences; (6) Market

imperfections; (7) A multiplicity of theories. The *British researchers from Cardiff Business School* (Morgan and Katsikeas) [82] mention the following international trade theories derived from explanations of trade flows between at least two countries: (1) Classical trade theory; (2) Factor proportion theory; (3) Product life cycle theory; (4) Modern international trade theories. The *Romanian researchers*, such as Sută and Miron [180] classify them as follows: (1) the classical theory; (2) neoclassical theory and (3) the new trade theories. Consequently, one can notice that the trade theories can be mainly differentiated as: (1) traditional trade theories, to be precise, the classical and neoclassical theories; and (2) new trade theories of international trade.

Having examined shortly the **classical theories** mentioned previously, it was observed the following: The prominent classical theorists are Adam Smith, David Ricardo, Thomas Malthus, Jon Stuart Mill, and Karl Marx who paid particular attention to the way international trade contributes to the economic growth [66]. With the theory of absolute advantage, which considers that the countries will trade on condition that they possess an absolute advantage in the manufacturing of a certain good [109; 66; 180], Adam Smith started a theory of free trade. *David Ricardo* reorganized the fundamental ideas of free trade theory [104]. He suggested the theory of comparative advantage, which is established on relative disparities in production technology [66], concerning labor hours used for each unit of output. For this reason, the comparative advantage was viewed as indispensable and sufficient to guarantee equally favorable trade among countries [104]. Nonetheless, the classical trade theory cannot elucidate what leads to discrepancies in relative advantages [82].

Factor proportion theory is a **neo-classical theory** and it asserts that the international trade model is affected by the factor endowment of the countries [66; 180] namely, the resource endowments of countries represent “the determining factor for mutually gainful trade” [104, p.4]. Countries will be prone to concentrate in the production and export of goods and services that utilize their most abundant resources. Therefore, as opposed to classical trade theory, the factor proportion theory is capable of clarifying the differences in relative advantages of the trading nations [82].

The traditional trade theories are focused on the idea of comparative advantage linked to a range of conditions, to be exact, productivity in Adam Smith’s and David Ricardo’s theory, factor endowment in the factor proportion theory, labour and capital in the specific factor model, access for the needed production factors in the availability theory [66; 128]. Yet, one should bear in mind that comparative advantages can sooner or later modify, that is to say it can increase or decrease. Therefore, the traditional trade theories have a limited ability to analyze problems [66; 105; 104; 180], since they take into consideration merely the supply side [66] and for the reason of what they

presume – perfect markets, homogenous products and absence of scale economies [105]. That's why, by the late 1970's, the traditional theories of trade were being casted doubt upon [105; 180], due to their strict framework. The new trade theories take into account, in diverse ratios, the demand side, the supply side and market conditions [66]. Accordingly, scale economies, imperfect markets and product differentiation are three features that distinguish the new trade theories from the traditional trade theories [105; 180; 128].

To elaborate on the previous statement, a set of **new theories** concentrate on demand conditions: (1) The theory of the ideal product variety, (2) The theory for multiple product varieties and (3) Linder's theory that demand explains the pattern of production and trade. A further set of theories combines conditions of supply and demand: (1) Economies of scale and firm specialization, (2) The theory of the technological gap, (3) The theory of the product life cycle; (4) Falvey's model of vertically differentiated products. Lastly, one more group of new theories focuses on the form of the market: (1) Oligopoly with homogeneous goods; (2) Oligopoly with differentiated goods [66].

One should note that, usually, the modern trade theories highlight the major role of technology in explaining trade patterns. Moreover, the latest theoretical progresses approve the necessity for government involvement under the right conditions [128]. Thus, considering all the trade theories, the author has noticed that various factors can lead to international trade. Besides, the majority of the trade theories affirm that the comparative advantage principle is the most important determinant of international trade.

#### **Application and actuality of international trade theories in current research studies.**

The author is interested in investigating the degree to which the trade theories are applicable currently in analyzing and interpreting trade patterns. For example, it is revealed that to find out the most appropriate theoretical method in explaining trade flows for agricultural products, the main features of agricultural products, market structures and trade must be matched to the appropriate features of the diverse theories of international trade [128]. Consequently, it was empirically proved that new trade theories are significant for agricultural trade investigation and that traditional trade theories are valuable in explaining trade in homogenous products.

Despite the fact that the trade theories have helped governments, economists and businesses in comprehension of international trade, they are from time to time questioned by the global events. For example, although the United States of America (USA) is among the world's most prosperous and greatest economies owing to its advantages in factors of production, specifically huge agricultural terrain, important access to capital, educated labor pool and so forth, it continues to import a large amount of goods and services. It can be justified in view of the fact that other

economies obtained their own comparative advantages by means of cheap production costs. For this reason, it is affirmed that most likely there is no leading trade theory in the world. In fact, governments and companies use a mixture of trade theories to interpret tendencies and to build up strategies. Whereas these theories have changed and advanced over the recent 500 years, the trade theories will continue to change and adapt, because new determinants influence international trade [13].

Following the disintegration of the Soviet Union, Republic of Moldova has engaged in international trade as a result of regional integration and membership of regional trade agreements. As part of the Republic of Moldova's European integration efforts, it is imperative to interpret the trade involving Moldova and European Union. Greece represents for Moldova one of the European Union's significant partners as regards imports and exports. In addition, Moldova is emerging as a significant partner for Greece, mainly after the European Union visa free travel steps for Moldovans from April 2014. Thus, this section concentrates farther on identifying the theories that can explain the trade patterns between Moldova and Greece.

**Theories that serve the enhancement of trade between Greece and Republic of Moldova.** Consistent with *Soren Kjeldsen-Kragh* [66], if one reflects upon trade between Greece and Republic of Moldova, "where Greece is a developed country facing an economic crisis, while the latter is still a developing country, *availability theory* would be one of the theories that would explain the Greek-Moldovan trade. As the overlap of demand is insufficient, it reduces consequently the amount of trade. Hence, the differences in factor endowment are significant for the development of the bilateral trade of the respective countries. More specifically, the inter-industry trade would prevail rather than the intra-industry trade" [14, p.120].

Additionally, it is well-known that distance has a considerable impact on trade. Based on the traditional theory, the obstacles of distance are regarded as the costs of transportation. The contemporary theories consider the distance another way. Currently, cultural distance is viewed as more important than the physical distance. Besides, distance barriers depend as well on the type of the product and on the nature of the business. For example, distance signifies more to a small or medium business than to a large or multinational business [66]. "That is why a model which takes into consideration the distance would also be an appropriate one in explaining the trade between Greece and Moldova. More specifically, the *gravity trade theory* could be that kind of model" [14, p.121].

**The gravity model.** In the current specialized literature, it is pointed out that bilateral trade flows are clearly explained empirically by gravity equation or gravity model [38; 70; 52; 9; 111].

For this reason, the gravity model has captured the attention of international economists, particularly because it has turned out to be stable over time and across diverse countries [25].

The gravity model is called for its similarity to the law of attraction [9; 38] and it comes from *Isaac Newton's* view on earth's gravity [70; 52]. Based on Isaac Newton's Law of Universal Gravitation (Figure 1.3), "any particle in the universe attracts any other particle thanks to a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them" [145, p.12].

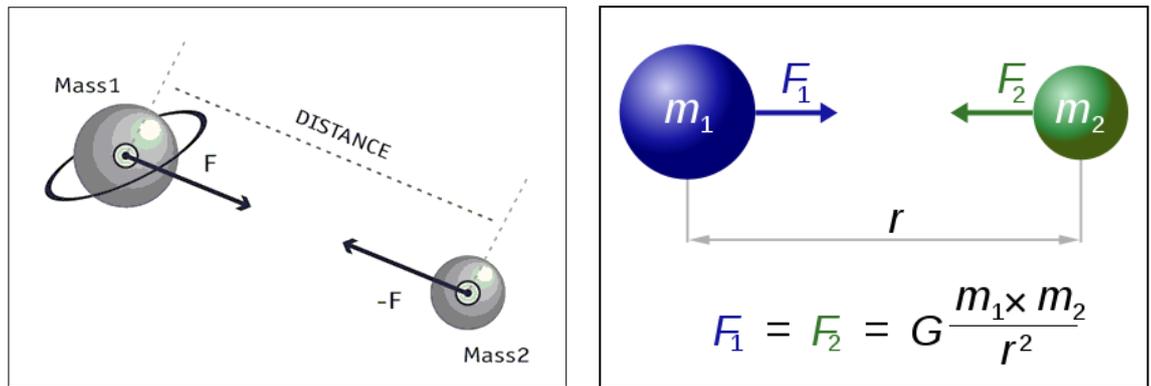


Fig. 1.3. Depiction of Isaac Newton's Law of Universal Gravitation

Source: [114; 131].

Similarly, one can apply this law to international trade. Thus, the gravity model of trade is founded on the belief that trade flows between two countries are determined: (1) positively by their economic sizes, more specifically, Gross Domestic Products (GDP); (2) negatively by the distance between them [52; 38; 92; 115; 111; 25]. Therefore, the larger the distance, the smaller the trade volumes, justified by the high transportation costs, cultural disparities, discrepancies in consumer preferences and so forth. What's more, the larger are the GDPs of the two countries, the larger are the bilateral trade flows [70]. The remarkable similarity between the trade gravity equation and the matching equation from physics is depicted in Table 1.1.

Table 1.1. Analogy between the Newtonian theory of gravitation and the gravity trade model

<i>Newton's Law of Universal Gravitation</i>	<i>Gravity Trade Model</i>
$F_{ij} = G \frac{M_i M_j}{D_{ij}^2}$ <p>where:</p> <ul style="list-style-type: none"> <li>- <math>F_{ij}</math>: gravitational force between objects <math>i</math> and <math>j</math></li> <li>- <math>G</math>: gravitational constant</li> <li>- <math>M_i</math>: object <math>i</math>'s mass</li> <li>- <math>M_j</math>: object <math>j</math>'s mass</li> <li>- <math>D_{ij}</math>: distance between objects <math>i</math> and <math>j</math></li> </ul>	$X_{ij} = \tilde{G} \frac{Y_i E_j}{T_{ij}^\theta}$ <p>where:</p> <ul style="list-style-type: none"> <li>- <math>X_{ij}</math>: exports from countries <math>i</math> and <math>j</math></li> <li>- <math>\tilde{G}</math>: inverse of world production <math>\tilde{G}=1/Y</math></li> <li>- <math>Y_i</math>: country <math>i</math>'s domestic production</li> <li>- <math>E_j</math>: country <math>j</math>'s aggregate expenditure</li> <li>- <math>T_{ij}^\theta</math>: total trade costs between countries <math>i</math> and <math>j</math></li> </ul> $T_{ij}^\theta = (t_{ij} / (\Pi_i P_j)) \sigma^{-1}$

Source: [145, p.17]

As illustrated in Figure 1.4, the benefits from trade are consistent with a sequence of different micro-foundations together with a single economy model with monopolistic competition; a Heckscher-Ohlin framework; a Ricardian framework; entry of heterogeneous firms, selection into markets; a sectoral Armington-model; a sectoral Ricardian model; a sectoral input-output linkages gravity model and a dynamic framework with asset accumulation [145].

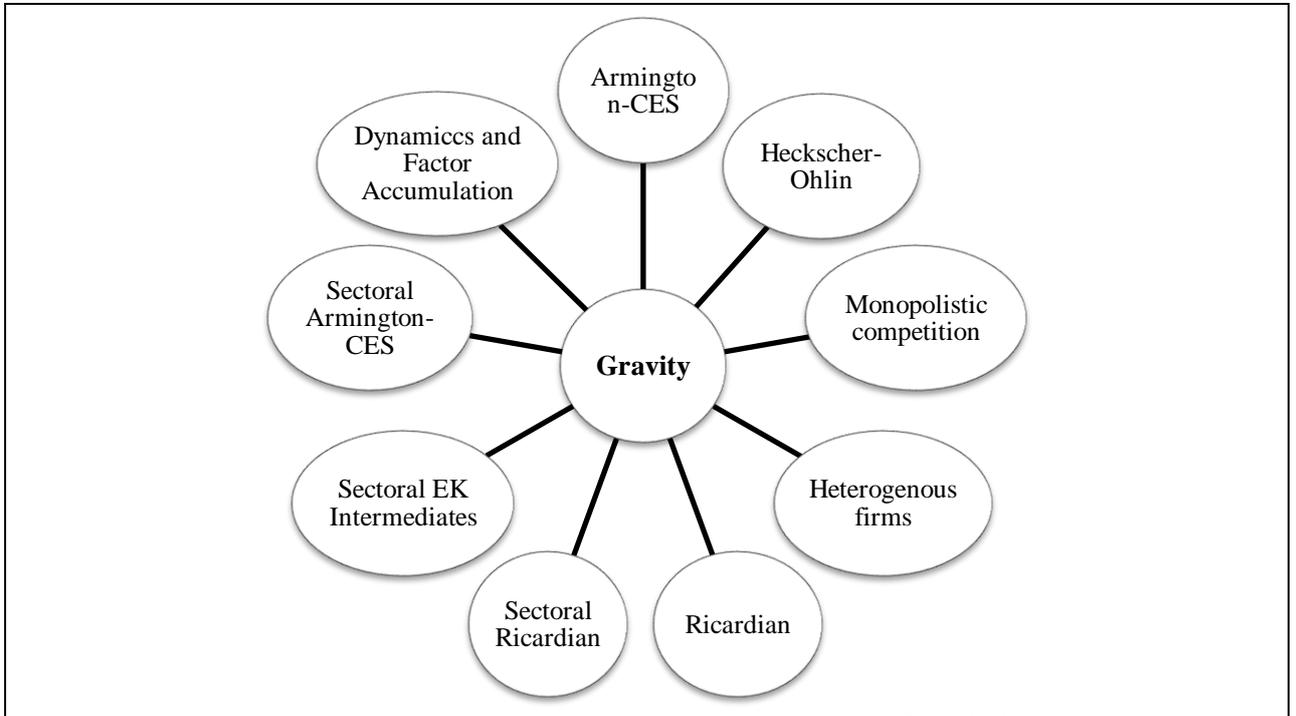


Fig. 1.4. Gravity model's strong theoretical foundations

Source: Elaborated by the author based on [145, p.12]

**Development of the Gravity Model for Estimation.** An analogy with Isaac Newton's universal law of gravitation to explain the bilateral trade flows between two countries was used for the first time more than five decades ago [25]. The fundamental gravity model of trade reveals that "the trade flow between two countries is proportional to each country's GDP, but inversely proportional to the distance between them" [93, p.36]. It is expressed in the following manner:

$$X_{ij} \text{ or } M_{ij} = \frac{KY_i^\alpha Y_j^\beta}{D_{ij}^\gamma} \quad (1.1)$$

where the variables are defined along these lines:

- $X_{ij}$  is the flow of exports into country  $j$  from country  $i$ ;
- $M_{ij}$  is the flow of imports into country  $i$  from country  $j$ ;
- $Y_i$ , and  $Y_j$  are country  $i$  and country  $j$ 's GDPs;
- $D_{ij}$  is the geographical distance between the two countries [91].

Studies on international trade utilize the gravity model in order to analyse the variables so as to determine causality. The common gravity model has the basic form of:

$$\log(\text{trade}_{ij}) = \beta_0 + \beta_1 \ln(\text{distance}_{ij}) + \beta_2 \log(\text{gdp}_i) + \beta_3 \log(\text{gdp}_j) + \beta_4 \text{border}_{ij} + \beta_5 \text{FTA}_{ij} + \beta_6 \text{CU}_{ij} + \dots + \epsilon_{ij} \quad (1.2)$$

where the variables are defined as follows:

- $\log(\text{trade}_{ij})$  represents the bilateral trade between countries  $i$  and  $j$ ;
- $\text{FTA}_{ij}$  and  $\text{CU}_{ij}$  are dummy variables for whether countries  $i$  and  $j$  are in a free trade agreement or currency union;
- The other variables are expressed likewise [9, p. 290].

Depending on the researcher's need, other variables can be included to this model without difficulty. For instance, a study that calculated the effect of MERCOSUR on a country's exports used Anderson and van Wincoop theoretical model and it is formulated in the following manner:

$$\ln X_{ijt} = \beta_0 + \beta_1 \ln Y_{it} + \beta_2 \ln Y_{jt} + \beta_3 \ln D_{ij} + \beta_4 \text{COMBOR}_{ij} + \beta_5 \text{LANG}_{ij} + \beta_6 \text{COMCOL}_{ij} + \beta_7 \text{MERone}_{ijt} + \beta_8 \text{MERboth}_{ijt} + \eta_{ij} + \lambda_t + \epsilon_{ijt} \quad (1.3)$$

where:

- $X_{ijt}$  is the dependent variable and it is the logarithm of the bilateral exports from country  $i$  to country  $j$  in year  $t$ , measured in real terms;
- $Y_{it}$  and  $Y_{jt}$  represent independent variables. They are the logarithms of real converted GDPs in country  $i$  and country  $j$ . These variables grasp the influence of economic size on trade;
- $D_{ij}$  is the distance between the countries;
- $\text{COMBOR}_{ij}$ ,  $\text{LANG}_{ij}$  and  $\text{COMCOL}_{ij}$  are external variables. They are dummy variables that have the purpose to capture factors that could affect the size of trade flows between the two countries:
  - $\text{COMBOR}_{ij}$  receives value one if the two countries have a common border, or else – value zero;
  - $\text{LANG}_{ij}$  receives value one if the two countries have a common language, or else – value zero;
  - $\text{COMCOL}_{ij}$  receives value one if both countries have had the same colonizer in the past, or else – value zero;
- $\text{MERone}_{ijt}$  and  $\text{MERboth}_{ijt}$  represent the probable trade variations or trade creation influences:
  - $\text{MERone}_{ijt}$  receives value one if one of the countries takes part in trade is a member of MERCOSUR, or else – value zero;
  - $\text{MERboth}_{ijt}$  receives value one if both countries that are trading are members of MERCOSUR, or else – value zero;

- $\eta_{ij}$  represents a country-pair rigid impact that incorporates those unnoticeable and time-unvarying features which are characteristic c to every pair of countries;
- $\lambda_t$  is a time impact that incorporates the unnoticeable features that modify over time;
- $\varepsilon_{ijt}$  represents the error indication, which is independent and evenly spread [47, p. 341].

Various studies demonstrate that the predictability of the gravity trade model is very high. For example, it is illustrated that Bangladesh's trade flows are primarily consistent with the forecasts of the gravity model across years [91]. Accordingly, a research study in India [70], one research study in Turkey for bilateral trade between Turkey and Former Soviet Union countries [115] and a study determining the influences of bilateral trade flows between Mercosur countries [47] have inferred the theory's application, significance and predictability.

So far, no study has explained the bilateral trade between Moldova and Greece [14]. However, the gravity theory has previously been utilized by researchers to calculate and/or interpret the bilateral trade between Greece and other countries. For example, some Greek researchers conclude through the gravity model that the potential regarding Greek trade with Balkan countries is huge, seeing that the ratio of actual over potential trade flows is around 40% for both imports and exports [28]. Other economists from Greece use the gravity approach to identify the determinant of wine exports among Greece, France, Germany and Bulgaria [67]. Another group of Greek researchers estimate the determinants of trade in olive oil [130]. Some other Greeks investigate the effect of immigration into Greece on the volumes of Greece's bilateral trade [96]. Other investigations use the gravity theory to elaborate on the modest export efficiency of Greece [8; 95].

Vis-à-vis Moldova, the gravity model was utilized by the Independent Think Tank Expert-Grup for explaining the actual and potential trade volumes between Moldova and Czech Republic [79]. By means of straightforward analysis derived from the gravitational trade theory, this investigation implies that there is potential for a considerable enhancement of the Moldovan exports to the Czech Republic. In addition, Expert Grup evaluate in another research study the influence of EU trade agreements on the Moldovan exports by utilizing the gravity approach. The calculations of the regressions prove that trade agreements extended through the European Union (EU) to the Republic of Moldova in essence did not have any effect on the advancement of the Moldovan exports on the European markets [97].

A more recent study undertaken by the Moldovan economist *Nicolae Țâu*, utilizing the results of a gravity model study, identifies a strong relationship between the presence of diplomatic representatives in the importing countries and the bilateral trade volume, particularly among

countries that are not well endowed with natural resources [181]. Thus, the author proposes several recommendations that would improve the international economic relations of Moldova, e.g. a better theoretical and practical preparation of the ambassadors as regards the international economic relations field in order to promote exports; a more active implication of the diplomatic missions in supporting Moldovan companies on the foreign markets, the development of commercial diplomacy department within the Ministry of Foreign Relations and so forth.

As regards theoretical reviews, researchers from the *Academy of Economic Studies of Moldova*, such as Pârțachi I. and Gonța E. undertook a study which presents theoretical instruments for the equation of gravity. They describe several approaches of the gravity model, such as the model of perfect competition and of constant returns to scale, the model of monopolistic competition and of increasing returns to scale etc, reaching to the conclusion that there is a convergence of opinions regarding the gravity model and that due to the complexity of trade as a concept, the quantity and quality of global trade cannot be explained only by utilizing a specific model [173].

Hence, “the gravity model could also be used in explaining and predicting the bilateral trade between Moldova and Greece” [14, p.122], particularly because no special studies have been undertaken in this sense yet.

### **1.3. Methodological frame for the analysis of foreign direct investments between Republic of Moldova and Greece**

The economic literature is rich in **definitions** of FDI. FDI “refers to an investment in or the acquisition of foreign assets with the intent to control and manage them” [13, p.82]. FDI could be interpreted, as well, as the cross-border control of companies via purchase, lease, or new foundation of property or equipment [39]. Also, FDI can be defined as a form of cross-border investment in production with the purpose of being in charge of a business by means of acquisition [68]. Finally, FDI could be interpreted as an investment via which the investor gains considerable control in an overseas firm or when the investor sets up a subsidiary in a foreign country [78]. Using all the definitions provided, the author has defined FDI as “*an investment which consists of ownership and/or significant controlling interest of a company in a foreign country*” [15, p. 182].

**FDI importance and tendencies.** The role of FDI in the economic development and/or growth of a country and among international economic flows was discussed by several Moldovan authors, such as Petru Roșca, Dorina Harcenco, Alexandru Gribincea, Dumitru Moldovanu, Dumitru Slonovschi, Manșuc Joldîbaeva, Tatiana Andreeva, Ion Deseatnicov [176; 163;160; 171; 179; 166; 149; 158; 178]. FDI is fundamental in economic development and in decreasing the gap

between the developed and developing nations [100]. To be precise, currently FDI movements are higher than 40% of overseas development funding to developing and transition nations. The FDI tendencies demonstrate that as a result of the instability of the world economy, investment procedure volatility and augmented geopolitical risks, FDI movements fell by 16% in 2014, essentially as a consequence of the regional differences [122]. Nevertheless, as predicted by the United Nations Conference on Trade and Development (UNCTAD), a strong improvement was seen in 2015. Thus, world FDI flows increased by 38%, which was the highest level achieved since the global economic and financial crisis of 2008-2009 [123]. Figure 1.5 illustrates the global FDI inflows by group of economies for the years 2007–2016.

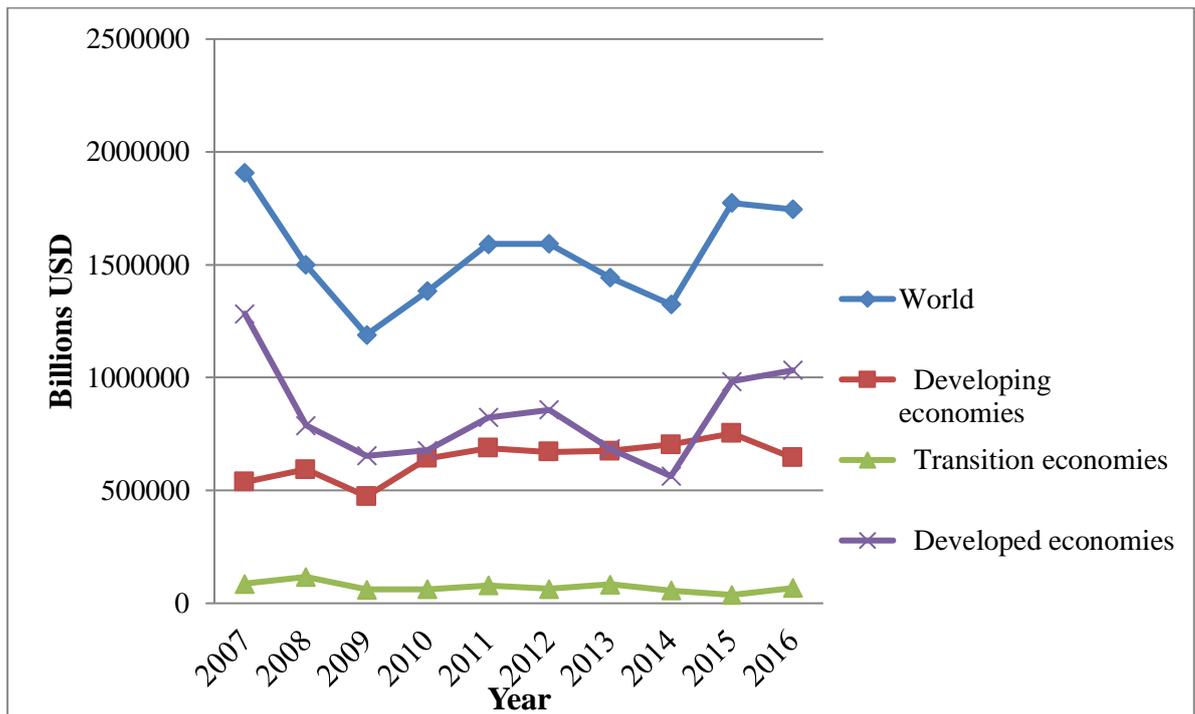


Fig. 1.5. Global FDI inflows by group of economies, 2007–2016 (Billions of dollars)

Source: Elaborated by the author based on UNCTAD [123]

As shown in Figure 1.6, 60% of the top 10 major recipients of FDI in 2016 were from developing countries. Meanwhile, the five largest outward investors were the USA, China, Netherlands, Japan and Canada (Figure 1.7). It appears that the USA, China, Hong Kong and Netherlands were among the top 10 largest both recipients and outward FDI investors.

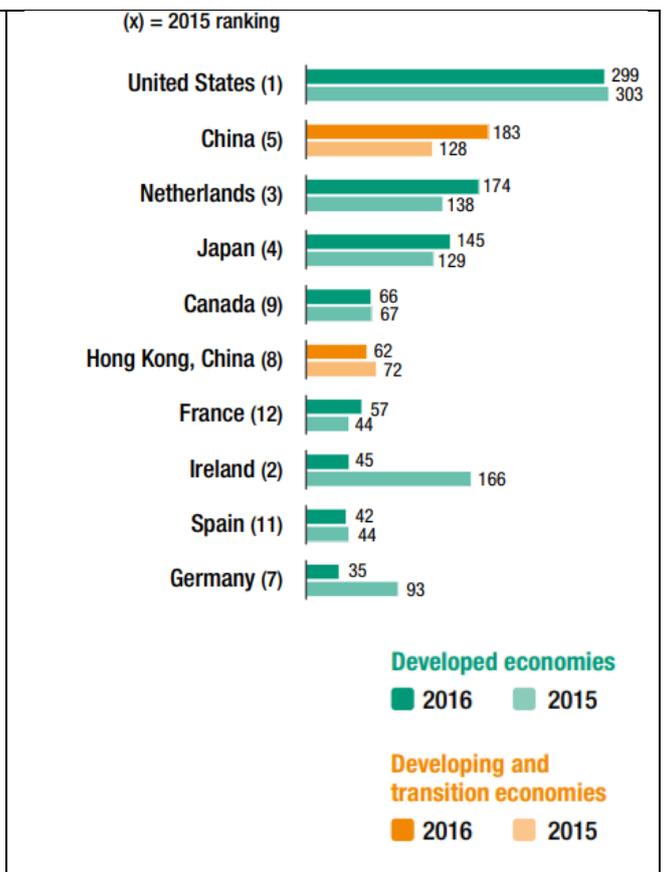
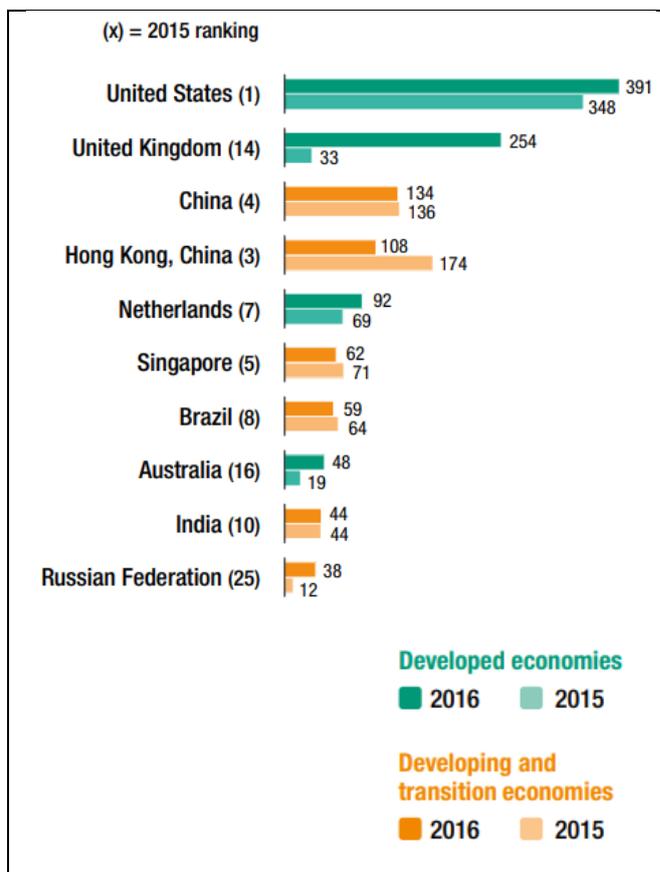


Fig. 1.6. FDI inflows, top 10 host economies in the years 2015 and 2016 (Billions of USD)

Source: [123, p. 12]

Fig. 1.7. FDI outflows, top 10 FDI investors in 2015 and 2016 (Billions of USD)

Source: [123, p. 14]

The FDI interrelated issues are investigated and discussed globally because of the fact that **FDI is associated to economic growth**. Several authors consider that FDI improves economic growth, above all in the developing countries. For example, FDI has been an essential determinant in the economic expansion of Malaysia, where FDI influenced the change from the agricultural to the industrial type of economy [62]. Similarly, FDI had a clearly positive influence in regional economic growth in China [4]. Further, one argues that FDI might have a critical effect in the course of creating an improved economic environment. Meanwhile, it is considered that FDI has numerous negative aspects, where the reduction of the strength of the balance of payments is a chief one [56]. Besides, there is substantial proof that FDI diminishes the economic growth [75]. For instance, given the post-socialist transition economies, one recommends to have few FDI inflows, but bigger domestic investment, in view of the fact that rapid FDI might contribute to economic reduction [35]. As regards Republic of Moldova, Dumitru Slonovschi found out that FDI has a positive impact on the economic growth in the country, though it is not essential [179]. According to all the arguments given above, it seems that the relation between FDI and economic growth is various across countries. Generally, FDI has a long-term impact on economic growth,

despite the country's level of development [56]. Thus, the author concludes that there is no universal agreement on the positive relation between FDI inflows and economic growth.

Now we are examining the motivations of a firm's choice to invest abroad. The economic literature has determined quite a lot of **factors that impact FDI flows**. The *Moldovan researchers*, such as Rusu G. and Şevciuc V. consider that the determinants of FDI are: the structure of the local market, the purchasing power of the consumers, competition intensity, the cost of production factors, infrastructure, geographic position of the country, macroeconomic stability of the country, legal and fiscal environment etc. [178]. The *Ukrainian researchers* (Kozak et al.) classify them in the following manner: (1) *Marketing factors*, specifically, market size, market growth, proximity to consumers, high possibility to export, decision to follow the competitors; (2) *Trade restrictions*, such as, trade obstacles, very ethnocentric consumers; (3) *Cost factors*, to be precise, cheap work forces, proximity to the resources of supply, accessibility of raw materials, of capital and technology, decreased transportation expenditures, financial motivations given by the government; (4) *Investment climate*, such as, positive views on FDI, political stability, constraints in the possession rights, stability of foreign currency, composition of taxes and so on [68].

Further, on the FDI determinants, the *American researchers*, such as Carpenter and Dunung, list them as follows: expenses of manufacturing in the local marketplace, logistics, market possibilities, availability and ease of use of local natural resources, ease of using local know-how, consumers' and competitors' existence in the local marketplace, FDI policy motivations, simplicity and smoothness of investment process, cultural resemblance, influence on the incomes, expatriation of finances, ease of exiting the local marketplace [13]. The character of local institutions, above all, the corruption degree, should be referred to as an FDI determinant, as well [99].

**The FDI determinants were empirically investigated** in numerous studies. For example, by means of an econometric investigation, a research study in Australia reveals that the interest rates, modifications of the wages, the value of the openness of the economy and industrial controversies are chief determinants of FDI inflows in Australia [144]. Another research study found out that the major factors that contribute to making India appealing to foreign investors are the dimension of the market, infrastructure and increased interest rate, whereas openness of the economy and increased inflation rate represent critical determinants that influence negatively the FDI inflows [100].

It is of innermost significance to find out also the **association between FDI and trade**. Enterprises that commit to FDI activities can be named as multinational enterprises (MNE). An MNE can boost its earnings via assisting foreign markets either by means of exporting activities or

by founding a subsidiary by means of FDI, therefore via manufacturing at home and afterward exporting or via manufacturing in the host country [73; 53]. Accordingly, setting up an overseas subsidiary offers the possibility to substitute or complement exports. The results of an investigation in the USA prove that there is a tiny substitution between exports and FDI [53]. A different investigation reveals that diverse lengths of distance impact exports and FDI in a different way. FDI deals increase with geographical remoteness and import tariffs. Nevertheless, FDI does not merely replace trade in this circumstance [73].

Because of the amplified regional economic agreements over the recent dozens of years, it is of vital significance to examine as well **the influence which economic integration has on the magnitude and direction of FDI flows**. In this meaning, the findings of an investigation confirm that the presence of regional integration agreements has no influence on the amount and tendencies of FDI movements; besides, the research study discovered that the size and direction of FDI movements are impacted by the economic characteristics of the investing and the host country [3]. On the other hand, the findings of several current empirical studies demonstrate that third-country influences and regional integration are significant determinants of FDI in The Association of Southeast Asian Nations (ASEAN) countries [85] and that the bilateral investment agreements influence the FDI, predominantly with more vigorous impacts in the long run compared with the short run [42].

Further, the author will investigate shortly the FDI theories and their applicability in the current research, in order to identify the most relevant theories that would explain the FDI flows between Greece and Moldova.

**A general view of the FDI theories.** There are numerous theoretical investigations that examine the motivations behind FDI. For example, *the Indian economists Nayak Dinkar and Rahul N. Choudhury* divide the FDI theories in six groups: (a) FDI theories derived from the supposition of perfect competition; (b) FDI theories founded on the grounds of imperfect competition; (c) currency-based approach; (d) theories which link FDI with international trade; (e) theories which connect regional integration agreements with FDI; (f) theoretical approaches which investigate the movements of FDI from developing countries [88].

The theory of **perfect competition** asserts that firms create homogeneous products and that their access to factors of production is very much alike [82]. Therefore, in this context, the FDI reasons are disputable, as the investor does not get a competitive advantage. This approach exists essentially merely from the theoretical point of view, because the existent world is different. Actually, businesses function under **imperfect competition**, as they possess diverse competitive

advantages. For that reason, the firms choose to invest in foreign countries with the purpose of benefiting certain competencies that the foreign competing companies do not have [82].

The imperfect competition theoretical approaches comprise: (1) *industrial organization theory*, which asserts that, so as to have profitable FDI, businesses operating overseas should compete with domestic companies that have advantages as regards culture, language, consumer preference and so on, by means of specific types of market power, depicted as patent-preserved advanced technology, brand names, economies of scale, marketing and management expertise; (2) *FDI rooted in monopolistic power*, which asserts that the companies are likely to invest overseas under the conditions that the opportunities to achieve monopoly profits are significant, under the condition that the host country's regulations allow this; (3) *internalization theoretical approach of FDI*, which indicates that a company might function via backward or forward integration in diverse countries, only if the transactions can be done at a decreased cost, such as the production of one subsidiary might be utilized as input in a different subsidiary; (4) *oligopolistic theory interpreting FDI*, which affirms that under oligopolistic market circumstances, intra-industry business are prone to replicate each other's location decision, with the purpose of preventing being underpriced, under the condition that the competing business creates a subsidiary to substitute exporting to the host state; (5) *Dunning's eclectic paradigm to FDI or OLI paradigm, i.e. ownership-location-internalization*, implies that a firm would participate in FDI on the assumption that the following conditions were satisfied: (1) the firm should have ownership favored position compared with other firms (Ownership); (2) the firm has to make a decision regarding the location advantages of its FDI (Location); (3) the company should internalize these advantages, rather than hinge on external markets, consequently achieving improved profitability from operating transactions inside the firm (Internalization) [88].

Further, the author moves on with the classification of FDI theories illustrated previously. **Currency-based** theoretical approach considers that compared with investing economies that possess strong currencies, economies with weaker currencies are better at attracting FDI, owing to the advantages offered by market capitalization degree. With reference to theoretical approaches that **link FDI with international trade**, there were illustrated previously several findings with regard to the association between FDI and trade, which demonstrate that there is a tiny trade-off amid trade and FDI. Vernon represents one of the foremost researchers who combined international trade with international investment. Via his Product Life Cycle Theory, he described FDI as a reaction to the danger of losing markets attributable to the fact that products matured and for the reason that the companies had the need to decrease their costs in the presence of competitors [88].

Now will be discussed the theoretical approach that **links regional integration agreements with FDI**. We mentioned previously through several empirical research studies that regional integration agreement could or could not have an influence on the FDI movements, depending on the situation. Besides, the first studies that researched the link between regional integration agreements and FDI movements focused on the experience of the European Community [88].

The last group of FDI theories represents the theories that investigate the **outflow of FDI from developing countries**. The theories explained earlier have primarily depicted just the FDI movements from developed countries. Nevertheless, the developing countries, for instance Brazil, Argentina, or India have also demonstrated inclinations towards investing in other economies, either in developed or in developing countries. There were found a number of reasons that might clarify the motivations of an investor from a developing economy to establish a subsidiary overseas. To begin with, the Product Life Cycle Theory is able to explain this trend. The investors from developing countries at first export their products and afterward, if the markets of their products show potential for enhancement, the investors establish the subsidiary in the foreign country. Additionally, the OLI paradigm might interpret these FDI movements, using the subsequent motivations: decreased overheads and expatriate expenses, knowledge on the local conditions of developing economies, favorable reception by developing economies thanks to perceived less-threatening economic and political situation of these investors compared with the investors from developed economies. Additional motivations of FDI outflows from developing economies are the foreign and local government regulations, restrictions and incentives. To continue with, diaspora plays an important role in the FDI movements from the developing to the developed economies, mostly if the developed country has a large concentration of diaspora, which acts as links between the potential investors from their home country to the host country. At last, the currency-based approach provides a rationalization for FDI from developing countries, specifically when the local currency is stronger in comparison with the foreign currency, in that case, it is more profitable to invest in a foreign country [88].

The author continues with the classifications of FDI theories provided by other researchers. A Moldovan researcher *Ion Deseatnicov* points out two FDI theoretical approaches: *the firm-based theories*, such as ownership advantages theories and Dunning's OLI framework and *neoclassical international trade based theories*, e.g. location and economics of geography theories, Vernon's product life cycle theory, Horizontal and Vertical FDI theories [158]. The British researchers *Robert E. Morgan and Constantine S. Katsikeas* highlight the significance of three FDI theories: (a) market imperfections theory; (b) international production theory; (c) internalization theory [82]. The first and the third theoretical approaches were explained previously. The second theory, that is

to say, *the international production theory*, suggests that “the propensity of a firm to initiate foreign production will depend on the specific attractions of its home country compared with resource implications and advantages of locating in another country” [82, p. 70]. The author has observed in a recent study that the Indian economists incorporate the internalization theory into the group of *imperfect competition* FDI theories [88], whereas the British economists [82] regard these theories as being part of two distinct groups [15]. Yet, the British economists [82] suggest a theory that was not mentioned by the Indian economists [88], to be exact, the international production theory.

A Romanian researcher Denisia Vintila proposes another classification of FDI theories: (a) Production Cycle Theory of Vernon; (b) The Theory of Exchange Rates on Imperfect Capital Markets; (c) The Internalization Theoretical Approach; (d) The Eclectic Paradigm of Dunning [129]. Once more, one can observe resemblances with the classifications of other authors. *Production Cycle Theory of Vernon* constitutes the fundamental theory that connects FDI with international trade [88]. *The Theory of Exchange Rates on Imperfect Capital Markets* is actually the currency-based theory explained by the *Indian economists Nayak Dinkar and Rahul N. Choudhury*. Denisia Vintila focuses on merely four theories which the researcher classifies as four distinct categories, whereas consistent with the Indian researchers, the last two theoretical approaches are part of the imperfect market competition theories.

At last, an Australian researcher Isabel Faeth proposes the following classification: (a) initial theoretical investigations of the FDI determinants; (b) neoclassical trade theory, more specifically, assumption of perfect competition; (c) ownership advantages theory; (d) aggregate variables model; (e) ownership, location and internalization advantage (OLI) paradigm; (f) new trade theoretical approaches, that interpret the horizontal and vertical FDI; (g) Markusen’s knowledge-capital theory; (h) risk diversification theories; (i) a game with two players theory, to be exact, policy, fiscal, financial and further incentives determinants [45]. It was noticed that this classification utilizes a chronological method of grouping the FDI theories. We believe it is a more reasonable classification, since it illustrates the theoretical development and the rise of the new FDI theories. Additionally, it was noticed that the theories cited by Isabel Faeth are similar to the theories cited by the Indian researchers. Using every classification described previously, it has been concluded that the *Indian economists Nayak Dinkar and Rahul N. Choudhury* suggested the most complete, comprehensible and well-structured categorization of the FDI theories, whereas Faeth [45] proposed the classification via a logical and evolutionary manner.

**Gravity equation to examine the main determinants of bilateral FDI flows.** Similar to bilateral international trade flows, bilateral FDI flows can be explained using the gravity model,

which was discussed in the previous section. This framework states that the market size and distance are significant determinants of location of FDI source countries [57]. The basic FDI model can be expressed as follows:

$$\ln(\text{FDI}_{ijt}) = \beta_0 + \beta_1 \ln(\text{GDP}_{it}) + \beta_2 \ln(\text{GDP}_{jt}) + \beta_3 \text{LANG} + \beta_4 \ln(\text{DIST}_{ij}) + \beta_5 + \eta_i + \mu_j + \lambda_t + v_{ijt} \quad (1.4)$$

where:

- $\text{FDI}_{ijt}$  represents the real FDI flow from source country  $i$  to host country  $j$  in time  $t$ ;
- $\text{GDP}_{it}$  and  $\text{GDP}_{jt}$  constitute the real GDPs in USD for the source country  $i$  and the host country  $j$  in time  $t$ ;
- LANG represents a binary variable equal to 1 if the source and host economies share a common official language;
- $\text{DIST}_{ij}$  stands for the geographical distance between the host and source economies;
- $X_{ijt}$  represents a part of control variables that impact FDI outflows;
- $\eta_i$ ,  $\mu_j$  and  $\lambda_t$  are the unnoticeable type of source country effects, host country effects and time effects respectively (source, host and year country dummies respectively are utilized);
- $v_{ijt}$  denotes a nuisance concept. [57, p. 9].

**Application and actuality of FDI theories in current research studies.** To start with, one must state the fact that there is a variety of theories that attempt to explain the determinants of FDI. For instance, as regards bilateral FDI flows, gravity model can explain the major determinants of the FDI flows. Moreover, this model has already been applied in many research studies with several variations [57]. Additionally, researchers haven't acknowledged yet a specific universally accepted FDI theory. Therefore, Isabel Faeth advises to utilize a combination of theories for analyzing the determinants of FDI [45]. Besides, no particular theory is able to offer on its own an ample explanation of the FDI motivations [88; 45; 129]. In addition, new aspects and/or criticism to the preceding theories emerge continually, which confirms the previous statement that the international investment theories ought to be utilized jointly [129]. Nonetheless, every FDI theory agrees on one thing – firms participate in FDI for the gains they can reap overseas in diverse forms, for instance location, company-specific or internationalization of markets [88]. Hence, one expects to notice in the current research studies the utilization of a mix of FDI theories.

**FDI theories that would explain the FDI flows between Greece and Moldova.** Prior to identifying the theories, one must say that Greece is a developed European country that deals with an economic crisis, whereas Moldova is still a developing post-soviet economy.

Now, regarding the theories that would explain FDI flows between Moldova and Greece, taking into account the geopolitical variables, the American economist *Joel I. Deichmann* advises the researchers to pursue the *Western theoretical and empirical backgrounds* in analyzing the FDI movements of the Eastern European economies [39]. Additionally, he recommends employing the *amount of investment transactions as a dependent variable* instead of the value of the investments, with the aim of preventing unfairness towards smaller firms.

A further theory which would be suitable for analyzing the bilateral FDI movements between Moldova and Greece is the *framework on the way corruption impacts FDI*. To be precise, corruption might not inevitably deter FDI; quite the opposite, economies with analogous corruption intensities might become great FDI partners, similar to the example of India and China [99]. As regards Moldova and Greece, the corruption perceptions indicators of the two countries seemed to have had a small difference of merely 14 points in 2016; specifically, Moldova scored 30 and Greece – 44, on a scale of 0 (highly corrupt) to 100 (very clean) [119]. For this reason, the resemblance in corruption levels of these two economies might be an additional determinant of the bilateral FDI flows.

Also, the *gravity model* could be applied in the analysis of bilateral FDI flows. Similarly to the bilateral trade between Greece and Moldova, the gravity framework can help to examine the magnitude and drivers of FDI flows between the two countries.

Lastly, because Moldova is a developing economy, the *theories that examine the FDI outflow from developing countries* could be suitable in explaining the determinants of the FDI movements from Moldova to Greece [88]. Therefore, the author reaches to the conclusion that “the product Life Cycle Theory, the OLI paradigm, the host and home government policies, restrictions and incentives, diaspora concentration and the currency-based theory are applicable in explaining the FDI flows from Moldova to Greece” [15, p.186].

#### **1.4.Methodological approaches to tourism relations between Republic of Moldova and Greece**

The phenomenon of **tourism** represents the permanent tendency of the human beings to travel temporarily outside the familiar environment, which is a necessary means of achieving certain objectives, i.e. entertainment, treatment, knowledge etc. [174]. According to Moldovan authors, „the tourist migration represents a certain number of people who entered in a given territory and departed from this territory with tourist purposes for a certain period, usually a year”. As a result, two streams are formed: inflows and outflows of tourists [161, p. 164]. Tourism can be classified into domestic and international tourism, where the latter is divided into inbound and outbound

tourism [187].

“International touristic flows represent one of the most dynamic components of the international economic flows” [183, p.7]. Based on the statistics provided by the World Tourism Organization (UNWTO), **the number of tourists that travel in a foreign country has increased** essentially from 25 million in 1950 to 674 million in 2000, and 1235 millions in 2016 [136]. This extraordinary increase is caused by the advances in the means of transportation, the higher incomes of the consumers and the ever-enlarging number of destinations that one could visit [136; 183]. Thus, tourism has emerged as one of the biggest economic areas globally [188; 136]. In addition, tourism has increased faster than world trade during the last decades. Moreover, the WTO predicts stable expansion in international tourist arrivals at a growth estimate of 3.3% a year for 2010 to 2030 [136]. Hence, the importance of tourism is broadly recognized, thanks to its contribution to regional and national economic development [10; 136; 162].

**The tourist exchange between two countries**, for instance Moldova and Romania, is represented by the following equations:

$$ITT_1 = ITA_2 \quad (1.5)$$

where tourist departures from Moldova ( $ITT_1$ ) equal tourist inflows to Romania ( $ITA_2$ )

$$ITA_1 = ITT_2 \quad (1.6)$$

where tourist arrivals in Moldova from Romania ( $ITA_1$ ) equal the tourist outflows from Romania to Moldova ( $ITT_2$ ) [161, p. 167].

The author has described **the overall methodological approaches** that can be utilized for a more insightful understanding of the touristic movements from a variety of perspectives in a recent study [108] along these lines:

**1) Paradigmatic approach.** It is founded on the Thomas Kuhn’s concept of paradigm in scientific and academic understanding. A paradigm is a sum of beliefs, values and instruments which is approved by a scientific group and which makes certain the continuation of a scientific tradition [69]. Carrying on from this concept, it is important to take into consideration for future studies an application of the Paradigmatic method to the development of tourism. To be exact, for an enhanced understanding of the type, character and direction of touristic movements, it is essential to disclose the paradigms of tourism in its international development, in addition to formulating, in a comprehensible way, a tourism paradigm of present and future. This method will give the possibility for a more insightful explanation of touristic inbound and outbound movements from the historical point of view, in addition to the comprehension of those tendencies which influence the flows nowadays, and to the forecast of the demand which shapes the future flows.

**2) Megatrends Approach.** With the purpose of developing a paradigm of current and future tourism, one must refer to the existing socio-economic megatrends which influence the development of nowadays cultural, political and economic systems, as well as tourism as an area. “A *Socio-economic Megatrend* is defined as a direction which, first, influences not few but all social systems, including national economies, shaping, so far, a global socio-economic space; secondly, acts not few years, but up to centuries, constituting a global socio-economic time”. The socio-economic megatrends are categorized in the following manner: “*industrialization, informatization, globalization, localization, transnationalization, socialization, ecologization, genderization*” [107, p.84]. Hence, for a more thorough comprehension of touristic flows, it is recommended to carry out an analysis of the current tourism industry in view of the megatrends discussed above. The anticipated effects will be a more insightful comprehension of those modifications in touristic services, firms, type of demand and supply, investment policies, touristic infrastructure, and so on, which influence the current and future touristic movements.

**3) Synergetic Approach.** Amid the main principles of the Synergetic approaches are: polylinear analysis, transformation of close systems into open ones and vice-versa, synergy effect. The use of the Synergetic Approach in analysing tourism movements will offer enhanced comprehension of the tourism flows owing to acquiring a more realistic view of the touristic movements in the global economy, which develop under the influence of the megatrends discussed previously.

The *polylinear analysis* reveals that the contemporary touristic movements occur in a world economy which is globalized and, simultaneously, is regionalized and localized; it is liberalized and, simultaneously, it embodies numerous integration process effects at micro-economic and macro-economic levels [107]. In all conditions, it evolves as a networking innovation structure. Correspondingly, the touristic movements nowadays depend on the mass tourism industry, concentrating on world touristic packages supplied within all markets without adaptation. Conversely, they are determined by local services, i.e. in regions, countries, cities and villages. A particular involvement to this mechanism brings the ecologization megatrend, in such a way, that new destinations of ecotourism emerge and new touristic movements are determined. Moreover, applying the polylinear analysis to touristic movements demonstrates that they emerge and develop nowadays simultaneously in two aspects, i.e. physical (traditional) and virtual (based on Information Communication Technologies Sector).

The use of *synergetic principle of close-open systems* to touristic movements indicates that thanks to the liberalization of previous close systems of socialist camp, numerous new touristic flows emerged, of inbound and outbound type. Besides, those areas that had closed socio-economic

systems are regarded as being among the most prospective touristic areas in the world. For instance, Central and Eastern European Region is considered to have high growth potential for both inbound and outbound touristic flows [117].

*The synergy effect* may be described as a result obtained via joining efforts and resources of some participants who carry out an action, as opposed to the result achieved by every participant if the action is carried out individually. The synergy effect could be positive, if the collective outcome is larger than that of an individual, and, it could be negative if the collective outcome is smaller. Positive synergy outcome as regards touristic flows might be achieved via joining of resources and efforts of the stakeholders (such as, tour operators, governmental specialized agencies, tourists, local community and international profile organizations) in several touristic matters, for instance, through the realization of the concept of sustainable tourism. Negative synergy outcome might arise if mass tourism is undertaken for a long time with no compensation approaches for the environment and local community [108].

**An overview of the tourism flows theories.** After the author has examined the current theories that explain the touristic movements in a recent research study [108], the reflections are presented along these lines. According to the Australian economist *Bruce Prideaux*, the structure and importance of bilateral tourism flows has gained modest attention in the literature [98, p. 782]. However, several theories have been proposed to explain the influences of international tourist flows. Nonetheless, the current specialized literature does not offer a certain classification of the theories. Founded on the research the author has undertaken, the theories are proposed to be categorized in this manner: (1) Tourism-demand models; (2) International trade theoretical approaches based on supply-side factors; (3) Destination image models; (4) Gravity theories.

The **tourism-demand theories** have dominated the international tourism literature in explaining the tourism flows between two or more countries. The dependent variables, i.e. the tourism flows, are represented usually by the number of arrivals and departures or the expenditures and receipts. The most influential factors of tourism flows were empirically demonstrated as follows: income of the originating country, population in the market, cost of living (relative prices ratio between the originating and destination countries), transportation cost, currency exchange rate and other price determinants, e.g. inflation [146].

Several researchers investigate the *demand for international tourism and its determinants*. For instance, a researcher examines the demand for international tourism in the Mediterranean region [94]. Other researchers investigate the determinants influencing the international tourism demand in Izmir utilizing the time series data between 1980 and 2005 by means of the double logarithmic model. As a result, they show that the prices and income of the tourist-generating

country are the major factors of the demand for tourism in Izmir [93]. Other researchers examine Turkish tourism demand via a gravity model, reaching to the conclusion that income increase in Turkey and in the countries of origin of the tourists influence tourism demand positively; conversely, if the distance between the two countries is larger, this impact becomes negative [64]. The determinants of international tourism were investigated also in Spain and the results report that income, price, exchange rate and the Gulf War are essential in influencing international tourist flows to Spain [48]. Political risk is also amid the most significant factors of international tourism, whereas exchange rate is noteworthy vis-à-vis tourism to developed countries [43]. As regards agro tourism in Italy, distance and income were found as essential factors, while mutual agreements and increased urbanization rates in countries of origin are linked to more abundant flows of incoming tourists [101].

The tourism-demand model is valuable in predicting the demand for a destination for a short period of time, whereas, for a long period of time, the model has a number of shortcomings. The theory does not take into account the features of the product; it “treats all the destinations as undifferentiated” [146, p.225]. However, the tourism destinations are all different and unique. Besides, this model disregards the hard work of the nation which draws tourists and the perceived impressions about the destinations. Finally, the demand theory is static, considering each of the countries equal and ignoring their historical stage of development and competitiveness [146, p.225].

Further, **international trade theories** group may be considered as appropriate in explaining tourism flows regarding the **supply-side determinants** related to production in destination countries. In contrast with the demand-oriented theories, the supply-side variables are able to explain the comparative advantage of the exporting countries. Tourists might prefer to visit a country due to cultural similarity (*Linder theory*); they could be drawn by the natural endowment, e.g. sun, sand, and sea; or by some cultural heritage (*Heckscher-Ohlin theory*). The price competitiveness among tourism destination countries could as well be the determinant of flows (*Ricardian theory*). Multinational companies, such as tour operators and hotel chains, could leverage through FDI in the destination countries due to status, branding, and product recognition (*Multinational Firms theory*). Also, countries are currently investing increasingly in improved hotel facilities and in tourism infrastructure, as these are strong factors that influence tourist arrivals (*Agglomeration theory*). Finally, the *neo-technology theory* states that the innovative technology-oriented adventure parks, computer reservation system, and internet marketing for tourism are significant determinants of attracting tourists.

Table 1.2 enumerates the various theories of the group and illustrates parallel examples in tourism for why countries might have comparative advantage in tourism [146, p. 227].

Table 1.2. Trade Theories and Their Application to Tourism

<b>Trade Theory</b>	<b>Main Explanation for Trade</b>	<b>Tourism Example</b>
<i>Linder</i>	Preferences (similarity)	Cultural affinity, such as pilgrim tourism
<i>Ricardian theory</i>	Technology/productive efficiency	Price competition among tourism destination countries
<i>Heckscher-Ohlin theory</i>	Natural endowments (capital, labor, and land)	Sun, sand, sea and cultural heritage
<i>Multinational firms</i>	Ownership advantages (firm-specific technology)	International hotel chains
<i>Neo-technology</i>	Innovation/diffusion patterns	Adventure parks, internet marketing for tourism
<i>Agglomeration</i>	Externalities, infrastructure, chance	Tourism clusters, investment in tourism infrastructure

Source: [146, p. 227].

In several studies, a **combination of demand and supply-side determinants** is suggested to be also utilized. For example, through the usage of determinants related to price, income, supply factors, an investigation found out that the diminishing of tourist flows in the Caribbean could be justified by the sensitivity of the consumers to price and income in the sending nations, and by the elevated costs of a vacation in the Caribbean as compared with other destinations [72].

Further, the author investigates the **destination competitiveness/image group of theories**. A simple definition of “image” which is broadly utilized states that image “is a set of beliefs, ideas, and impressions that people have of a place or destination” [10, p.15]. In view of the fact that international tourism comprises a competitive and dynamic structure, one must comprehend the consumer needs and their attitudes. “Destinations mainly compete based on their perceived images relative to competitors in the marketplace”. Therefore, tourism image is critical to the success of a destination [10, p.14]. Likewise, Cho V. asserts that destination attractiveness is a foremost factor that motivates tourists to choose a destination [29].

This is particularly important, as tourism industry researchers have stated for a long time that country image has a significant influence on the consumers’ behavior to visit a destination [7; 63; 49; 74]. Image is important in attracting tourists. In comparison to reality, perceptions have a stronger influence on the decision to visit a place [10].

Taking into consideration the fact that destination marketers are in a harsh competition in attracting tourists [126], their duty is to contribute to the establishment of a favorable image of their destination [63; 10]. This can be done by determining the strong and the weak points of the

destination and by offering indispensable means in managing and developing the destinations [74]. As an example, Australia's image was effectively positioned as an iconic tourism image, albeit Australia is "a country of hi-tech development, technological advancement, hard work and great production capacity" [7, p. 469].

Hence, the marketer's responsibility is to make sure that in the consumer's mind the advertised destination image is similar to the perceived destination image, so as to prevent a false and imprecise destination image [10]. The first step in doing it is by evaluating the destination image among consumers.

Illustrations of *models of destination competitiveness* are proposed and empirically tested by the *Australian researcher Larry Dwyer with the Korean researcher Chulwon Kim* [41] and by the *Turkish researchers Zehra Bozbay with Hilal Ozen* [10]. With reference to the first model, it is illustrated in Figure 1.8.

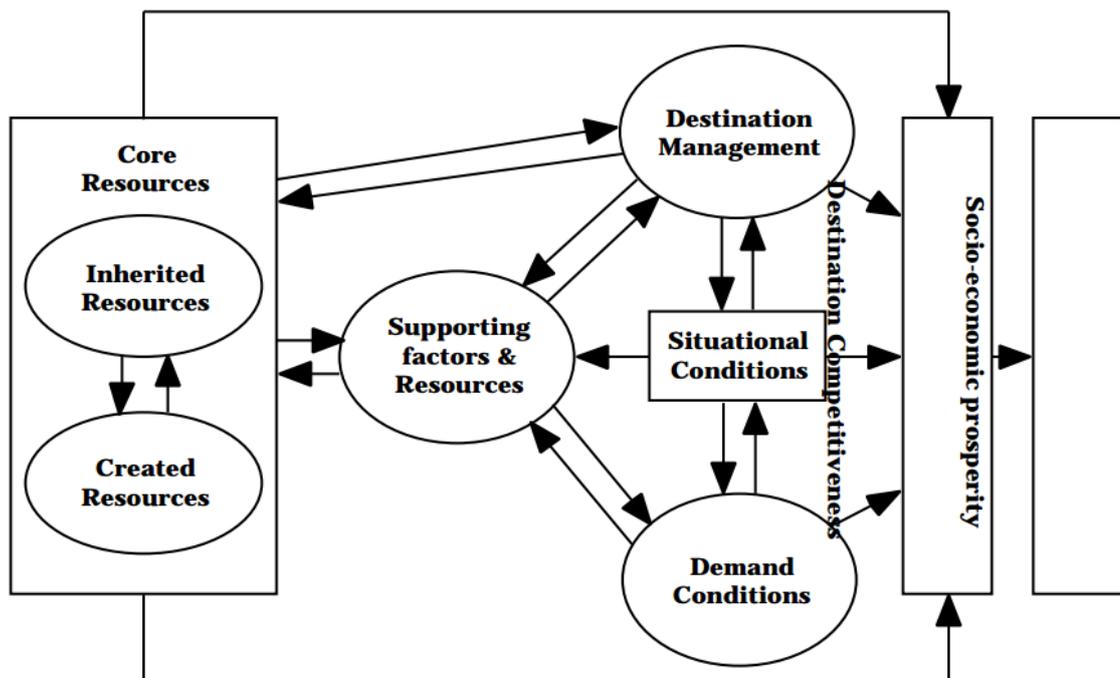


Fig. 1.8. Integrated model of destination competitiveness

Source: [41, p.58]

The model includes the key elements of national and firm competitiveness and the key elements of destination competitiveness. Also, it classifies the influences of destination competitiveness. Thus, the *core resources* are split into two types: (1) inherited (endowed) resources, which include *natural* resources (e.g. mountains, lakes, climate, beaches) and *cultural/heritage* resources (cuisine, language, traditions) and (2) created resources, which include tourism infrastructure, special events, entertainment and shopping. The *supporting factors and*

*resources* represent “a collection of specific skills not easily imitable by rivals, and, hence, a source of sustained competitive advantage” [41, p.58]. They include elements, such as infrastructure, quality of service, accessibility of destination, hospitality. The bi-direction arrows from *supporting factors* to *core resources* show the interdependence between them. *Destination management factors* comprise activities of destination management organizations, destination marketing management, destination policy, human resource management etc. *Demand conditions* include components of tourism demand, i.e. awareness, perception and preferences. Thus, tourists will visit a destination under the condition that their preferences and perceptions of the destination match. *Situational conditions* refer to economic, social, cultural, demographic, environmental, political, legal, technological, competitive etc. opportunities and threats that influence the destination businesses.

Bozbay & Ozen propose a comprehensive and simple model of evaluating the destination image (Figure 1.9). As illustrated in Figure 9, the evaluated dimensions of the image are: environmental beauty and convenience; country’s citizens; place and architectural structure; shopping and tourist accommodation; similarity of the culture and cuisine [10, p. 17]. Thus, by applying this model, the researchers discovered that consumers who demonstrate very high intention levels to visit Greece evaluate as high every destination image component, whereas consumers who demonstrate low intentions to visit Greece, in contrast, evaluate very poorly the destination image components. Similarly, this model could be used in evaluating the image of Greek tourism destination among Moldovan consumers and the other way around.

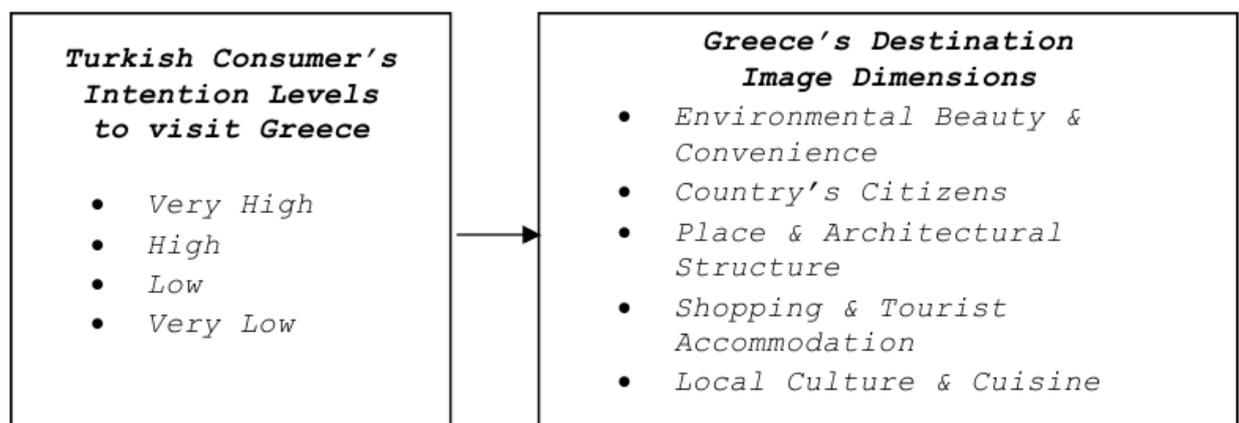


Fig. 1.9. Research model to evaluate destination image

Source: [10, p. 17]

**The gravity theories group.** Ignored by the tourism demand literature for years, **gravity frameworks** have re-appeared as a tool for modeling tourism demand [83]. The fundamental form of the gravity model for the tourism demand function can be expressed as:

$$T_{ij} = \beta_0 \frac{(GDP_i) \times (GDP_j)}{Dist_{ij}} u_{ij} \quad (1.7)$$

Where:

- $T_{ij}$  represents the international tourism flow between country  $i$  and  $j$ ;
- $GDP$  is the economic size of the country  $i$  and  $j$ ;
- $Dist$  is the physical distance between the two countries;
- $\beta_0$  is the constant term;
- $u_{ij}$  is the error term [64, p.267].

Culiuc expresses the regression specification used to calculate the gravity equation for tourism as follows:

$$\ln T_{odt} = \beta_1 \ln Y_{ot} + \beta_2 \ln Y_{dt} + \beta_3 \ln D_{od} + \beta_A' X_{odt} + \eta_t + \varepsilon_{odt}, \quad 1 \dots T \quad (1.8)$$

Where:

- $T_{odt}$  represents the tourism flow from country of origin  $o$  to destination  $d$  in year  $t$ ;
- $Y_{ot}$  and  $Y_{dt}$  refer to GDP of country  $o$  and  $d$  respectively;
- $D_{od}$  represents the distance between the countries;
- $X_{odt}$  is a 1xk vector of other variables proxying other resistance factors;
- $\eta_t$  is a group of T year dummies containing shared time effects;
- $\varepsilon_{odt}$  is the error term [34, p.10].

The gravity model for bilateral tourism flows was tested in several studies. For instance, it was used to examine the influence of cultural values on international tourism flows. Among the findings, it was discovered that countries with an increased level of individualism and masculinity, with relaxed stances towards novel things and with practical views have more international tourists, both inbound and outbound [147, p. 2]. Also, the model was used to investigate the demand and supply factors of international tourism flows to Greece. The results show that distance and climate resemblance impact negatively the tourism flows to Greece, while Greece's stability, investments in infrastructure, incomes and EU membership of the countries of origin have a positive impact on the tourism flows to Greece [77]. Further, the model was applied in evaluating the tourism movements to and from Korea, showing that bilateral international tourism flows are bigger if the distance between the two nations is small and if the income of the two nations is big. Nevertheless, this investigation asserts that the tourism inflows and outflows should be analyzed separately [65].

With reference to the **factors affecting bilateral tourism flows**, the bilateral tourism framework is illustrated in Annex 1. The factors are categorized into public and private sector factors, in addition to the economic and non-economic factors [98].

These groups of factors are not mutually exclusive, as they might overlap between the government and private sectors while offering tourism-related goods and services [98]. Additionally, the Australian researcher Bruce Prideaux developed a figure which models the flows and factors involved in bilateral tourism (Figure 1.10) [98].

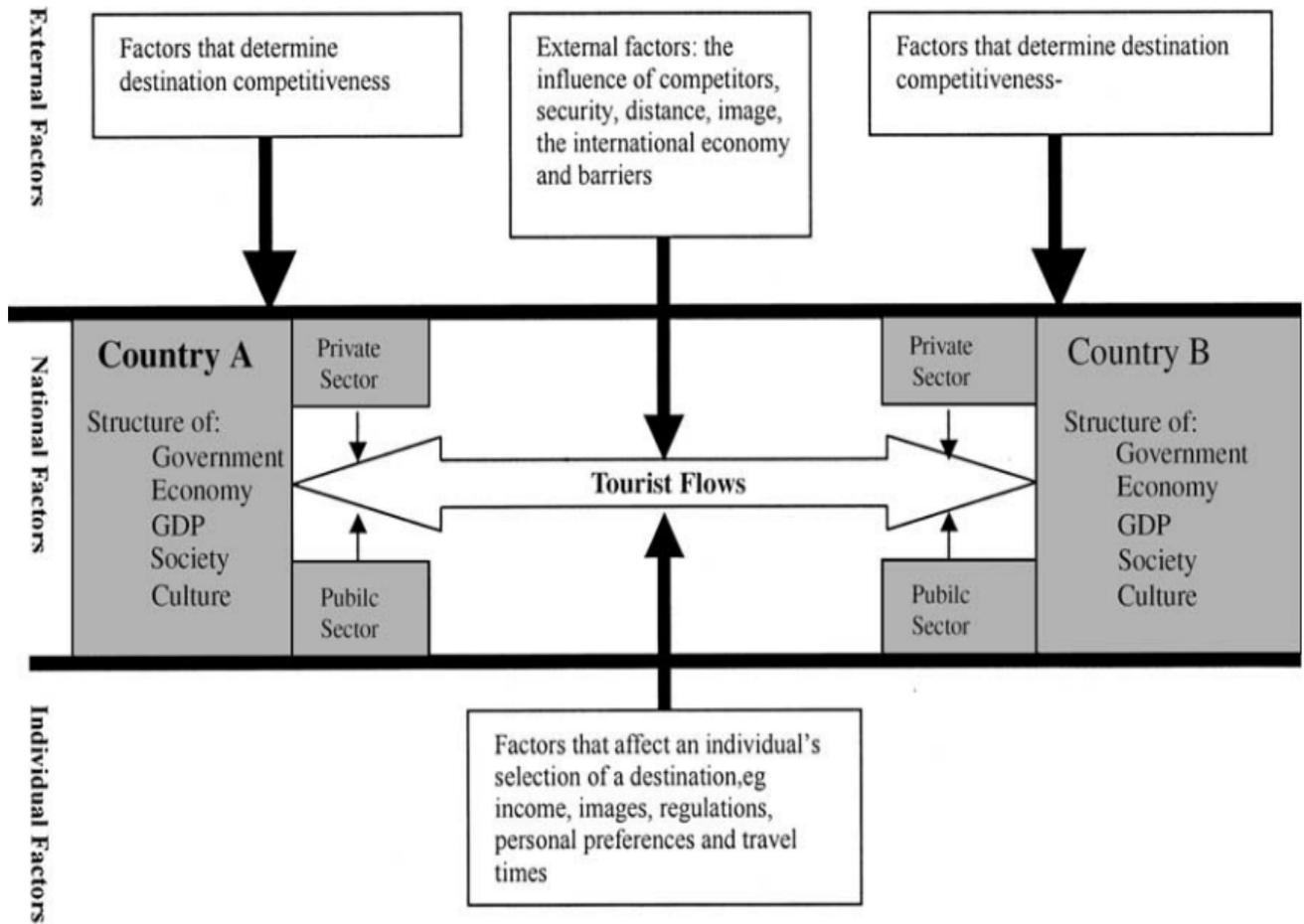


Fig. 1.10. Structure of Bilateral Tourism

Source: [98, p. 785]

An example of a framework for evaluating bilateral tourism according to Bruce Prideaux suggestions is given in Table 1.3. This example investigates just the government duties of the bilateral framework described in Annex 1. Thus, for a comprehensive description, one must consider all the factors that were illustrated in Figure 1.10.

As regards the **measurement of bilateral tourism**, the elementary means in doing it is to depict “the patterns of departures and arrivals between two countries” [98, p.793]. Nonetheless, in order to determine the full extent of the bilateral tourism flows, it is advised to use additional measures, such as bed nights, revenue flows, and the structure of tourist types.

Table 1.3. Example of a Framework for Evaluating Bilateral Tourism

<b>Flow from Country A to Country B</b>	<b>Positive Effects</b>	<b>Negative Effects</b>	<b>Corrective Actions</b>
State of diplomatic relations	Nil	Often poor	Diplomatic initiatives needed to increase destination attractiveness
Currency	Reduced value of Rupiah stimulated tourism	Nil	Not required to attract tourists but needed to stimulate the domestic economy
Promotion	Nil	Promotion ceased	Need for government funding to reverse falling visitor numbers
Government regulations including crime and national park protection	Nil	Non enforcement created poor national image	Action required to reduce corruption and increase internal security
Security	Nil	Uncertainty about tourist security during the 1997 Jakarta riots and 2002 Bali bombings	Enhance security required in tourism areas to ensure the safety of tourist
Economic policy	Nil	Poor, created impression of poorly run country	Need to introduce new economic policies (Indonesia appealed to IMF for assistance)

Source: [98, p. 795].

To continue, with reference to the **application and actuality of international tourism theories in current research studies**, the author has already explained and has given examples in this section that prove that basically all the theories discussed are applicable nowadays. Researchers are applying the tourism demand- and supply-side theories, a combination of the two, the destination image theory, the international trade theories and the gravity frameworks.

Hence, all these theories could be used in **explaining the tourism flows between Greece and Republic of Moldova**. The author will decide based on the ease and availability of data on which theories to use further, though certainly a combination of the international tourism theories will be used.

### **1.5. Conclusions to Chapter 1**

In the chapter, the theoretical and methodological framework has been analysed regarding the Moldovan-Greek economic relations. Based on the findings, the following conclusions are drawn:

1. The notion of *international economic relations* has been broadly discussed among Moldovan and world economists. It was noticed that it is similar to the concept of international economy,

which is largely used within the international literature. Hence, based on the numerous definitions provided by the world economists, the author defines comprehensively the international economic relations as the economic relations among the world nations, expressed in five forms: international trade of goods and services, international movement of capital and financial relations, international migration, international technology transfer and international monetary relations. It seems that each of these forms of international economic relations is somewhat dynamic, intense and significant, leading to economic interdependence amid the world nations.

2. Using the preliminary analysis of the all the forms of international economic relations between Moldova and Greece, it has been have noticed that the international trade, foreign direct investments and international tourism flows are the most intense forms of international economic relations between the two countries. Hence, in this research study, it is put considerable emphasis on the theories of bilateral trade, FDI and international tourism, respectively.
3. Based on the broad literature review, it was found out that international trade theories are differentiated into traditional and modern trade theories. Currently, there is no leading theory utilized by researchers. In contrast, a mixture of trade theories is utilized for explaining trade flows. Thus, the author reached to the conclusion that the bilateral trade patterns between Greece and Republic of Moldova could be explained via both groups of theories. As regards the traditional theories, the factor endowment theory might be employed, mainly in developing the inter-industry trade. Concerning a modern theory, the gravity theory is the suitable one, because of its significant consistency, predictability and relevance.
4. FDI are currently an indispensable economic development instrument, above all for the developing economies. Using an ample theoretical literature, numerous FDI theories were discussed. Similarly to international trade theories, the FDI theoretical approaches are nowadays used in combination, because no single theory can explain fully the FDI motivations. Hence, in explaining the FDI flows between Moldova and Greece, it is suggested using the following FDI theories: the gravity framework; the FDI experience of the Western countries, using the number of investment transactions as a dependent variable; the framework on how corruption influences FDI; theories that examine the FDI outflow from developing countries.
5. International tourism represents one of the most dynamic forms of international economic flows, advancing significantly the economic growth and development of the countries. Based on a wide theoretical overview of the international tourism approaches, the theories were classified into four categories: tourism-demand theories; international trade theories based on

supply-side factors; destination image theories; gravity theoretical approaches. It was noticed that nowadays all the international tourism theories are applied in the research studies, separately or in combination. Hence, it is suggested to utilize a combination of the models in explaining the factors of international tourism flows between Moldova and Greece.

The analysis of the theoretical and methodological framework regarding the Moldovan-Greek economic relations gave us the possibility to express the goal of this research, which consists in the analysis of the evolution of Moldovan-Greek economic relations, focused on bilateral trade, foreign direct investments and tourism, as well as in the determination of the opportunities and hindrances of those relations and, on this basis, the elaboration of mechanisms for the development of bilateral economic relations, as part of European integration endeavor. Therefore, in order to attain this goal, the following objectives were set: (i) Identification and analysis of theoretical approaches to the international economic relations focused on Moldovan-Greek relations; (ii) Critical analysis of bilateral trade models and their applicability for trade between Republic of Moldova and Greece; (iii) Analysis and systematization of methodological frame for explaining the determinants of foreign direct investments between Republic of Moldova and Greece; (iv) Identification and critical depiction of methodological approaches to tourism relations between the two countries; (v) Assessment of the evolution of Moldovan-Greek relations and description of their legal and institutional frames; (vi) Analysis of the Moldovan-Greek trade and its potential; (vii) Analysis of Greek direct investments in the Republic of Moldova; (viii) Evaluation of the bilateral tourism between Republic of Moldova and Greece; (ix) Identification of opportunities for the development of economic relations between the two countries; (x) Identification of hindrances related to Moldovan-Greek economic relations; (xi) Suggestion of mechanisms that would improve the economic relations between the two countries.

## 2. ANALYSIS OF THE ECONOMIC RELATIONS BETWEEN REPUBLIC OF MOLDOVA AND GREECE

### 2.1. Evolution of Moldovan-Greek relations: legal and institutional frames

It was stated in a recent study that the Moldovan-Greek relations are the bilateral relationships between Republic of Moldova and Hellenic Republic [18]. The initial diplomatic relations were built in 1992. Moldova is represented in the Hellenic Republic via the embassy in Athens. It was inaugurated in 2003. Hellenic Republic is represented in Republic of Moldova via the embassy in Ukraine's capital city, Kiev. Additionally, Hellenic Republic established an Honorary Consulate in the capital of Moldova, Chişinău. The relations between Hellenic Republic and Republic of Moldova "are marked by a spirit of cooperation, friendship, and mutual trust" [148]. Additionally, from the time when the Soviet Union disintegrated, ensuing the independence of Moldova, Hellenic Republic has endeavored to advance bilateral relations, particularly in the economic area.

**Bilateral Economic Agreements.** The governments of Republic of Moldova and Hellenic Republic have been striving on developing conditions which would improve bilateral economic collaboration. In order to achieve this goal, both parties signed a number of bilateral agreements which play a considerable positive role on the development of economic relations between the two economies. Up to now, Republic of Moldova and Hellenic Republic have signed 25 Agreements with economic traits [148; 170]. The most significant Agreements are:

- i. *Agreement between the Government of the Hellenic Republic and the Government of the Republic of Moldova on the promotion and reciprocal protection of investments*, signed in 1998 in Athens, Greece. This investment agreement between Greece and Moldova represents an indispensable instrument of international investment protection and it aims to intensify the economic cooperation between the two contracting parties on a long term basis to the mutual benefit [121]. The treaty establishes norms of treatment of foreign investors in the territory of the host country [110].
- ii. *Agreement between the Government of the Hellenic Republic and the Government of the Republic of Moldova on economic, technological and scientific cooperation*. Consistent with this treaty, Moldova and Greece agreed to collaborate based on mutual benefit, equality and reciprocity, in order to develop and strengthen the economic, technological and scientific cooperation. Sectors on which the agreement focuses are the agricultural and the environmental field, transportation and communications, energy, public health, consumer protection, tourism, science and innovations, constructions and architecture, vocational and management training, banking and insurance, investments and other forms of cooperation. Consequently, a Joint

Committee was created, to supervise the implementation of this treaty [46]. The Committee conducted its meeting for the first time in 2007 in the capital of Greece, Athens. The Joint Committee promotes in an intense manner bilateral economic cooperation via encouraging the firms to collaborate actively, predominantly for the reason that Greece is a significant economic partner for Moldova. In addition, the Greek secretary of the Committee declared that Greece has significant interest in the increase of cooperation with Moldova. Thus, the Committee is as well responsible in promoting the dialog among the economic agents from the two economies [148].

A list of the significant agreements signed to guarantee a strong legislative foundation for the development of economic relations between Republic of Moldova and Hellenic Republic is given in Annex 2 [148]. Hence, one can notice that the agreements refer basically to all the forms of international economic relations, influencing the forms of bilateral economic relations either individually or in combination. For instance, to ensure a legislative base for the development of bilateral tourism, *the Agreement on cooperation in the tourism area* was signed; for the international trade of goods and services and international technology transfer – *the Agreement on economic, technological and scientific cooperation*; for the international movement of capital and financial relations - *the Agreement on the promotion and reciprocal protection of investments*; for international migration (including international movement of labour) - *Protocol on cooperation in social security and labor market etc.*

**Impact of Moldovan-EU relations on Moldovan-Greek economic relations.** As the Hellenic Republic is a European Union member, the agreements and treaties between Republic of Moldova and European Union obviously exert an influence also on the Moldovan-Greek relations. Hence, one must point out that in addition to Moldovan-EU cooperation, the EU promotes the economic and political integration of Moldova. As a result, Moldova and the EU signed in 2014 an Association Agreement, which is „a comprehensive treaty establishing the relations between the parties and includes a long-term roadmap of reforms to be implemented by Moldova” [44, p. 1]. The Agreement came entirely into force on the 1<sup>st</sup> of July 2016.

The most significant part of this agreement is the establishment of a *Deep and Comprehensive Free Trade Area (DCFTA)*. This preferential trade system has given Republic of Moldova the possibility to take advantage of decreased or eliminated tariffs for the goods, an enhanced services market and improved investment conditions. This is important to Moldova, as the bilateral trade with the EU grew significantly over the years 2007-2016, particularly the exports, as shown in Figure 2.1.

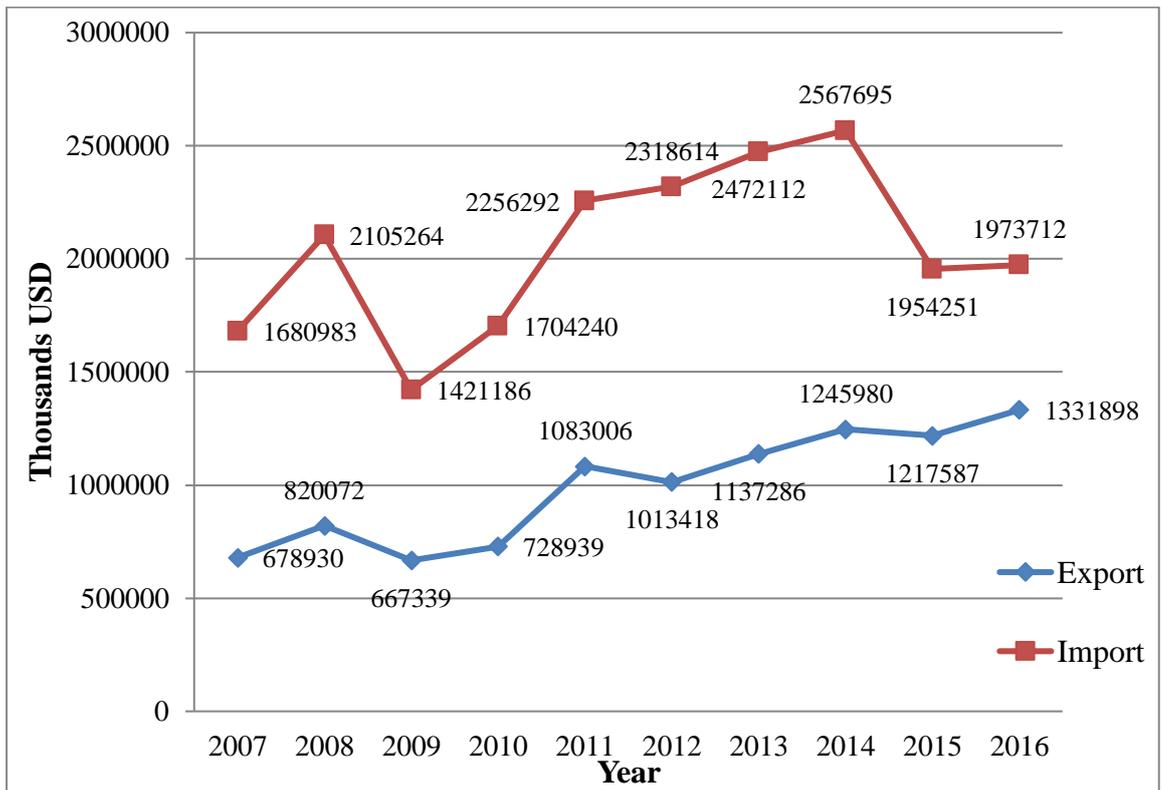


Fig. 2.1. International Trade of Moldova with the EU countries (EU-28) (thousands USD, 2007-2016)

Source: Compiled by the author based on the National Bureau of Statistics of the Republic of Moldova [152]

Thanks to the DCFTA, Moldova has the possibility to enlarge its exports to the EU. One must say that EU has become a significant export destination for Moldova, explained by the fact that the geographical structure of the exports to the EU from total Moldovan exports changed from 46.8% in 2013 to 65.1% in 2016 [152]. Moreover, the Moldovan market was not invaded by the EU imports as a result of the DCFTA, as other sources assert.

On the contrary, the imports from EU decreased in the first two years of the Association Agreement by 18% in comparison to the two years before the Agreement was signed. Also, the trade balance with EU has improved, as before the Agreement exports covered only 46% of the imports, while two years after the Agreement exports covered 60% of the imports [169], whereas in 2016 they covered 67.48% [150]. As shown in Figure 2.2, the degree to which the exports to EU cover the imports from EU has had an increasing trend starting year 2008.

In this context, since EU is a significant economic partner of Moldova, Greece is, by inference, an important economic partner of Moldova as well. Thanks to the Association Agreement, there is much potential in the development of economic relations between Greece and Moldova.

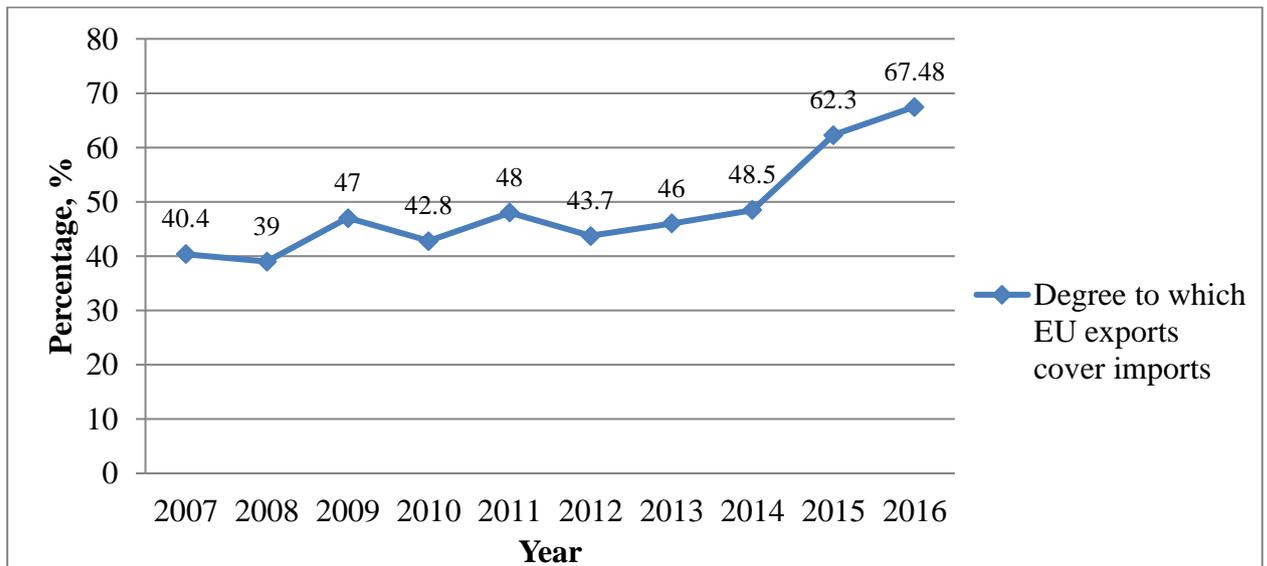


Fig. 2.2. Degree to which Moldovan exports to EU cover imports from EU (% , 2007-2016)

Source: Compiled by the author based on National Bureau of Statistics of the Republic of Moldova [152]

Due to the DCFTA, by implication, the bilateral trade in goods and services with Greece is facilitated. In addition, the Moldovans have the opportunity to travel without visa to the Schengen countries [44], which makes easier also their travel to Greece for business and touristic purposes, for technology transfer, such as scientific and educational visits, thus benefiting the economy of the two countries. Also, the Association Agreement envisages full implementation by Moldova of the EU system for regulating banks, insurance and securities markets [Ibidem], which in turn should impact positively the movement of capital and financial relations between Greece and Moldova. As regards international labour movement, the Association Agreement promotes collaboration over EU labour-related legislation, such as labour law, anti-discrimination, gender equality, health and safety at work. Moldova has already adapted most of its legislation according to the EU standards [Ibidem], which by implication influence beneficially the labour movement between Moldova and Greece. We must also say that DCFTA obliges Moldova to harmonise its regulations and laws on intellectual property rights, which will contribute to the stable protection of intellectual property. Hence, as a result, this will be vital in attracting Greek FDI.

Also, EU helps Republic of Moldova via **Programmes and Agencies** which are “open to participation by Moldova as a partner under the Association Agreement” [44, p. 197]. This participation is valuable for Moldova, as it is a tool for in-depth integration within EU and for facilitating the reforms. For the moment, there are *20 EU Agencies* in Moldova, out of which Moldova has already current cooperation with half of them:

- ✓ European Agency for Safety and Health at Work

- ✓ European Agency for the Management of Operational Cooperation at the External Borders
- ✓ European Aviation Safety Agency
- ✓ European Centre for Disease Prevention and Control
- ✓ European Food Safety Authority
- ✓ European Institute for Gender Equality
- ✓ European Maritime Safety Agency
- ✓ European Monitoring Centre for Drugs and Drug Addiction
- ✓ European Police College
- ✓ The European Union's Judicial Cooperation Unit [Ibidem, p.197-198].

As regards the Programmes, in Moldova there are *19 EU Programmes*, out of which Moldova has current cooperation with 4 programmes:

- ✓ Competitiveness of Enterprises and SMEs
- ✓ Creative Europe, Programme for the cultural and creative sectors
- ✓ Health for Growth
- ✓ Horizon 2020 [Ibidem, p.198].

**EU legal and institutional provisions in Moldova.** As regards *dispute settlement*, EU follows two mechanisms: (1) a comprehensive one *related to all aspects* of the Agreement apart from the DCFTA, through which the offended party might take appropriate actions, and (2) one *related to the DCFTA* itself, which can be applied through binding arbitration, softer mediation or the rarely utilized provision for particular cases of violation of the main aspects of the Agreement, as EU prefers the diplomatic means in settling disputes. Additionally, the DCFTA comprises regulations on *transparency*, which oblige Moldova to create and sustain a transparent and predictable legal environment for business [Ibidem, p. 215].

Concerning the *institutional provisions*, the Association Agreement created an institutional framework which supervises and implements the process. For instance, the Association Council is the main one in doing it; afterwards follow the Association Committee, a Trade Committee, a Parliamentary Association Committee and a Civil Society Platform. All these institutions have an essential role in the process of Moldova's "approximation of EU legislation" [Ibidem, p. 218].

**The Evolution of Moldovan-Greek Economic Relations.** If one takes into consideration the *historical context*, it was found out that the earliest Moldovan-Greek commercial relations were created during the *ancient epoch*, when on the current territory of Moldova resided the Geto-Dacians. The Ancient Greek and the Geto-Dacian civilizations were tied in a strong way as regards commerce and economic cooperation. These ties played a beneficial role on the development of Geto-Dacian society. For instance, the Greeks were trading in a fair manner and their products

were of excellent quality. Also, if the price of domestic products was higher than the price of the Greek products, the Greek traders returned the difference in price. Furthermore, the Geto-Dacians utilized the Greek drachma as a model for creating their coins. Similarly, the Greeks were to some extent influenced by the Geto-Dacian society. The ties between Dacians and Greeks were mutually advantageous, so that afterward they created the frame of Eastern European civilization [185].

Also, it was discovered the presence of Greek elements on the current territory of Moldovan Republic during the XVII and XVIII centuries, i.e. throughout the *medieval epoch*. Numerous influential Greeks played a significant role on Moldova's economy as a result of the decisions taken by Ottoman Empire. With the intention of weakening the confrontation of the leading class of Moldova against Ottoman supremacy, the Ottoman Empire introduced Greek aspects and people in the political, administrative and economic area of Moldova. Additionally, in 1711 the Ottoman Empire established a new political system. For more than a century, Moldova was ruled by leaders from powerful Constantinopolitan Phanariotes families; hence the Greek Phanariots played a foremost role in the administration of the Ottoman lands [151].

**Recent Moldovan-Greek Economic Relations.** Currently, the international economic relations between Moldova and Greece have a more varied and broader character than in the previous historical moments, owing to the enhanced global trade, increase of globalization and integration processes. Hence, before one makes an analysis of the economic relations forms between Greece and Moldova, initially we must have an understanding of the location of Greece and Moldova in the context of **geopolitics** (Figure 2.3).



Fig. 2.3. Geopolitical location of Moldova and Greece

Source: [55]

The distance between Greece and Republic of Moldova is of 1048 km, if air travel is considered [40]. Based on the gravity theory, this distance has an influence on the trade flows between these two economies. In more details, the larger is the distance between Republic of Moldova and Hellenic Republic, the smaller are the trade flows [14]. In addition, although Moldova appears, at first, to be of no geopolitical importance due to its tiny territory and for the reason that it is the poorest economy in Europe, Republic of Moldova possesses geopolitical importance. More specifically, the country is situated in a central position, which was pursued in the past by quite a lot of powers in order to be governed and utilized as a road from the Balkans into Russia and vice versa [113]. Moreover, Moldova and Greece are part of the Black Sea area. This area plays an important geostrategic role as a link between Europe and Asia and between Central Asia and the Middle East, mainly concerning trade and transportation path for energy. Additionally, the nations from this geographic region created in 1992 the Organization of the Black Sea Economic Cooperation (BSEC). It aims to contribute to the advance of economic relations among the member nations [71].

To facilitate the comprehension of the complex relations between Republic of Moldova and Hellenic Republic, the author compared the **trade profiles** of these economies using data provided by the World Trade Organization (WTO) [140]. As illustrated in Table 2.1, Moldova has a *population* of 3.5 millions, whereas Greece – of almost 11 millions, which is a threefold size of the Moldovan population. From the economic point of view, it indicates that Greece is a more significant trading partner for Moldova than Moldova is for Greece, attributable to the difference in market sizes, as it was stated in a recent study [18].

Table 2.1. Moldovan and Greek Trade Profiles in 2016

<b>Indicators</b>		<b>Moldova</b>	<b>Greece</b>
Population (thousands, 2017)		3 550	10 958
GDP (million current US\$, 2016)		6 750	194248
Current account balance (% GDP, 2016)		-3.4	-0.6
Trade per capita (US\$, 2014-2016)		1 058	5914
<b>Rank in world trade, 2016</b>			
Merchandise	Exports	130	59
	Imports	129	47
Commercial services	Exports	126	36
	Imports	145	57

Source: Compiled by the researcher based on WTO [140]

As regards *GDP*, in Greece this indicator was in 2016 almost 29 times higher than in Moldova. Consequently, consistent with the gravity model, which asserts that the volume of GDP is one of the main determinants of bilateral trade flows, Moldova has probably a larger interest in trading activities with Hellenic Republic [14].

Concerning the *current account balance*, both in Moldova and Greece this indicator is negative. However, in Moldova the deficit is significantly larger if compared to the Greek current account balance, where the latter is close to zero, which means that in Greece exports cover imports almost fully. It seems that owing to its long-term membership in the EU, Greece was able to diversify its export partners and to improve the image of its products abroad. On the contrary, as a result of the past membership within the Soviet Union and of its only 26 years of independence, Republic of Moldova wasn't able to sufficiently develop its exporting potential and to enhance its image abroad.

To continue with the trade profile of Greece and Moldova, the next important indicator is *trade per capita*. It shows the extent to which an economy has developed in international trade. One can notice that Greece is 5.6 times more developed than Moldova in this sense. It seems that Moldova still has much work to do as regards the development of its trade partnerships.

Hence, one shouldn't be amazed at the *world trade ranking* of the two analysed countries. Moldova is placed in the world trade ranking significantly lower than Greece, both as regards merchandise and commercial services. This is explained by the GDP and trade volumes of the countries.

With reference to the **main trade destinations and origins**, as of 2016 (Table 2.2), the EU was Moldova's and Greece's largest trade partner, both as regards exports and imports [140]. If one categorises according to the country, the 10 main trade *destinations* of *Moldova* in 2016 were Romania, Russian Federation, Italy, Germany, the UK, Belarus, Bulgaria, Poland, Turkey and Ukraine. The top 10 trade *origins* of *Moldova* in 2016 were Romania, Russian Federation, China, Ukraine, Germany, Italy, Turkey, Poland, Belarus and France [152].

The top 10 trade *destinations* of *Greece* were in 2016 Italy, Germany, Cyprus, Turkey, Bulgaria, the USA, the UK, Lebanon, Egypt, Romania. The top 10 *import* partners of *Greece* in 2016 were Germany, Italy, China, Russian Federation, Iraq, Netherlands, France, South Korea, Spain and Belgium [50].

Using the data illustrated above, one can determine that Greece and Moldova share some common top trading partners: (1) the two countries are successful in exporting in Romania, Italy, Germany, Turkey, the UK and Bulgaria; (2) vis-à-vis the origin countries, Germany, Russian

Federation, Italy, China and France appear to thrive in trading their goods both in Moldova and in Greece.

Table 2.2. Breakdown in Greece's and Moldova's Total Trade by Main Destination and Origin  
(2016, %)

	<b>Moldova</b>	<b>Greece</b>
<b>Exports (%)</b>	1. EU-28 (65.1%) 2. Russian Federation (11.4%) 3. Belarus (5.1%) 4. Turkey (3%) 5. Ukraine (2.4%) 6. Other (12.9%)	1. EU-28 (66.6%) 2. US (8.1%) 3. Switzerland (8%) 4. Russian Federation (2.1%) 5. Canada (1.1%) 6. Other (14.1%)
<b>Imports (%)</b>	1. EU-28 (49.1%) 2. Russian Federation (13.3%) 3. China (9.8%) 4. Ukraine (9.5%) 5. Turkey (6.8%) 6. Other (11.5%)	1. EU-28 (65.9%) 2. US (8.5%) 3. Switzerland (3.2%) 4. Russian Federation (2%) 5. China (2%) 6. Other (18.4%)

Source: [140]

Nevertheless, concerning the **bilateral trade** of the two countries analysed in this research, *Greece* was for *Moldova* the 13<sup>th</sup> country regarding total Moldovan exports in 2016 and the 15<sup>th</sup> in years 2014 and 2015. Also, Greece was the 8<sup>th</sup> among the EU *export* destinations of Moldova in 2016, while in 2015 it was the 10<sup>th</sup> [152]. This data reveals that Hellenic Republic is becoming for Republic of Moldova a significant export trading partner.

With reference to Moldovan *imports*, Greece was both in year 2015 and 2016 the 25<sup>th</sup> among worldwide countries and the 14<sup>th</sup> among the EU countries. If one compares with year 2014, when Greece was the 24<sup>th</sup> among worldwide countries as regards Moldovan imports and the 14<sup>th</sup> as regards the EU imports, Greece's significance as an importing trading partner of Moldova has been slightly decreasing among the worldwide economies, though among the EU countries it maintains its position, ranking the 14<sup>th</sup> for three years consecutively [152].

However, *Republic of Moldova* is not an important trading partner for *Greece*. More specifically, in 2016 Moldova was among the Greek trade partners the 60<sup>th</sup> as regards exports and the 59<sup>th</sup> as regards imports [132]. This might be explained by the small economic size of Moldova using the gravity theory [14], which was discussed in the first chapter. Hence, as Greece is larger than Moldova both from the economic and territorial point of view, Greece is the country that attracts Moldova in terms of economic flows and not vice versa.

As regards the **bilateral FDI flows**, one must say that basically Greece is the country investing in Moldova. As it was discussed in a recent article [18], due to the fact that Greece is a

more developed country than Moldova, it shows more interest in FDI flows towards Moldova, rather than having it the other way around. Hence, Greeks were among the first large investors in Moldova after its independence. As of year 2016, there were registered in Moldova around 110 companies with purely Greek or with mixed Moldo-Greek capital [154]. Out of all these firms, only 53 companies are active. The other companies either suspended their business operations or stopped them completely, thus being in the process of closing down. In relative terms, it means that around 50% of the Greek registered companies are slowly-slowly leaving the Moldovan business environment, which is a considerably large number of firms for such a small economy as Moldova.

Further, the **bilateral tourism** flows between the two countries is increasing, particularly due to the increasing interest of Moldovans in Greece as a tourism destination. After Turkey, Bulgaria and Romania, Greece was in 2016 the fourth popular tourism destination among Moldovan tourists [152]. This trend could be explained by the EU visa liberalization. However, the Greeks do not show an increasing interest in visiting Moldova. This will be explained in more details in the next chapters.

Concerning the **technological transfer**, one must say that the scientific and cultural cooperation between Greece and Moldova hasn't been broad and diversified, though it has been durable. For instance, the Moldovans have been attending Greek language and culture courses both at private institutions and at the state academic institutions. Also, Moldovans get annually scholarships from the Greek government for studies at Greek universities [148]. Hence, there is much space for improvement as regards the bilateral technological transfer. In this regard, the scientific community in Moldova and Greece started negotiating a cooperation agreement in 2016 [32]. Also, the Moldovan government has adopted the Innovations Strategy for competitiveness for the years 2013-2020, which would stimulate the technology and innovation transfer process, so that it could contribute to the socio-economic advancement of Moldova [159].

Finally, regarding the **international migration** between Greece and Moldova, based on the National Bureau of Statistics of Moldova, Greeks choose to immigrate to Moldova for work purposes, studies, family reunification or other motives. Thus, the *Greek immigrants settled in Moldova* as follows: 19 persons in 2011, 28 persons in 2012, 26 persons in 2013, 26 persons in 2014, 20 persons in 2015, 18 persons in 2016 [152]. This represents a very small figure, in view of the total number of migrants residing in Moldova, which was of 4209 persons in 2015, 4080 persons in 2016.

With reference to the *Moldovan immigrants in Greece*, this figure is considerably higher than the one for the Greek immigrants in Moldova. Based on official data, 11500 Moldovan citizens lived in Greece in 2014 [76]. Meanwhile, a lot of persons born in Moldova hold Romanian

citizenship [44] and many of them live in Greece as Romanian immigrants, due to the fact that Romania is a EU country and its citizens can live, work and study anywhere in the EU without obstacles. This implies that the real figure regarding Moldovan immigrants in Greece is larger than the official figure. One can explain this phenomenon using the fact that, due to the poverty in Moldova, its citizens have been looking for more developed countries for work and/or living purposes. It appears that Greece is still a successful destination for these purposes, even if the Greek economy has significantly fallen as a result of the crisis.

Although the economic relations between Greece and Moldova appear to be of small importance compared to the relations of these two countries with other economies of the world, there are numerous opportunities for their development and enhancement. These might be of mutual benefit for the economy of Moldova and Greece. An assessment and analysis of the recent economic relations between these two countries aids in identifying several niches and opportunities for economic cooperation. Hence, a detailed analysis of the most intensive and developed flows between Greece and Moldova, i.e. bilateral trade, FDI flows and tourism flows will be done in the following sections.

Unfortunately, as reported by MIEPO (Moldovan Investment and Export Promotion Organization) consultants, Greece is not listed among the target markets of Moldova. Hellenic Republic is neither in the Moldovan National Strategy for attracting investments and promoting exports, neither in other strategic studies and documents. Hence, it is not viewed as a source of investments, neither as an export destination [156]. However, the author believes that Greece should be considered a target market, due to the historical economic ties of the two countries, similar religion, Moldova's EU integration endeavor, growing tourism flows towards Greece, large presence of Moldovan immigrants in Greece and other reasons.

## **2.2. Complementarity of economic specializations of Greece and Moldova, dynamics and potential of bilateral trade using gravity theory**

As it was discussed in the previous chapter, if one reflects upon trade between Greece and Moldova, *factor endowment theory* is the appropriate one in analyzing and developing the bilateral trade between the two countries, particularly as regards the inter-industry trade. Obviously, the factor endowment of a country impacts its economic specialization. Thus, before undertaking a thorough analysis of the bilateral trade flows between Moldova and Greece, first one must be able to comprehend the **complementary economic specializations** of the two countries. In this sense, Table 2.3 has been created, which illustrates the contribution of economic activities in the

formation of Gross Value Added by Sectors in Moldova and Greece for the year 2016, as the most recent data regarding the structure of Moldova's GDP is available only up to year 2016.

Table 2.3. Contribution of economic activities in the formation of Gross Value Added by Sectors  
(2016, %)

Economic activities	Moldova		Greece	
	%	Ranking	%	Ranking
Agriculture, hunting, forestry, fishing and pisciculture	14.2	3	3.97	11
Mining and quarrying	0.4	14	0.41	14
Manufacturing industry	13.9	4	9.87	4
Electricity and heat, gas and water supply	3.5	11	2.45	13
Construction	4	10	2.52	12
Wholesale and retail trade	16.6	1	10.41	3
Hotels and restaurants	1.4	13	6.36	6
Transport and communications	12.9	5	6.48	5
Financial intermediation	6.4	6	4.63	9
Real estate, computer and related activities, renting of machinery and equipment, research and development and other business activities	14.8	2	26.43	1
Public administration	4.7	9	10.84	2
Education	6.4	7	6.06	7
Health and social work	4.8	8	4.18	10
Service activities, i.e. sewage, sanitation and other community, personal, cultural and sports activities	2.8	12	5.39	8

Source: Compiled by the researcher based on national statistical offices data [152; 59]

As shown in the table, the economic systems of Moldova and Greece are complementary as regards several sectors. This means that there are plenty of opportunities for developing the trade between these economies, taking into consideration the quite small volume of trade between the two countries if compared with the trade of Moldova and Greece with other economies. More specifically, the bilateral trade between Moldova and Greece was in 2016 of \$48838.73 thousands, out of which \$29494.5 thousands represent the Moldovan exports to Greece and \$19544.23 thousands – the Moldovan imports from Greece [152].

It appears that both Moldova and Greece are highly dependent on the *wholesale and retail trade*, where this sector ranks the first in Moldovan's economy with more than 16% of the GDP and the third in the Greek economy, with a contribution to GDP of more than 10%. Due to the importance of this figure to the GDP of the respective countries, obviously the bilateral trade has high chances of successful increase, if the right measures are taken. Thus, the Moldovan products might find their niches on the Greek markets and vice-versa.

Further, the *business activities sector* plays the most important role in Greece's economy, with a contribution of 26.43%, whereas in Moldova it is only of 14.8%. If compared to Moldovans,

one could say that the Greeks know how to do business. Though, is this the right interpretation of these findings?! One could say that Greeks take full advantage of their entrepreneurial skills and business opportunities. However, it is considered that this indicator reflects mostly the Greek business environment, which appears to be more friendly and beneficial than the Moldovan business environment.

Moving on to the *agricultural sector*, in Moldova it ranks the third among the other sectors and accounts for 14.2%, while in Greece it constitutes only 3.97%. This figure indicates that in Moldova agriculture still plays a significant role, taking into consideration its history as an agricultural economy, the fertile soil, the high number of population involved in agriculture and the higher rural population than in Greece, i.e. 22% in Greece and 55% in Moldova as of 2015 [116].

The *manufacturing industry* is highly important both in the Moldovan and Greek economy, ranking 4<sup>th</sup> in both countries. However, if analyzed in relative terms, the manufacturing sector in Moldovan economy is more important than in the Greek economy, having a higher contribution to the national output by 4.03%.

The *construction sector* appears to be slightly more important in Moldova than in Greece, explained by the Greek economic crisis, which impacted negatively the construction sector. The *hotels and restaurants sector* accounts for a considerably higher contribution to the GDP in Greece than in Moldova. This difference indicates that the Greek tourism destination is more significant than the Moldovan one. As regards the *transport and communications*, Moldova's sector contribution exceeds the Greek contribution with more than 6%, which reflects the huge investments of the EU in Moldova due to the recent Association Agreement.

The *public administration* sector in Greece accounts for 10.84% of the country's production, which is more than double the Moldovan. This could be explained by the expenditures on undertaking the recent reforms in the Greek public administration, taken in order to resolve chronic problems of its central administration, such as high costs of civil service employees, high budget expenditures etc.

The author noticed that the *service activities and other community, personal, cultural and sports activities* have a slightly higher importance in Greece than in Moldova. The Moldovan and Greek sectors that show very small discrepancies are *Mining and quarrying, Electricity, and heat, gas and water supply, Education, Health and social work*. This finding demonstrates that these economic sectors are equally significant in the economies of the two countries. To conclude, due to the dissimilar specializations of the two countries, there is much potential for developing the bilateral trade between Greece and Moldova.

As regards the **structure of the exports** of the analyzed countries, Annex 3 illustrates the share in value in Moldova's and Greece's cluster exports for 77 out of 95 categories in a descending order, as the share in value for the other categories is mainly zero. It is clear that the Moldovan and Greek export structures are significantly different. Accordingly, based on the calculations, using the International Trade Center data from 2016, in Moldova over 44% of exported categories belong to the *food, beverage and tobacco sectors*, thus to the primary goods section, while in Greece this figure is only of around 20%. If one analyses the categories separately by their ranking, then one can notice that the Greek exports are substantially focused on the *mineral fuels and related materials sector*, which accounts for around 27% of the export value, while Moldova's exports are concentrated on the *electrical machinery and equipment sector* with 12.37% of total exports [118]. Thus, the export sectors of the two countries complement each other; this means that there is plenty of room for advancing the bilateral trade between Moldova and Greece.

At the same time, while trading, several factors must be taken into consideration both by Moldovan and Greek traders, such as the political, cultural, environmental, legal, consumer behavior and other factors. For instance, using Consumer Ethnocentrism Scale (CETSCALE) questionnaires among 113 Moldovan consumers (Annex 9), the author found out that the Moldovans have a relatively moderate level of consumer ethnocentrism. This implies that Moldovans are likely to choose domestic products and that they switch to the imported products only if they are of better quality and cheaper [20]. Similarly, using questionnaires among 160 Greek consumers (Annex 10) in a study of the country-of-origin effect on Greek consumers' evaluation of wine, the author determined that the Greeks also have marginal levels of ethnocentrism [33]. Thus, the role of socio-psychological factors on the perception of a certain country-of-origin product must be taken into consideration by businesses, marketers and governments of the two countries when deciding to export in the respective countries.

Also, applying an adapted conceptual model via a survey among 120 Greeks (Annex 11), the author discovered that, in the context of economic crisis, the Greek consumers have positive attitudes towards private food label products, e.g. Carrefour, Vassilopoulos, LIDL [24]; hence this knowledge could be used by the Moldovan food exporters by using private labeling as an exporting method to Greece.

Additionally, using interviews taken in Germany among traders of Greek wines (Annex 12), the author found out that the Greek national brand is perceived by German consumers as neutral. Also, the Germans have low familiarity with Greek wines and they infer the image of the Greek products using the national image of Greece [22]. The author undertook a similar study in

Sweden and there were obtained different results, i.e. the majority of the Swedish consumers are familiar with Greek food products and they consume these products often, which can be explained by their tourist experiences in Greece [26]. Therefore, using the findings of these two studies, one could apply them as regards Greek food exports towards Moldova. Thus, one could say that, on one hand, the Greek food products would probably be successful, due to the increasing familiarity of Moldovans with the Greek products as Greece is a popular tourism destination among Moldovans [152] and, on the other hand, the Greek food products might have limited success, because Greece is perceived by Moldovans as a crisis ridden country, as the author determined in a recent study [19]. Hence, the success of Greek food products in Moldova depends on the implementation of the right strategies and tactics both by the traders and governments.

**Dynamics of bilateral trade.** As illustrated in Figure 2.4 and in Annex 4, according to Moldova’s National Bureau of Statistics data [152], the *trade volumes* between Greece and Moldova demonstrated an increasing trend up to year 2010, both in terms of exports and imports, though the imports were increasing at higher rates than the exports. The imports from Greece and the bilateral trade volume reached their peak in 2010, with 93319.2 thousands USD and 111063 thousands USD respectively.

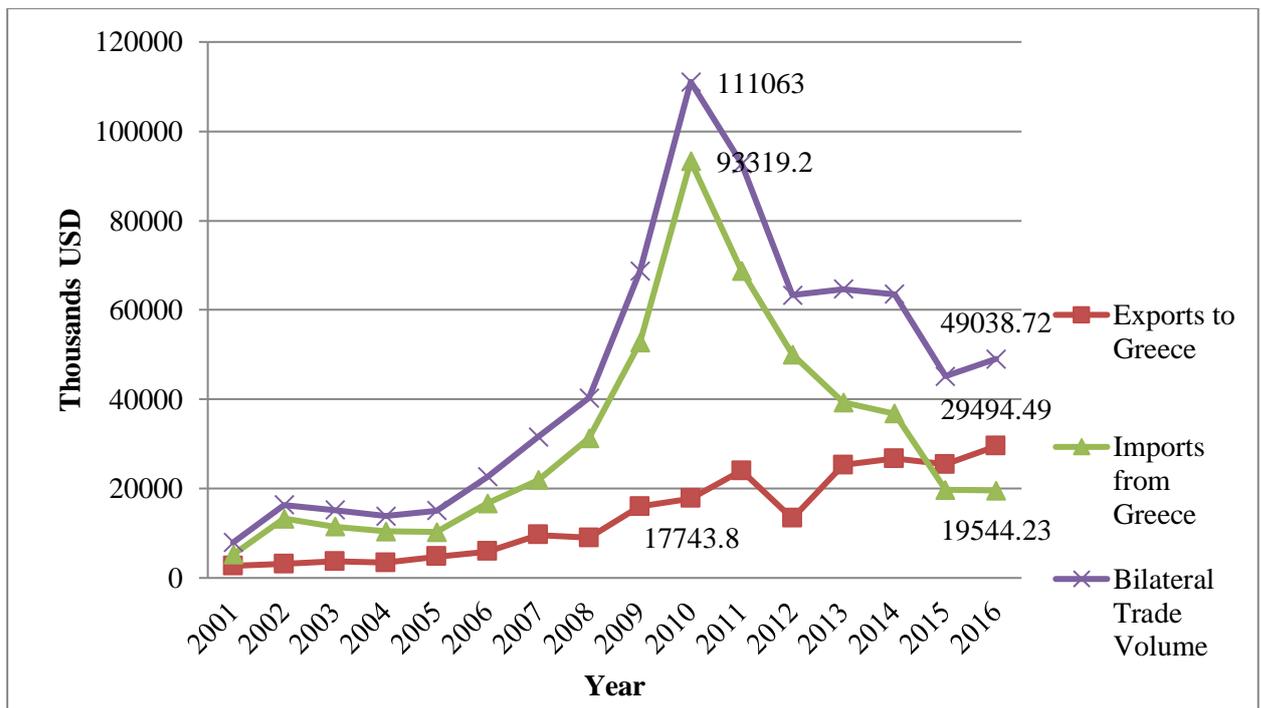


Fig. 2.4. Moldovan Trade with Greece (2001-2016, thousands USD)

Source: Elaborated by the author based on [152]

Afterwards, starting 2011, the bilateral trade suffered from significant steady decrease in imports from Greece, though the exports to Greece demonstrated a stable increasing trend, except

year 2012. It seems that the global financial crisis and the Greek economic crisis have been affecting considerably the Greek exports towards Moldova and probably to other world countries.

Also, it is important to note that, if during the years 2001-2014 Moldova had a negative *commercial balance* with Greece, then in 2015 and 2016 Moldova had higher exports to Greece than imports, reaching a positive commercial balance of 9950.261 thousands USD in 2016. This indicator demonstrates that, in absolute terms, Greece is becoming for Moldova an important trade partner as regards exports. A stronger evidence to support this statement is given by Figure 2.5. It shows that the *ratio of exports to Greece to Moldovan exports to the world* had an increasing trend since 2001, reaching a level of 1.29% in 2015 from 0.48% in 2001. This means that the Greek market has become by 2.6 times more significant for the Moldovan producers. The author has even stated in a recent study that the Greek market seems to be more attractive and offers probably improved conditions for Moldovan exporters [18]. However, for Greece, the trade with Republic of Moldova seems to be less significant for the overall trade balance of the Hellenic Republic.

As regards the imports, Figure 2.5 shows that the importance of *Greek imports from the total imports of Moldova* had fluctuating patterns.

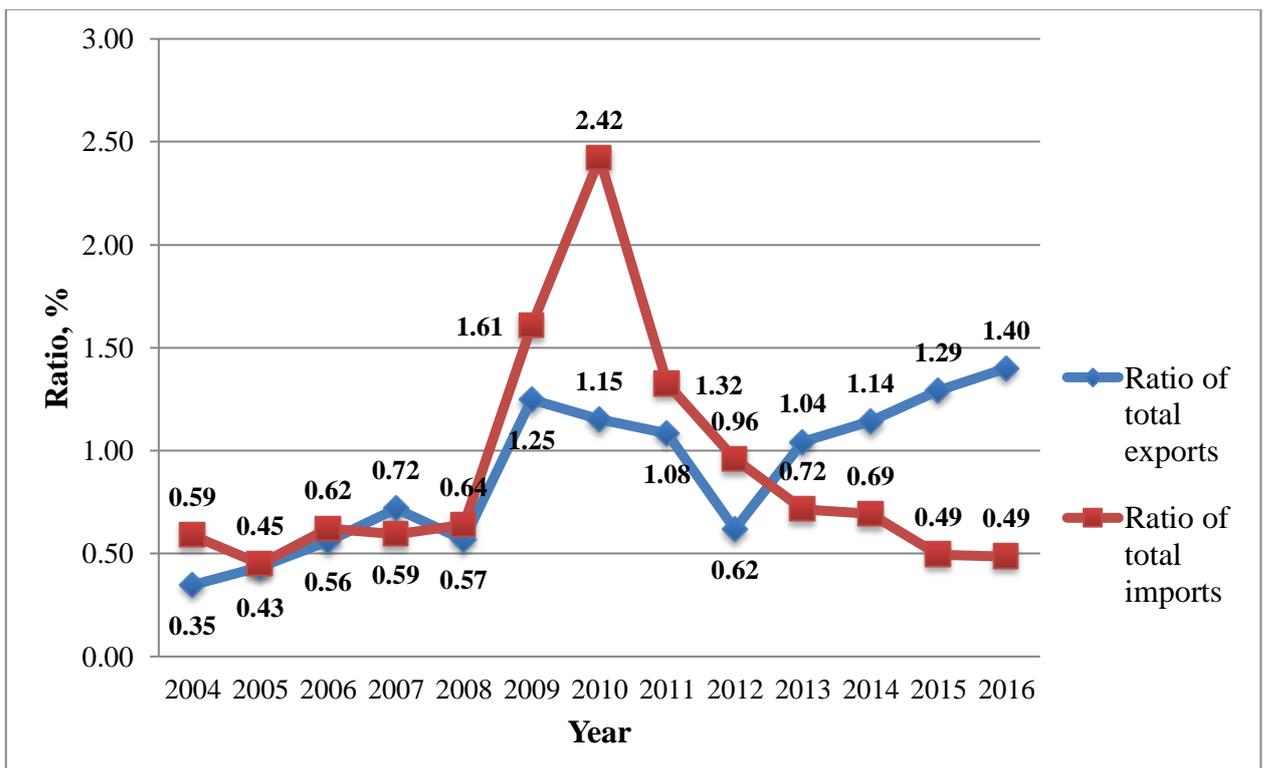


Fig. 2.5. Trade-ratio with Greece from total Moldovan imports and exports (2001-2016, %)

Source: Compiled by the author based on [152]

Greece reached its highest significance as an importing trading partner for Moldova in 2010, when the ratio of imports from Greece was of 2.42% out of all the Moldovan imports.

However, afterwards this ratio was steadily decreasing, reaching a level of 0.49% in 2016, which indicates a reduction by 5 times in the importance of the Greek imports among the total imports of Moldova. This could be explained by several factors, such as the Greek economic crisis, harshened conditions for the Greek exporters on the Moldovan market, low purchasing power of the Moldovan consumers, small size of the Moldovan market, lack of competitive advantage of the Greek products on the Moldovan market, particularly due to the competitiveness of Turkish products, which are cheaper than the Greek products, as they do not have to follow EU standards and as salaries in Turkey are smaller than in Greece etc. However, if one notices the cyclical patterns of the analyzed indicator, then there is a high probability that this figure will increase again, explained particularly by the recently adopted Greek strategy of increasing its exports worldwide, in order to enhance a strong recovery and growth of the Greek economy [91] and also explained by the Association Agreement which Moldova signed with the EU.

Moving on to the *types of products traded between Greece and Moldova*, Annex 5 and 6 show the most recent data for the years 2011-2016. As illustrated in Annex 7, one can notice that the trade between Greece and Moldova is complementary for many sections of goods, in the meaning that the type of goods that are imported from Greece are exported in small quantities or not at all, and the other way around – the type of goods that are exported to Greece are imported in small amounts or not at all. For instance, in 2016 Moldova did not export live animals, animal or vegetable fats and oils, plastics and articles thereof, footwear, natural or cultured pearls or semi precious stones and metals etc. to Greece, but it imported these products. Also, Moldova did not import from Greece goods such as raw hides and skins, but it exported such goods to Greece.

As one can see, the Vegetable products, particularly cereals, edible fruit and nuts, ranked in 2016 first on the list among *exports to Greece*. This is of no surprise, as Moldova's economic activities in agriculture play a significant role in the formation of the gross value added (Table 2.3) and because Moldova's exports worldwide are concentrated on this category of products (Annex 3). Similarly could be explained the fact that second on the list of exports to Greece were the Prepared foodstuffs, beverages, spirits and vinegar, tobacco and manufactured tobacco substitutes. This category of products has been annually exported to Greece, though in fluctuating amounts.

Afterwards, with an increasing trend since 2007, follow the exports of Glass and glassware products. The fourth on the list of exports to Greece rank pulp of wood or other fibrous material, paper and articles thereof. Then follow the textiles and textile articles, raw hides and skins, the machinery and mechanical appliances and electrical equipment.

As regards the *imports from Greece*, its structure seems to be more diversified than the exports, explained by the significantly higher imports than exports during the many years of

bilateral trade relations between Greece and Moldova (Annex 6). Moldova imported from Greece in 2016 primarily Vegetable products. It appears that Moldova also exports a lot of Vegetable products to Greece, but if one looks closely at the types of products exported, than one can see that Moldova and Greece trade among themselves products that are not cultivated on their territory, due to differences in climatic conditions; hence, the two countries complement their needs in Vegetable products. A good example is the fact that Moldova imports plenty of citrus fruits from Greece, which are not cultivated in Moldova. Also, one must point out that over the last 5 years the Moldovan imports of this category of goods from Greece has been increasing. Further, Moldova imports plenty of Products of the chemical or allied industries, particularly pharmaceutical products and fertilizers, which in 2015 was the leader among the Moldovan imports from Greece. In 2016 this category of products was beaten up by the Vegetale products. However, it is on the second place, which is a top place, which is explained by the fact that Greece focuses much on exporting pharmaceutical products worldwide, where this category of products is the 4<sup>th</sup> on the list of Greek exports as of 2016 (Annex 3).

On the third place of imports from Greece are the Plastics, rubber and articles thereof. The imports of this category of products have increased by 10 times if one compares with year 2005 [152]. Again, it is of no surprise, since for Greece this is a strategically important exporting category, being the 5<sup>th</sup> among the total Greek exports worldwide in 2016 (Annex 3).

Further, on the 4<sup>th</sup> place of Moldovan imports from Greece are the base metals and articles of Base metals, and then follow the Prepared foodstuffs, beverages, tobacco, Machinery and mechanical appliencs etc.

To conclude, the author noticed that Moldova exports to Greece mainly primary goods, i.e. agricultural products, raw materials etc., which do not contribute significantly to the Moldovan economy, due to the small added value of these goods. However, Moldova imports from Greece plenty of industrial and manufactured items, which add higher value to the Greek economy and not to the Moldovan one [18].

**Gravity theory application.** In order to be able to explain the bilateral trade between Moldova and Greece, the author will make, first of all, a simple analysis of the Moldovan trade with the EU-28 countries usind gravity theory. For this purpose, it was created a table (Annex 8), which illustrates the “gravity” variables of all the EU countries, i.e. GDP and distance between the capital of Moldova and the capitals of the EU countries. Also, this table shows the Moldovan imports, exports and total trade volumes with the respective countries. In addition, there have been included the ranking of the countries by GDP, driving distance, actual trade volumes and suggested trade volumes based on the gravity theory.

The gravity theory states that a small distance between two countries has a positive influence on the bilateral trade volumes, and vice-versa. Also this model indicates that the trade flows between two countries is proportional to each country's GDP. As one can see in the Annex 8, obviously the shortest driving distance is between Moldova and Romania, particularly due to the fact that Moldova borders Romania. Also, the bilateral trade volumes between these two countries are the highest, in comparison to the trade between Moldova and other EU countries. Thus, in this context, it appears that distance is the most important factor in determining the trade volumes of these two countries. However, as regards GDP, Romania ranks the 17<sup>th</sup> among the EU countries (as of year 2016). Thus, if one makes a simple proportion between GDP and driving distance (since most trade is done via driving means of transportation), as suggested by the gravity theory, one can see that Romania scores the 6<sup>th</sup>, meaning that the trade volumes between Romania and Moldova should rank on the 6<sup>th</sup> place among the trade volumes of Moldova with other EU countries. Nevertheless, it appears that other factors play a more significant role in this case, such as distance, political factors, cultural and historical factors etc.

The second country concerning driving distance is Bulgaria. This country ranks the 21<sup>st</sup> as regards GDP and the 7<sup>th</sup> as regards Moldovan trade volumes with EU countries. According to the calculations using the gravity theory, Bulgaria should be the 19<sup>th</sup> concerning Moldovan trade volumes. However, similarly to Romania, distance and other factors play a more important role in the bilateral trade between Moldova and Bulgaria.

If it is taken into account only GDP, Germany is the country with the largest economic size among EU countries, followed by the UK, France and Italy. Based on the gravity model, these countries should attract plenty of trade with Moldova. Thus, for Moldova, these countries play a significant role as regards trade volumes, Germany being the 3<sup>rd</sup> on the list, UK – the 5<sup>th</sup>, France – the 6<sup>th</sup> and Italy the 2<sup>nd</sup>. As the same time, the gravity theory suggests that there is plenty of room for advancing the Moldovan trade with Germany, placing it first on the list, with the UK – placing it the second on the list.

One must say that, as regards trade between Moldova and the EU countries, the gravity theory has turned out to be moderately reliable and applicable. For instance, using simple calculations and rankings, out of the first 10 countries suggested by the gravity theory with which Moldova would have the largest trade volumes, 7 of them are among the countries with which Moldova has actually the largest trade volumes, i.e. in descending order, Romania, Italy, Germany, the UK, Poland, France and Austria. Thus, one cannot follow only one variable – either distance or GDP. These variables must be taken into account together.

With reference to Greece, as of year 2016, it ranks the 13<sup>th</sup> as regards Moldovan trade

volumes, due to the rather large distance between Moldova and Greece (distance ranks 13) and the rather small GDP of Greece (GDP ranks 15). However, the gravity model places Greece on the 16<sup>th</sup> position as regards trade volumes. An explanation to the theoretical findings are the small GDP and large distance, while the actual higher number of the bilateral trade volume of the two countries could be explained by the historical evolution of the economic relations between Greece and Moldova, when Greece was a much more significant trade partner for Moldova.

This gravity formula application has shown to us only the theoretical ranking of Moldovan trade volumes with the EU countries. Yet, it doesn't show the magnitude and the potential of bilateral trade between Moldova and the other EU countries, as the author has applied the gravity theory within this doctoral thesis limits. Thus, using lots of data, it is hoped to extend this research on a future post-doc level and to determine the potential of trade between Greece and Moldova.

### **2.3. Analysis of FDI flows between Moldova and Greece.**

FDI have been vital for Moldova and the authorities have been making sure for long that every needed step in drawing FDI into the Moldovan economy is taken. The basic law concerning investments, as well as FDI, was ratified by the Parliament of Republic of Moldova in 2004. The law was adopted because of the significance of attracting investments into the Moldovan economy, because of the necessity to encourage and protect the investments through the establishment of judicial, social and economic constant and just circumstances for the investment movements, through the creation of equivalent agreements for the local and foreign investors and via eliminating the barriers that could impact the investors and their investments [167].

In addition, with the aim of creating beneficial circumstances to attract investments into the Moldovan economy and to guarantee the effective promotion of the exports, the Government adopted in 2016 the National strategy for attracting investments and for promoting the exports during years 2016-2020 and the Plan of actions in implementing it [165]. The later contains broad objectives, detailed objectives and 80 steps in accomplishing the objectives. These must be completed by the Ministry of Economy, the Moldovan Investment and Export Promotion Organization (MIEPO), the National Institute for Economic Research, the National Bureau of Statistics, the National Bank, Ministry of Finance, Ministry of Justice and other related ministries and local authorities. The objectives are to:

- 1) Strengthen the basic elements of the regulatory framework regarding investments and exports, that would help in efficient prevention and settlement of investment disputes, improvement of fiscal policy and customs administration, increase in business confidence and transparency relations etc;

- 2) Improve the system for the development of workforce for priority sectors oriented towards export activities;
- 3) Enhance the quality of industrial, transport and commercial infrastructure for the development of export-oriented sectors;
- 4) Increase export capacity of local producers;
- 5) Enhance the capabilities of the national institutions, with the aim of attracting, maintaining, developing the investments and promoting exports etc.

The strategy identified seven priority sectors for policies aimed at attracting investments and at promoting exports: 1) information and communication; 2) manufacture of machinery and equipment; 3) administrative and support service activities; 4) manufacture of machinery and their parts; 5) textiles, clothing and footwear; 6) electrical equipment; 7) food and agriculture.

An analogous strategy was approved for the years 2006-2015. Nevertheless, the current strategy is more elaborate. FDI aren't seen anymore as a group of individual transactions that have the purpose to attract foreign investors in the national economy. FDI are viewed as well as a developing connection with investors during the entire investment lifecycle. For this reason, the current strategy has the purpose not merely to draw FDI, but also to sustain and enhance the relations amid the sectors attracting FDI and the other sectors of the economy, hence amplifying the long-term gains from FDI.

Furthermore, to facilitate the promotion of the image of Moldova, which might aid in drawing investors into the Moldovan economy, the authorities frequently arrange events that concentrate on investment opportunities for overseas companies [80]. In addition, the Ministry of Economy created The Moldovan Investment and Export Promotion Organization that has the purpose to carry out policies regarding efficiency of companies which carry out or intend to carry out their activities in Moldova, to encourage export increase and to draw investments [80]. Thus, this institution is the central source of information and assistance for future investors in Moldova.

Throughout the years 2003-2008, the FDI flows that were brought into the Moldovan economy had mostly a rising tendency (Figure 2.6 and Annex 13), attaining the maximum levels of around USD 711 million in 2008 [124]. Furthermore, in the year 2008, the FDI per capita accounted for USD 173, that was the uppermost value among the values of every year that has been investigated. Then, the worldwide financial crisis seems to have influenced considerably in a negative manner the FDI, decreasing the FDI to USD 208 million in year 2009 and year 2010. During the subsequent years, the FDI flows somewhat became stable. Likewise, the ratio of FDI from GDP diminished noticeably in 2009, declining from 12.3% in year 2007 to 3.83% in year 2009.

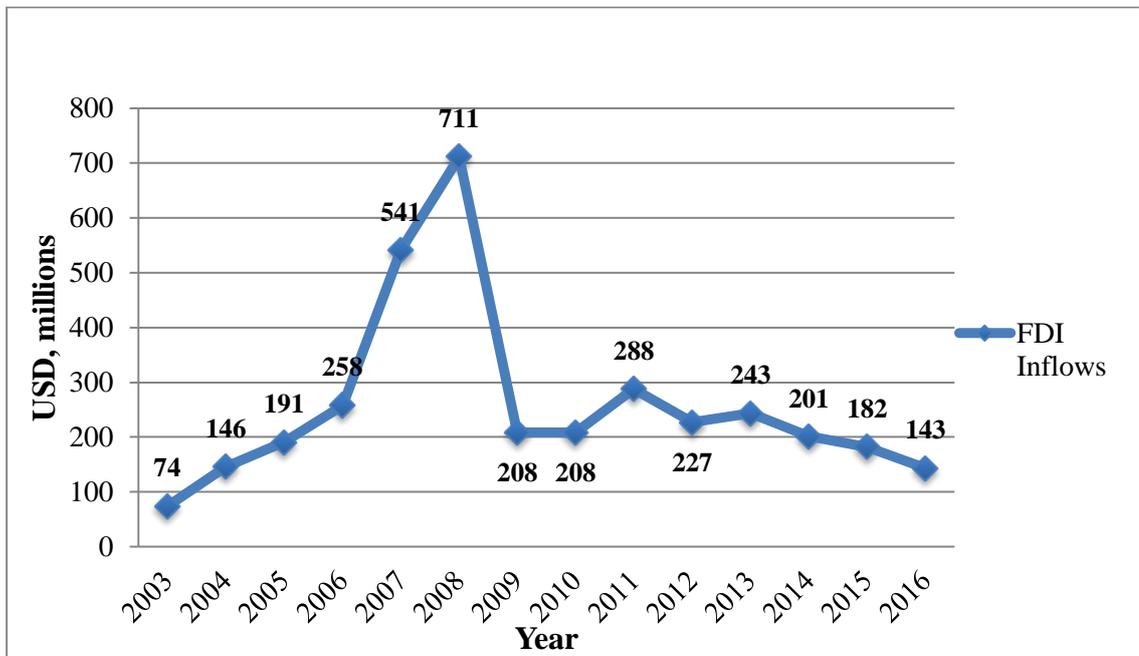


Fig. 2.6. FDI Flows brought into the Moldovan Economy (millions USD, 2003-2016)

Source: Compiled by the author using statistics from UNCTADstat [124]

This rough figure decreased during the following years. Therefore, in 2016, the FDI flows brought into the Moldovan economy were of 2.17% of GDP, with only USD 35 per capita (Figure 2.7).

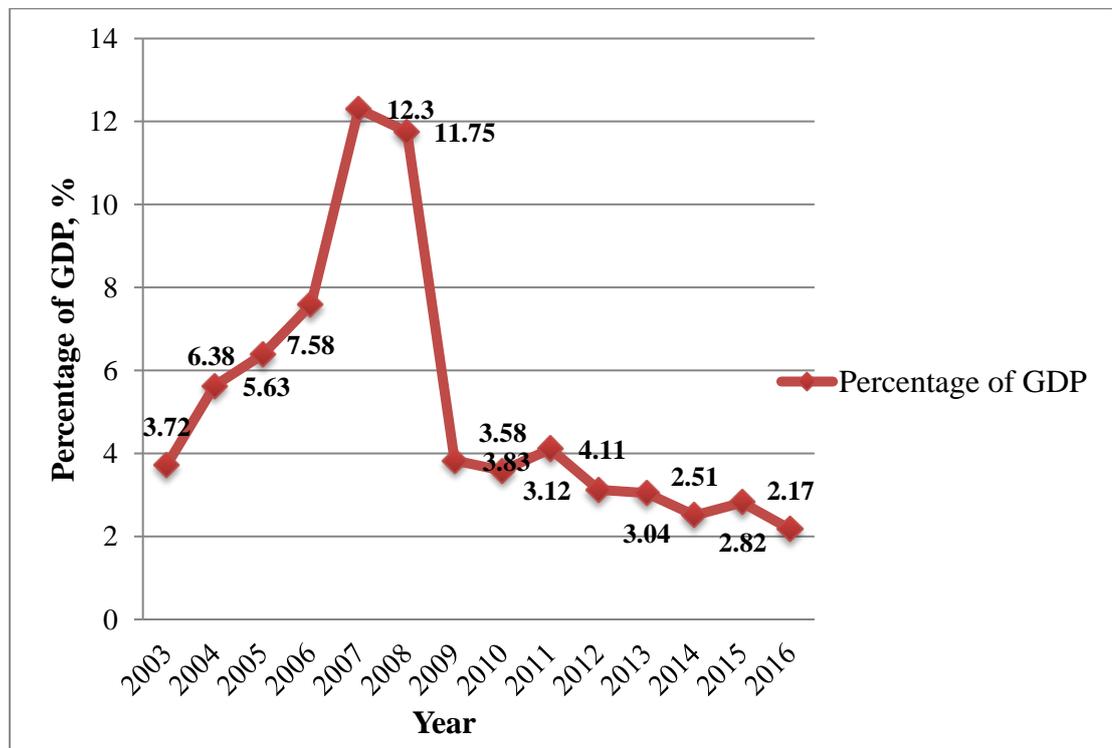


Fig. 2.7. FDI attracted in the Moldovan Economy as a Percentage of GDP (2003-2016)

Source: Compiled by the author using statistics from UNCTADstat [124]

Supposing that one contrasts the *inward FDI* of Republic of Moldova with the inward FDI of transition economies (Figure 2.8), one notices that in the year 2016, the Russian Federation was the first at drawing FDI, which can be justified apparently via the country's huge geographical dimension. Kazakhstan, Turkmenistan and Azerbaijan are the second, third and fourth accordingly, whereas Uzbekistan, Moldova and Montenegro were able to attract the least FDI.

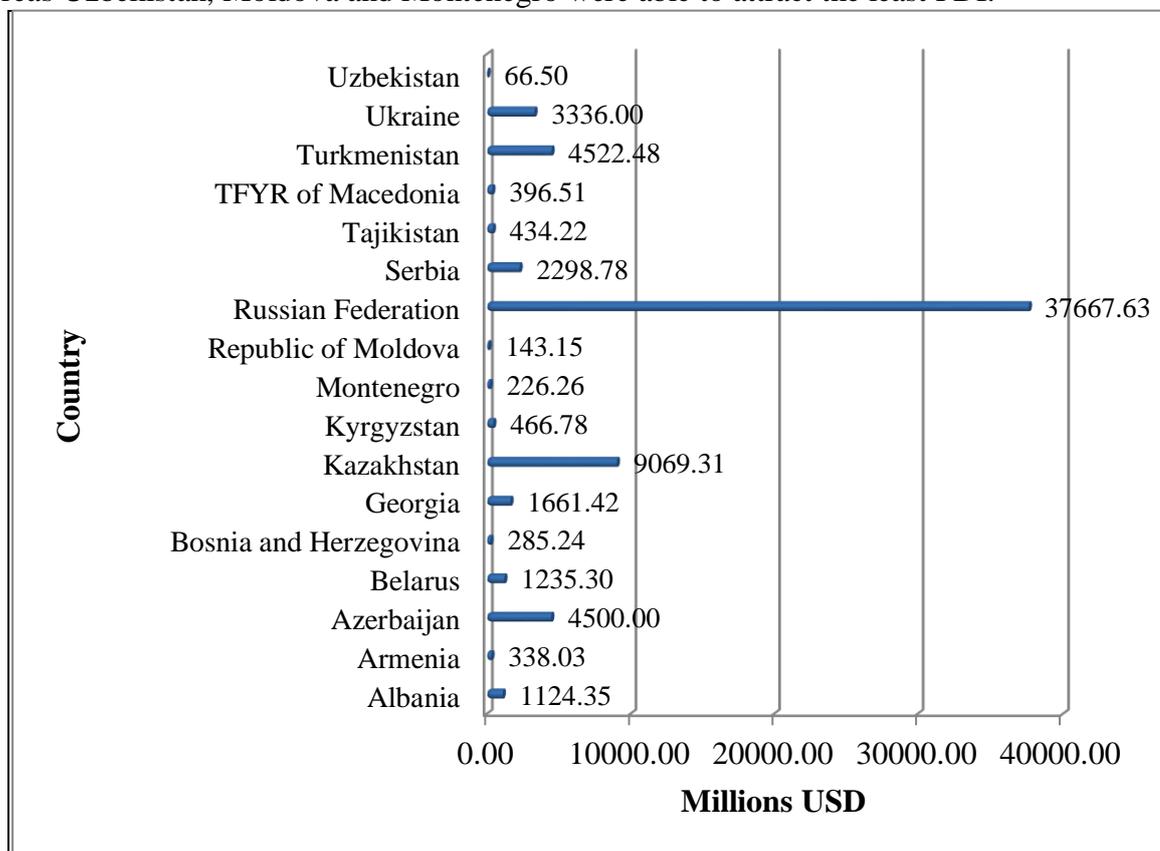


Fig. 2.8. Inward FDI for Transition Economies in 2016 (millions USD)

Source: Compiled by the author using statistics from UNCTADstat [124]

Nevertheless, by considering the *inward FDI per capita*, which is a more unbiased indicator vis-à-vis the capacity of an economy to attract FDI (Figure 2.9), in that case Turkmenistan is on top; then are Kazakhstan and Azerbaijan. Moldova ranks the 2<sup>nd</sup> amid the transition economies with the least per capita inward FDI, behind Uzbekistan, with merely USD 35.23 per capita, in contrast with the leader's inward FDI of USD 831.54 per capita. Clearly, the value of this figure with reference to Moldova might be explained by the Moldova's unfavourable investment environment.

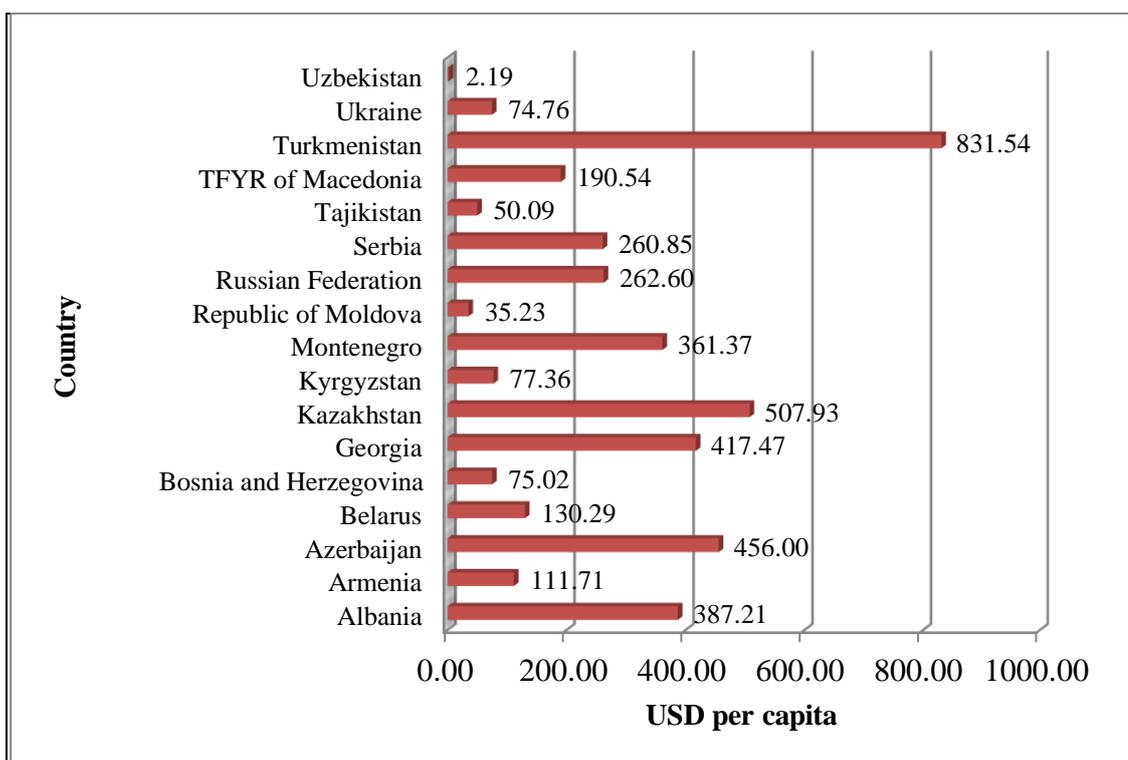


Fig. 2.9. Inward FDI for Transition Economies in 2016 (USD per capita)  
 Source: Compiled by the author using statistics from UNCTADstat [124]

Further, one can see (Figure 2.10) that Azerbaijan is a leader concerning the *inward FDI as a ratio of GDP*, with 12.09%. Then are Georgia and Turkmenistan, whereas Moldova is the fourth among the last with regard to this figure, with an amount of just 2.17%. It seems that FDI have very little weight in the Moldovan economy.

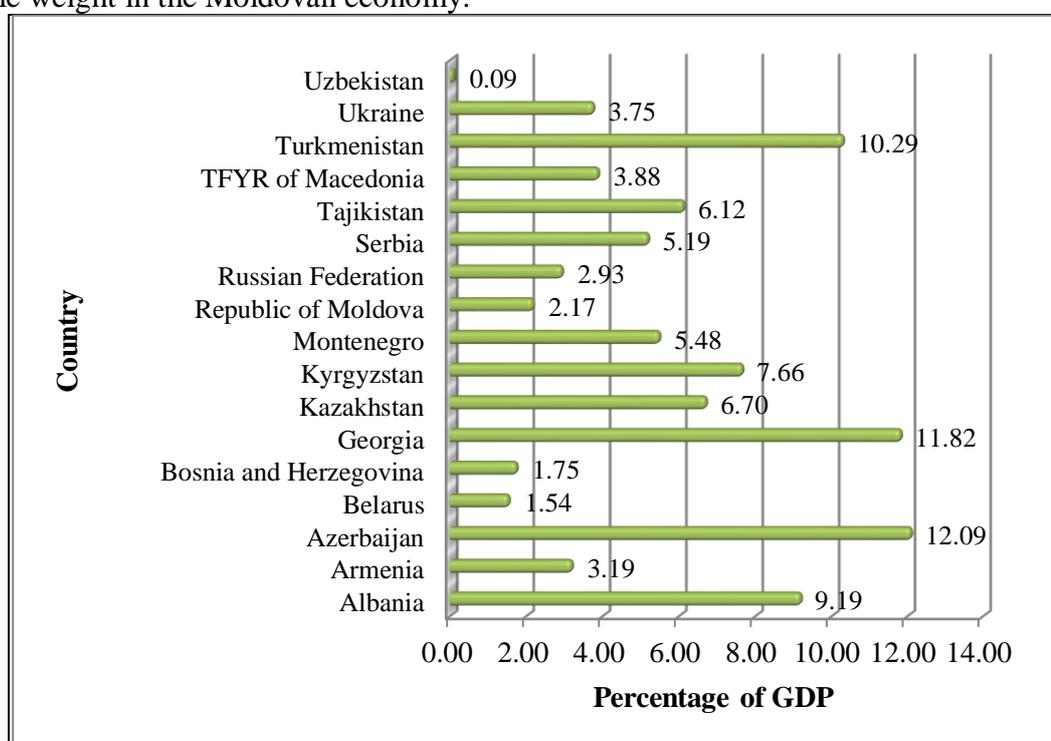


Fig. 2.10. Inward FDI for Transition Economies in 2016 (percentage of GDP)  
 Source: Compiled by the author using statistics from UNCTADstat [124]

Nonetheless, the influence of FDI on the Moldovan economy has been indisputable [150]. For example, although per capita FDI is very small compared to other countries, numerous sectors of the Moldovan economy have expanded solely as a result of FDI [173]. What is more, the FDI movements are linked with economic growth [62]. It is explained by the GDP structure, which based on the expenditure method is estimated as  $Y = C + I + G + NX$ , where  $Y$  – GDP,  $C$  – consumption expenditures, specifically spending by households,  $I$  – investment expenditures, to be exact spending by companies,  $G$  – government expenditures and  $NX$  – net exports, that is net spending by foreigners [120]. Therefore, the larger investment expenditures contribute to larger GDP, under the condition that the other variables are constant.

The aforementioned statement is verified in this dissertation for the economy of Republic of Moldova by means of correlations. With the purpose of determining whether the FDI have a major influence on the Moldovan economic growth, the Pearson statistic ought to be utilized, since the FDI and GDP are scale variables. Initially, the variables of every distribution for 16 years are examined (2001-2016). As illustrated in Figure 2.11, the FDI distribution has two outliers, more specifically, in the year 2007 of \$558 million and in the year 2008 of \$727 million.

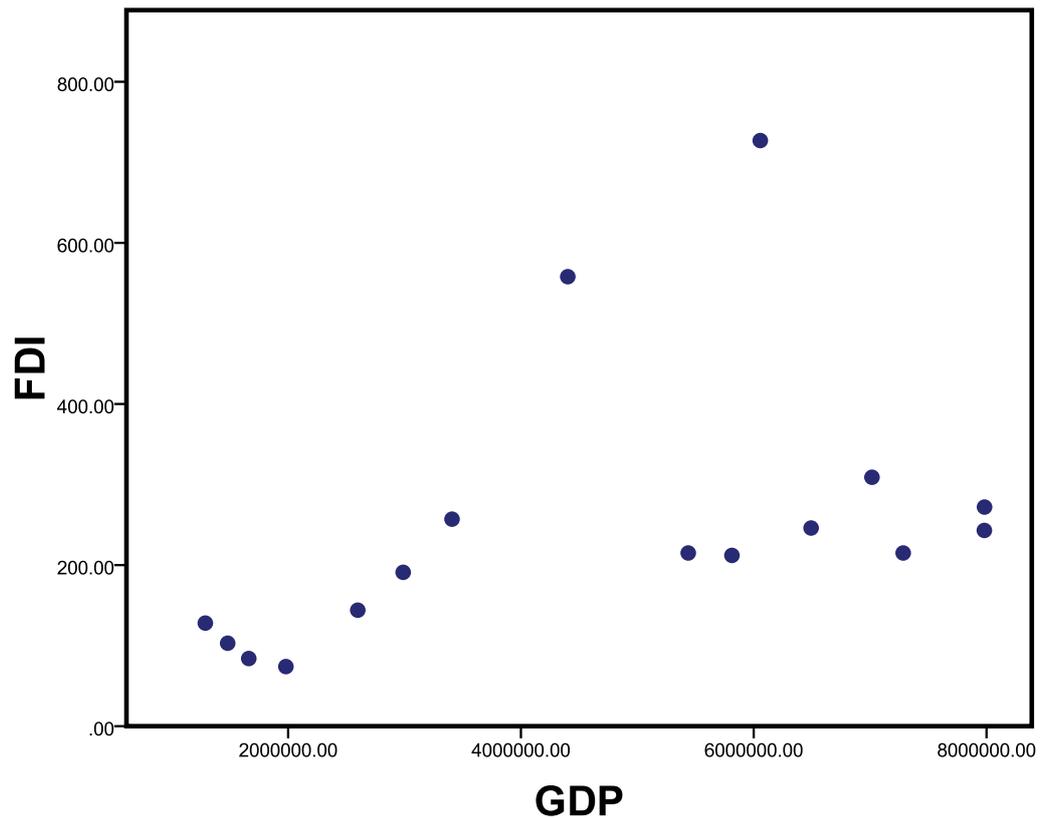


Fig. 2.11. FDI & GDP Distribution for Moldovan Economy (2001-2016)  
Source: Compiled by the author using statistics from UNCTADstat [124]

Nevertheless, the Pearson correlation coefficient exerts better results when the variables are roughly normally distributed and when they do not have outliers. Thus, this scatterplot shows these probable issues. When the outliers are eliminated from the correlation calculations, the author determined a statistically significant association between FDI and GDP ( $p=0.003$ ) (Table 2.4). Consequently, in Moldova, FDI is linked with economic growth.

Table 2.4. Correlation between GDP & FDI

		FDI_flows	GDP
FDI_flows	Pearson Correlation	1	.715**
	Sig. (2-tailed)		.003
	N	15	15
GDP	Pearson Correlation	.715**	1
	Sig. (2-tailed)	.003	
	N	15	15

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Elaborated by the author based on data from UNCTADstat [124]

Sadly, the Moldovan investment climate was evaluated as hostile based on numerous international criteria and rankings. For example, based on the World Bank, Moldova ranks the 63<sup>rd</sup> out of 189 concerning the simplicity of carrying out business. According to the Global Competitiveness Index, Moldova ranked on the 82<sup>nd</sup> place, whereas Heritage Foundation places Moldova on the 111<sup>th</sup> position with reference to the economic freedom index [150]. Besides, we have concluded in a study that Moldova “does not have an attractive economic and political environment for investors, because of high corruption levels, obstacles for exporters, unreliable financial, judicial and administrative sectors, intellectual property issues, poor infrastructure, and low purchasing power of the Moldovans” [18, p. 68].

However, Moldova could be attractive to overseas investors thanks to its strategic geographical location between Europe and Asia, thanks to its inexpensive and skilful work force, relatively low expenses for living and investor welcoming taxes [165] (Annex 14 illustrates an overview of the strengths and weaknesses of the Moldovan economy as regards attracting FDI). Also it was found out in a recent study that the authorities promote investments through several means, e.g. companies investing more than USD 250.000 have in the initial years a decrease in taxes [18]. Therefore, following rigorously the measures of the Investment Strategy for the period 2016-2020 represents an indispensable task, so as to enhance the investment environment in Moldova, which might be a major determinant in the economic growth of Moldova.

Furthermore, so as to be successful on the Moldovan market, the investors should follow the suggestions offered by academics, practitioners and government institutions. For instance, using the results of one of the author's study [20], investors are advised to engage in joint ventures or strategic alliances, due to the moderate level of ethnocentrism of Moldovan consumers, who prefer the local products over the imported products. Hence, it is of no surprise that the author determined in a recent study that over 60% of the foreign capital is invested in joint ventures. Moreover, these firms outperform economically the Moldovan firms [18].

**Greek-Moldovan FDI flows.** Further, based on one of the recent research studies [17], the author intends to investigate the FDI flows between Greece and Moldova via the theories considered in Chapter 1. To start with, one should indicate that the author stated in a current article that Greece is a developed EU economy that is facing an economic crisis, while Moldova is a developing post-soviet economy [18]. Therefore, it seems that Greece is the state interested to invest in Moldova and not reverse, because of a more developed condition of the Greek economy in comparison to the Moldovan economy.

For example, not long ago, in December 2016, at the reunion of the Moldovan-Hellenic Committee for economic, technological and scientific collaboration, the vice-president of the Hellenic Federation of Entrepreneurs affirmed that the Greek entrepreneurs show an interest in setting up in Moldova jointly beneficial investment projects [182]. Besides, Greeks were amid the foremost major investors in Moldova. The establishment and advancing of the economic relations between Moldova and Greece is owing to the Greek investor James Zissis, who, merely after a year of Moldova's independence, chose to invest in Moldova [186].

The Greek FDI in Moldova was during 2009-2016 in general of approximately 0.73% of the total FDI in Moldova. In addition, it had achieved even 1.2% of total FDI in 2008. In 2016, the Greek FDI in Moldova was the 11<sup>th</sup> amongst the FDI of other EU countries and the 18<sup>th</sup> amongst the FDI from the world economies, while in 2015 it was the 12<sup>th</sup> amongst the FDI of other EU economies and the 19<sup>th</sup> amongst the FDI from the world economies, which indicates that the Greek FDI has improved its position and its significance in the Moldovan economy [86]. For this reason, one must point out that the Greek investments are of a large importance to the Moldovan economy. Figure 2.12 indicates the progress of the Greek FDI into the Moldovan economy for the period of the years 2009-2016. For the duration of this timeframe, the Greek FDI achieved its peak in 2013 and it began decreasing in 2014. It might be explained via the events and tendencies from the Greek and the Moldovan economies, to be exact, the influence of the Greek economic austerity actions, the deteriorating trust of overseas investors in the Moldovan business climate, the banking fraud of the century from Moldova and so on.

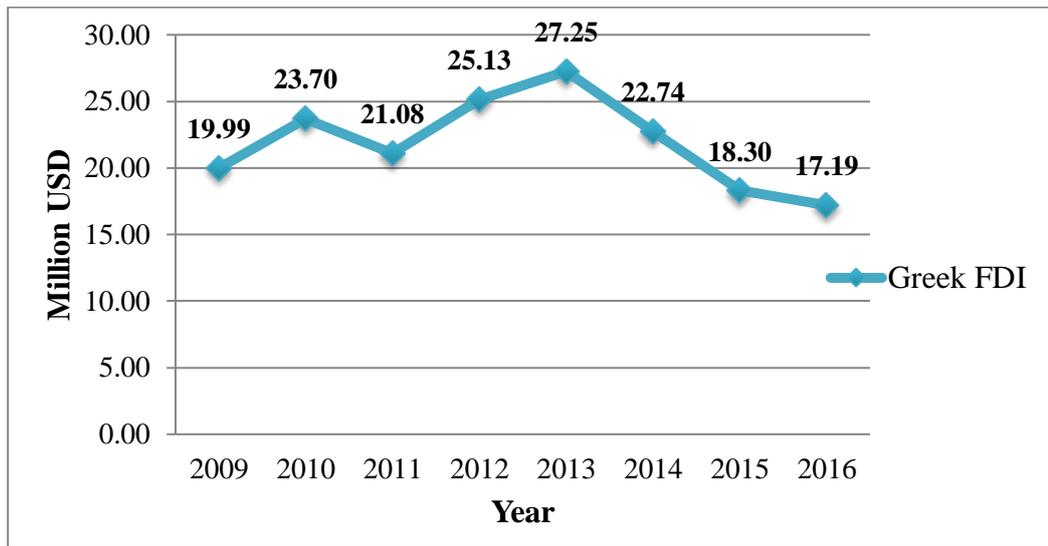


Fig. 2.12. Greek FDI into the Moldovan Economy (Million USD) (2009-2016)

Source: Compiled by the author using statistics from National Bank of Moldova [86].

As revealed in Figure 2.13, the Greek FDI indicates a declining trend similar to the total FDI into the Moldovan economy.

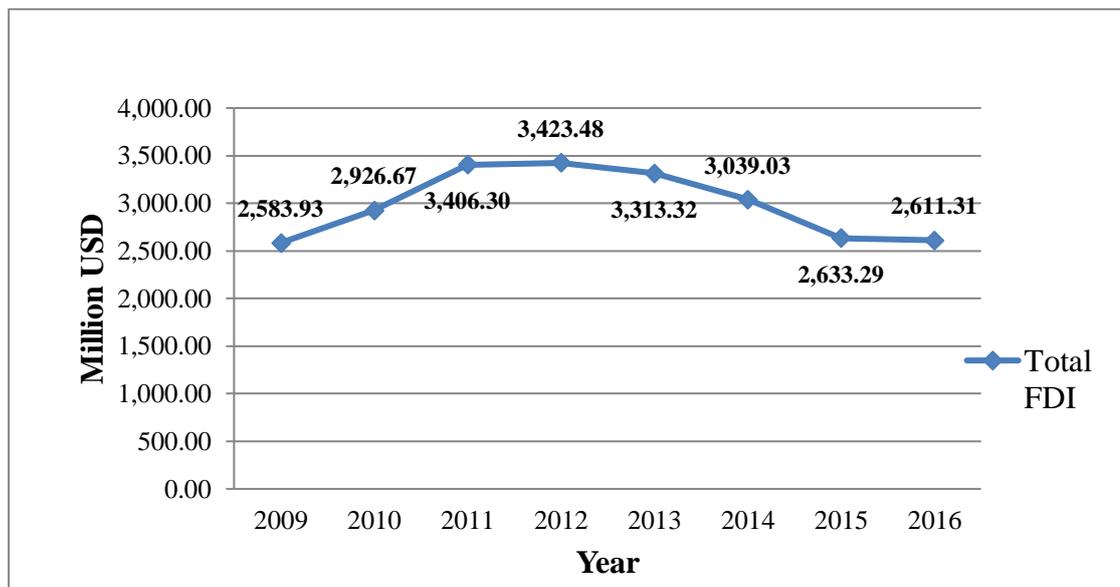


Fig. 2.13. Total FDI into the Moldovan Economy (2009-2016, millions USD)

Source: Compiled by the author using statistics from [86].

As regards the *Moldovan FDI flows into the Greek economy*, no data has been found about Moldovan investors in Greece or data that would show that Moldovans are interested in investing in Greece. Perhaps this is explained by the fact that Moldova is not as developed as Greece and because the Greek economy was affected severely by the economic austerity measures, which discourages Moldovan investors to establish business projects in Greece. Hence, due to lack of

data, the author will not be able to apply the theories that examine the FDI outflow from developing countries in describing the drivers of the FDI flows from Moldova to Greece, as it was decided in the first chapter of the thesis.

As the author determined in a current study [15], for examining the Greek FDI in Moldova, one must utilize the *number of investment transactions* before the value of the investments, in order to stay away from bias against smaller companies. Thus, it will be employed in the investigation the number of functioning Greek firms in Moldova.

In 2016, there were recorded in Moldova more than 110 firms with entirely Greek or with mixed Moldo-Greek capital [154]. Out of all these firms, only 53 companies are active (see their list in Annex 15). The other firms suspended their operations or discontinued them entirely; hence they have been in the course of shutting down. Proportionately, this signifies that over half of the Greek registered firms are giving up the Moldovan business environment. This is a significantly huge figure for a tiny economy as Moldova. Sadly, there is no information concerning the value of the FDI of the Greek firms which stopped functioning. If these are small companies, perhaps their absence from Moldova's economy will not be noticed. However, if these companies are huge, their absence will be noticed considerably.

To continue with, out of the 53 operating firms, the earliest recorded firm was in 1995. This seems reasonable, because Moldova obtained its independence in 1991 and founded diplomatic relations with Hellenic Republic in 1992 [148]. As illustrated in Figure 2.14, 2005 is the year with the largest number of recorded companies with Greek capital which are still functioning, to be exact, 7 companies. The medium score during 1995-2016 is 2.4, signifying that annually there were recorded 2.4 firms with Greek or Moldovan-Greek capital which are still functioning in Moldova.

As shown in Annex 15, the *headquarters* of most of the operating Greek firms are established in the capital of Moldova, Chişinău. Merely 7 Greek companies are established outside the capital, in various cities, such as Vatra, Grătieşti, Bălţi, Rîşcani, Ialoveni, Orhei, and Anenii Noi. Obviously, an explanation to this is the fact that the overseas investors prefer the capital because, in comparison to other areas of Moldova, the capital offers an enhanced infrastructure, numerous skilful workers and increased consumer demand, hence a more attractive market.

With reference to the *type of legal entity*, the majority of the Greek firms in Moldova are Limited Liability Companies (LLC). Barely 3 firms are Corporations, more specifically, Hellas Groups SA, Michailides Tobacco Moldova SA and SA Imedica. It seems that the broad distinctions between an LLC and a corporation were the determinants of the Greek investors' preference for a business entity nature. Therefore, presumably, LLCs are chosen mostly, because,

in order to set up these firms, the investors are not required to possess large financial resources compared to a corporation. One may spot out one more advantage of the LLC over corporation based on its name, that is to say, limited liability. It indicates that the firm is accountable simply with its own heritage; as a result the associates are not accountable for the obligations of the company [177].

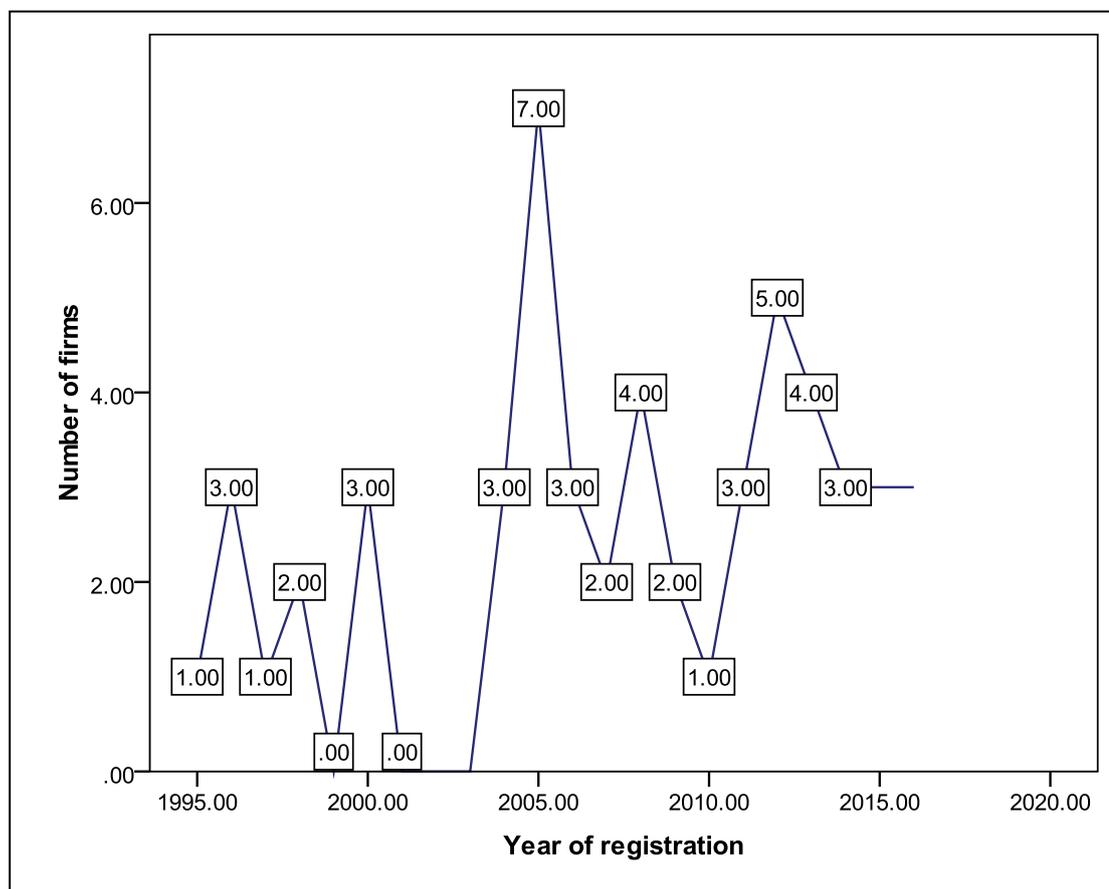


Fig. 2.14. Number of registered firms with Greek capital that are still operating in Moldova  
 Source: Compiled by the author using statistics from Camera Înregistrării de Stat [154]

The existing data about the *number of employees* is limited. Nonetheless, by means of this incomplete information that we have, the author may conclude that the Greek firms are of various sizes, to be exact, small, medium and large. What's more, three of the Greek companies, that is Loteria Moldovei, Cardico and Michailides Tobacco Moldova, were amid the 70 major foreign firms in Moldova [18]. Yet, founded on the data of the interviews that the author carried out among numerous Greek investors (see the interview questions in Annex 16), the number of employees has declined considerably in lots of of these firms, as a consequence of the issues that the firms are going through. For example, previously Michailides Tobacco had approximately 50 permanent employees, whereas currently it has barely about 15 employees.

By viewing the *main economic activities* in which the Greek companies are implicated, we see that their common activities are in agriculture and in retail and wholesale of food products, fresh vegetables, fruits, seeds, grain, live animals and so on. This does not astonish one, as the author indicated in the previous chapter that the Moldovan agricultural sector is the third with reference to its contribution in the creation of Gross Value Added. Moreover, Moldova is greatly reliant on the wholesale and retail trade, as this sector is the leader in Moldova's economy with over 16% of the GDP. Hence, one may say that the Greek investors follow the business and economic tendencies and activities of Republic of Moldova.

To continue with, one can see that, in general, the Greek investors are involved in a number of economic activities, licensed or unlicensed activities. This is a prudent choice, as in this manner, the investors broaden the market risk and diversify the market opportunities. Accordingly, approximately one out of ten Greek investors is involved in the construction sector and in the sales of construction-related materials, even if he is involved as well in other kinds of activities. Other 10% of the Greek investors undertake real estate agency activities. Three companies carry out tourism activities and passenger-related transportation to Greece; other three firms offer restaurant, cafes and bar services. It can be observed also that five companies are involved in pharmaceutical activities, together with one firm that undertakes veterinary pharmaceuticals. This is an explanation to the fact that Republic of Moldova imports from Greece mainly pharmaceutical goods. The remaining activities are rare and frequently unique amid the Greek investors, such as microfinancing, electrical energy production, publishing business, cleaning service, sale of worldwide academic books, research and development.

Using the results of the *interviews* that the author has carried out among Greek investors in Moldova during Fall 2016 – Winter 2017 (see the questions administered during the interviews in Annex 16), the majority of the Greek investors affirm that they didn't obtain any aid or facilities from the Moldovan authorities while investing. In addition, they didn't obtain at all tax reductions which are declared to the investors in the initial years of investments.

As regards the *motivations which influenced the Greeks to invest in Moldova*, the majority assert that they spotted out in Moldova numerous market opportunities and customer needs that were not satisfied following the disintegration of the Soviet Union. Therefore, the *marketing factors* (more specifically, the market growth, closeness to consumers, increased possibility to export) were the chief determinants that encouraged Greeks to invest in Moldova. The majority of the Greek investors founded innovative companies which were providing unique products and services on the Moldovan market, consequently fulfilling the consumer needs. For example,

Educational Centre is the single firm in Moldova which provides worldwide literature from the top publishers in the world.

Some Greek investors chose to expand their companies that were already functioning in other states, mostly owing to the *cost factors*, to be precise, cheap labor, fertile land, and accessibility to raw materials and so on. For example, Michailides Tobacco chose to invest in Moldova for the reason that the Moldova has incredibly fertile land for harvesting tobacco.

A *small number of trade restrictions* were as well determinants of the initial Greek FDI flows in Moldova. For example, thanks to low consumer ethnocentrism in the 90's (to be exact Moldovans expressed a positive attitude towards foreign products after the Soviet Union disintegrated), the Greek investors were able to sell without difficulty their products and services on the market of Republic of Moldova.

Furthermore, *beneficial investment climate* was in the 90's one more reason that influenced Greek FDI flows into the Moldovan economy. Nonetheless, it seems that the investment climate has had an unfavourable influence on the Greek FDI in Moldova throughout the recent years, because of hostile business environment and increased corruption levels.

At the beginning, the Greek investors faced none or a small number of *obstacles*. Amid those hindrances were corruption and high taxes. Nevertheless, lately things have modified. The investors from Greece state that they are dealing with an increasing number of obstacles, for instance the consequences of the economic crisis, reduced number of working force and customers because of emigration, increased bureaucracy, smaller cultivation land, fewer local suppliers, increased costs of fuel, investors' distrust in the Moldovan employees and partners, cultural dissimilarities, unstable policies and laws that influence negatively the business climate, increased financial risk, increased taxes and numerous legal barriers.

With reference to the *ownership ratio*, one may reveal that the Greek investors choose to have control over the firms, since the majority of the Greek companies are entirely Greek or mixed Moldovan-Greek companies, where the Greek capital is generally bigger than the Moldovan capital. Regarding the *financial figures*, merely some Greek companies declare to have profits. The majority of the Greek firms are going through losses or they are functioning to the break-even level, even if they had huge revenues and profits in the previous years. Therefore, the author is not astonished to discover that out of 110 recorded firms with Greek capital, just 53 are active. It might be justified by the hostile Moldovan business climate and by the recent economic crisis from Greece, which made the investors from Greece to shut down or to move to countries which provide a more investor-beneficial climate, for example Bulgaria, which has lower taxes than Moldova. Thus, the Moldovan authorities have to deal with an important challenge – they are required to

bring solutions to facilitate a more beneficial and more investor-friendly business climate, or else, progressively more overseas investors might shortly leave the Moldovan market.

Vis-à-vis the *Moldovan business climate*, the investors from Greece disclose diverse opinions. Hence, several investors believe that the Moldovan business climate is welcoming and satisfying, attributable to the fact that the Moldovans are diligent and to the apparent similar features of the Moldovans and Greeks, to be exact friendliness, which aids in attracting Greek FDI flows in Moldova. Nonetheless, the majority of the Greek investors depict the nowadays Moldovan business climate as difficult, harsh, unpredictable, unstable, uncertain, with increased bureaucracy levels, with a constantly modifying currency, with increased taxes, with limited windows of opportunity, with citizens that gain very small incomes which leads to limited demand, with basically zero stimulants from the government, with an incompetent and corrupted government, that satisfies the interests of just a few. Moreover, even the Moldovan entrepreneurs state that the Moldovan “business environment has worsened” over the last years [112, p.27]. Hence, there are numerous barriers which ought to be eradicated so as to enhance the FDI flows from Greece into Moldova.

When one attempts to explain the FDI flows between Republic of Moldova and Hellenic Republic, the author stated in the first chapter that an additional suitable theory for this is the framework which illustrates *the way corruption impacts FDI*. So, as revealed in Figure 2.15, on a scale ranging from 0 (extremely corrupt) to 100 (extremely clean), the corruption perceptions indexes of Moldova and Greece during the previous 7 years appear to be somewhat similar, with a very tiny gap.

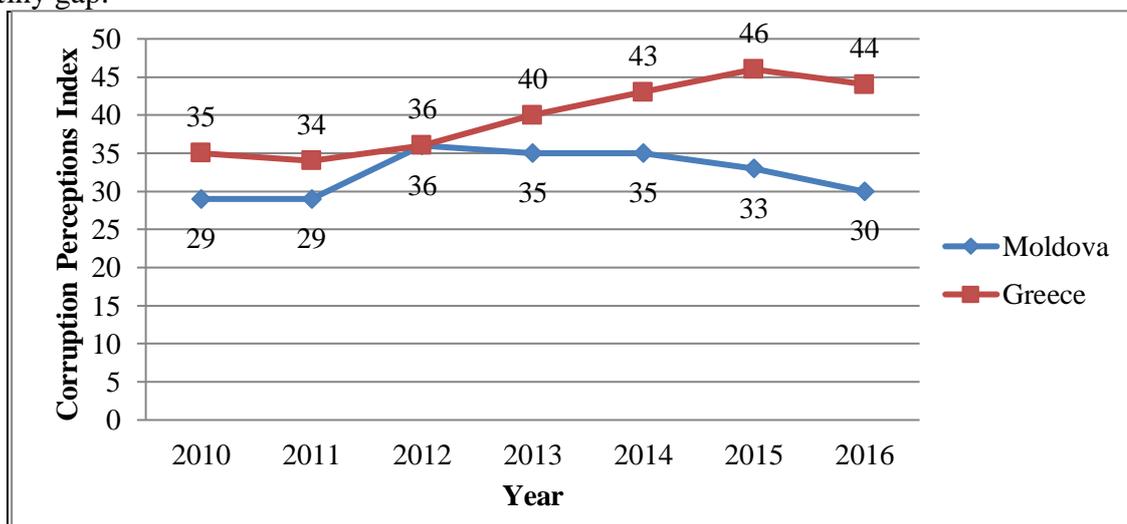


Fig. 2.15. Corruption Perceptions Index in Moldova and Greece

Source: Elaborated by the author using data from Transparency International [119].

Therefore, it seems that the resemblance in corruption magnitude explain the FDI flows from Greece to Moldova. Yet, corruption in Greece throughout 2010-2016 showed a declining

tendency, whereas in Moldova corruption was at the beginning declining and subsequently had a growing tendency. This could justify why the value of the Greek FDI in Moldova began declining in 2014, on account of increasing levels of corruption in Moldova (Figure 2.12).

Finally, it was determined in the first chapter that the *gravity model* could also be applied in the analysis of bilateral FDI flows. Similarly to the bilateral trade between Greece and Moldova, the gravity framework can help in determining the magnitude and drivers of FDI flows between these two countries. Hence, based on Annex 8, using a simple gravity model analysis, one could see that the gravity model places Greece on the 16<sup>th</sup> position as regards FDI flows among EU countries. However, according to the data from the National Bank of Moldova, Greece was in 2016 the 11<sup>th</sup> on the list as regards FDI flows to Moldova. Thus, it appears that other factors than GDP and distance played a larger role in determining the Greek FDI flows to Moldova [86]. Nevertheless, in order to determine the magnitude and the drivers of the Greek FDI into the Moldovan economy, due to the complexity of the gravity model, its application will hopefully be a matter of a future study on a post-doctoral level.

#### **2.4. Analysis of bilateral tourism**

**Tourism Sector Comparison of Moldova and Greece.** According to the World Trade Organization, in comparison to other areas of the world, Europe is the leader on the international tourism market as regards the number of international tourist arrivals [136]. Due to the fact that the majority of the European economies are in the advanced or in the mature stage of consumption, the population of Europe is mainly wealthy and with an increased tendency to travel. Also, because this region comprises many diverse and small countries, it encourages intense short distance travel. Moreover, the significant climate differences of the region contributed to an increased tourist flows from the northern countries to the southern countries of Europe [168].

In this context, due to the fact that both Greece and Moldova are European countries, it is expected that also these two countries have a high level of international tourist arrivals. Thus, as regards Greece, indeed, it is a favorite tourism destination for international tourists, thanks to its location in the Mediterranean area, beautiful landscapes, rich architecture and conserved ancient history [87]. Moreover, the total contribution of Travel & Tourism to the Greek GDP was of 18.6% in 2016, which shows that the tourism sector plays a significant role in the economic development of the country [141]. In absolute terms, Greece ranked in 2016 the 29<sup>th</sup> in the world as regards Travel & Tourism's total contribution to GDP and a similar ranking is forecasted for year 2017 (Table 2.5).

However, in relative terms, Greece is the 40<sup>th</sup> on the list, while the forecasted long-term growth indicator of the Greek tourism sector for 10 years is the 85<sup>th</sup> among the indicators of the world economies.

Table 2.5. Relative importance of Travel & Tourism's total contribution to GDP – World ranking (out of 185 countries)

	<b>Greece</b>	<b>Moldova</b>
Absolute size, 2016	29	171
Relative size (contribution to GDP), 2016	40	180
Forecasted growth, 2017	29	143
Forecasted long-term growth, 2017-2027	85	48

Source: Compiled by the researcher based on WTO [141, p.1], WTTC [142, p.1]

With reference to Moldova, the statistics show that, on the contrary, Moldova is of limited interest to international tourists, with the total contribution of Travel & Tourism to the Moldovan GDP of only 3.4% in 2016, placing it on the 180<sup>th</sup> position among the world economies, thus being on the bottom of the list, even though, in absolute terms, Moldova ranks the 171<sup>st</sup> (Table 2.7) [142]. For this reason, the local authorities put significant efforts and resources into the development of the tourism sector, particularly by following the Strategy for Tourism Development “Tourism 2020” [164].

Consequently, the World Travel and Tourism Council forecasts for Moldova a significant growth of the tourism’s sector contribution to Moldovan GDP, which would place the country on the 143<sup>rd</sup> place in 2017 from 171<sup>st</sup> in 2016 [142]. Also, the forecasted long-term growth indicator of the Moldovan tourism sector for 10 years is the 48<sup>th</sup> among the indicators of the world economies, which shows that, in relative terms, Moldova’s growth of the tourism sector will be much larger than Greece’s growth of the tourism industry.

However, as illustrated in Figure 2.16, after several years of decreasing trends, both Moldova and Greece have had since 2013 increasing trends in the importance of the tourism sector to the GDP. This shows that the international tourists are becoming increasingly interested in traveling in the two countries.

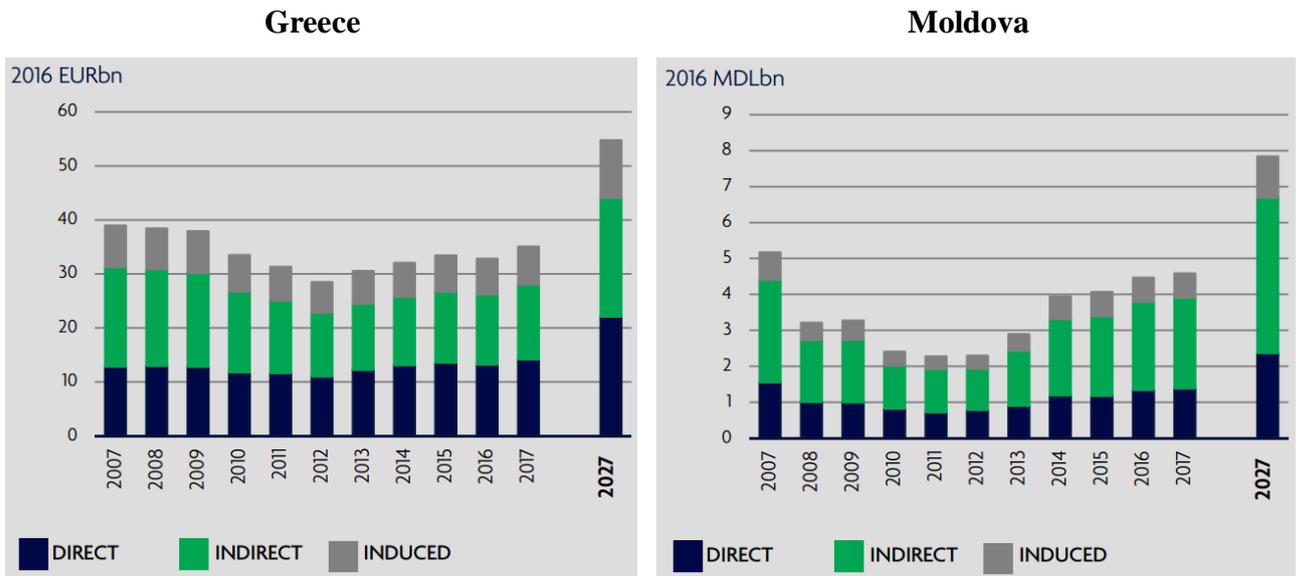


Fig. 2.16. Direct contribution of Travel and Tourism to the Greek & Moldovan GDP (%)

Source: [141, p.1], [142, p.1]

**Dynamics of bilateral tourism flows.** As illustrated in Figure 2.17, out of 15668 tourists that visited Moldova through the services of tour agencies and tour operators in 2016, merely 101 tourists were from Greece. The Greek tourists' number in Moldova had a stable trend during 2011-2016, showing no significant decrease or increase. It appears that Moldova is of a very small interest for the Greek tourists.

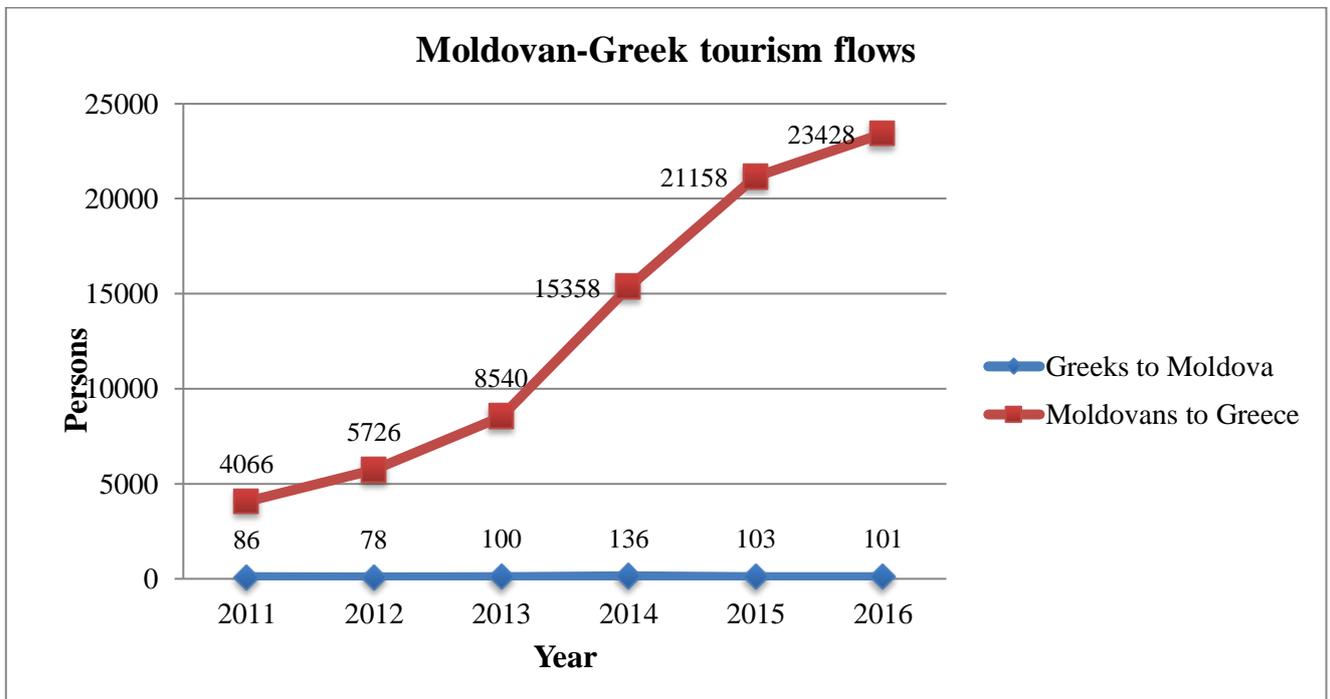


Fig. 2.17. Moldovan-Greek tourist flows through tour agencies and tour operators (2011-2016)

Source: Compiled by the researcher based on [152]

Moreover, Figure 2.18 shows that the attendance of tourist establishments in Moldova by Greek tourists has a decreasing trend as regards the overnight stays, even though the number of accommodated tourists appears to be stable over the last 5 years. This could be explained by the low intentions of the Greeks in visiting Moldova and by the neutral, imprecise image of Moldova as a tourist destination among Greeks, as confirmed by the results of our study [155].

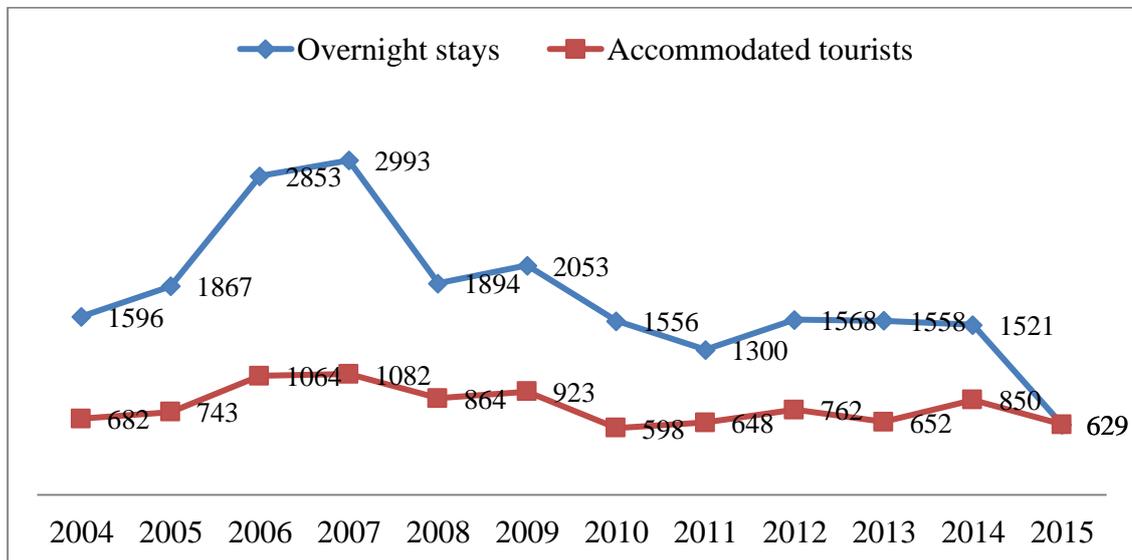


Fig. 2.18. Attendance of establishments by Greek tourists

Source: Compiled by the researcher based on [152]

On the contrary, as illustrated in Figure 2.17, Greece is emerging as a progressively more attractive country for the Moldovans. More specifically, out of 177 252 Moldovan tourists that went overseas for vacation and leisure, using the services of travel agencies and tour operators, after Turkey, Bulgaria and Romania, Greece is the 4<sup>th</sup> with 23 428 Moldovan tourists [152]. If compared to year 2011, the number of Moldovan tourists to Greece in 2016 was almost six times larger. This significant increase indicates that the Greek tourist resorts have vast opportunities as regards attracting Moldovan tourists. As one can see, in essence, the main tourism destinations for Moldovans are the locations that have sea or mountains, as Moldova has none of these natural beauties. Thus, it seems that the Greek image as a tourist destination is viewed as positive by the Moldovans. One of our studies even confirms this assumption [19]. Moreover, owing to the opportunity to travel to the European Union without visa, Moldovans leverage this opportunity to its full extent.

**The international tourism theories to explain the tourist flows between Greece and Moldova.** If the *tourism-demand model* is used, then the dependant variables are the tourism flows between Greece and Moldova, represented by the number of arrivals and departures. Thus, the independent variables are the demand-determinants of tourism flows between these two countries.

Because of the drawbacks of this model (i.e. it ignores the efforts of the country that attracts tourists and the image of the destinations, it treats all the countries equally), the author will use a method of induction and observation to determine the demand-factors that influence Moldovan/Greek tourists to visit Greece/Moldova.

Thus, based on the knowledge that was obtained about these two countries, one can say that the most influential demand-factors that determine over 20000 Moldovan tourists to visit Greece on an increasing rate are: (1) the visa liberalization for Moldovan citizens to travel within the EU; (2) relatively small distance between the two countries and thus a relatively small transportation cost; (3) significant remittances to Moldova; (4) similar cost of living between Moldova and Greece.

When analyzing the demand-factors that determine Greeks to visit Moldova, it appears that several of the factors that influence Moldovans to visit Greece should be similar to the factors that influence the Greeks to visit Moldova, owing to the small distance between the countries, similar cost of living and possibility to travel to Moldova without visa for the EU citizens, including for Greeks etc. However, the number of Greek tourists in Moldova is extremely small. As the tourism-demand model ignores the efforts of the country that attracts tourists and the image of the destinations, this model cannot be used in explaining the small tourism flows from Greece to Moldova. The most appropriate model for explaining it is the destination image model.

When utilizing the *international trade theories in terms of supply-side factors*, in descending order of influence, Greece might have the following comparative advantages in attracting Moldovan tourists: (1) natural endowments, i.e. sea, sun and sand, and the cultural heritage of Ancient Greece, as explained by Heckscher-Ohlin theory; (2) heavy investments in tourism infrastructure, as explained by Agglomeration theory; (3) modest price competition among tourism destination countries, due to the small physical distance between Moldova and Greece, as explained by Ricardian theory; (4) ownership advantages through international hotel chains, which target the wealthy Moldovans, as explained by Multinational firms theory.

As Moldova is still of a small importance for the international tourists, most probably, it could be explained by the weak supply-side factors of the country. Thus, one can identify only a few comparative advantages that Moldova has in attracting Greek tourists: (1) significant price competition among tourism destination countries, as explained by Ricardian theory; (2) cultural heritage, due to the combination of the Romanian and Soviet cultures, as explained by Heckscher-Ohlin theory; (3) slight investments in tourism infrastructure, as explained by Agglomeration theory.

Further, as regards the third type of international tourism theories, the author has applied the *destination competitiveness/image theory* in evaluating the Greek and Moldovan image among the Moldovan and Greek consumers through the cross-cultural research studies. In both investigations, it was utilized Bozbay & Ozen model (Figure 1.10), which reveals that destination image has five components: (1) environmental beauty and convenience, (2) country's citizens, (3) place and architectural structure, (4) shopping and tourist accommodation and (5) similarity of the local culture and cuisine [10].

Both research studies were split into four objectives: (1) to evaluate the five components of country image of Greece/Moldova; (2) to measure Moldovans'/Greeks' intention to visit Greece/Moldova; (3) to correlate each of the five tourism destination components and the demographic factors with the intention to visit Greece/Moldova, so as to determine the existence of significant relationships between the analyzed variables; (4) to test if there is any significant difference in perceptions between the Moldovans/Greeks who have already visited Greece/Moldova and the Moldovans/Greeks who have never visited Greece/Moldova.

The author collected the data via questionnaires, which had a similar structure in both countries and which used 27 Likert statements (Annex 17 for the Greek Perceptions of Moldova as a Tourism Destination Survey).

In Moldova, 139 questionnaires were collected. The empirical study was conducted in the capital of the country in February-May 2016 among Moldovan citizens interested in travel and tourism activities. The collection process was easy, due to the fact that Moldovans are very helpful and are interested in participating in surveys related to tourism [19].

In Greece, there were collected 104 questionnaires among Greeks interested in tourism activities during January-March 2017. The empirical study was conducted in different regions of Greece, both urban and rural. It was more difficult to collect the data among Greeks, because they are not familiar with Moldova as a tourism destination. Moreover, most of them responded that they had limited knowledge about Moldova [155].

Before proceeding to the actual analysis of the data, the validity and reliability tests were performed, using Factor analysis and Cronbach's alpha coefficient respectively, with the intention of making sure that the data requirements were followed.

The first aim was to estimate each of the country image components. It was found that, in general, the Greek image as a tourist destination among Moldovans is partially positive. Table 2.6 shows the minimum, maximum and mean scores obtained by each component in descending order of the mean.

Table 2.6. Evaluation by Moldovans of the Greek Image Components

	<b>Component</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>
1	Place_and_Architectural_Structure	139	3.40	7.00	6.0187
2	Shopping_and_Tourist_Accommodation	139	2.17	7.00	5.1631
3	Environmental_Beauty_and_Convenience	139	1.78	7.00	4.6683
4	Country_Citizens	139	2.00	7.00	4.4910
5	Similarity_of_Local_Culture_and_Cuisine	139	1.00	7.00	3.1463

Source: Elaborated by the author in [19]

On the contrary, the Moldovan image as a tourism destination among Greeks is imprecise, neutral, hence neither positive, nor negative, caused by the Greeks' poor knowledge of Moldova. Table 2.7 illustrates the scores for each of the Moldovan image components.

Table 2.7. Evaluation by Greeks of the Moldovan Image Components

	<b>Component</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>
1	Country_Citizens	104	1.80	7.00	4.5683
2	Place_and_Architectural_Structure	104	1.80	7.00	4.5038
3	Environmental_Beauty_and_Convenience	104	2.00	6.90	4.1250
4	Shopping_and_Tourist_Accommodation	104	1.50	7.00	4.1058
5	Similarity_of_Local_Culture_and_Cuisine	104	1.00	7.00	3.7942

Source: Elaborated by the author in [155].

The second aim was to gauge Moldovans'/Greeks' intention to visit Greece/Moldova. Our results reveal that Moldovans are very interested in visiting Greece (mean score=5.8 out of 7), while the Greeks show very low intentions of visiting Moldova (mean score=3.53 out of 7). Therefore, as asserted by the employed model, the mainly positive image of the Greek destination had a positive impact on the intentions of Moldovans to visit Greece; similarly, the neutral and imprecise image of Moldova as a tourism destination among Greeks had a weak influence on their intentions to visit Moldova.

The third objective was to discover significant relationships between destination image components and intention to visit Greece/Moldova and afterwards between demographic determinants and intention to visit Greece/Moldova. As illustrated in Table 2.8, in both studies it was found that every destination image component is significantly and positively correlated with the intention to visit Greece/Moldova. Hence, the investigations validate the affirmation that destination image has a significant influence on the tourist intentions to visit the destination. Moreover, the findings confirm the validity of the theoretical model that was chosen.

Table 2.8. Correlations between the Destination Image Components and Intention to Visit Greece/Moldova

	<b>Destination Image Components</b>	<b>Correlation value (Greek image – Moldovan intentions)</b>	<b>Correlation value (Moldovan image – Greek intentions)</b>
1	Place and architectural structure	.646**	.600*
2	Country citizens	.501**	.552*
3	Environmental beauty and convenience	.641**	.600*
4	Shopping and tourist accommodation	.635**	.569*
5	Similarity of culture and cuisine	.182*	.724*

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Elaborated by the author in [19; 155].

With reference to the demographic factors, it was found that they have no significant influence on the Moldovans' intentions to visit Greece. Similar results were obtained as regards the Greeks' intentions to visit Moldova, with one exception – age. It seems that the smaller the age of the Greeks, the higher their intentions to visit Moldova and, vice versa, the older Greeks reveal lower intentions to visit Moldova. It appears that the younger Greeks are more interested in travel and tourism activities, which is confirmed also by the higher rate of participation of young Greeks than the older Greeks.

Our last objective was to determine the existence of differences in perceptions between the Moldovans and Greeks who have never visited Greece/Moldova and those who have visited at least once Greece/Moldova (Table 2.9). The results reveal that the previous experience does not influence differently the Moldovan perceptions of the components of the Greek image. However, the previous experience influences their intentions to visit Greece; more specifically, Moldovans who visited previously Greece show lower intentions to visit this country again, explained by the fact that probably Moldovans would like to explore a new destination further. As regards the differences in perceptions of the Greek respondents, even though only 4 out of 104 respondents visited Moldova, one can clearly see that these few Greeks evaluate significantly lower all the components of the Moldovan image, in comparison with the Greeks who have never visited Moldova. Also, their intentions to revisit Moldova are much lower. It seems that the few Greeks who visited Moldova didn't get a positive impression about Moldova, which explains the reason that Moldova is visited by a very small number of Greeks.

Table 2.9. Moldovan/Greek Perceptions based on Previous Experience

	<b>Previous Experience</b>	<b>Mean (Moldovan perceptions about Greek image)</b>	<b>Mean (Greek perceptions about Moldovan image)</b>
Place and Architectural Structure	Yes	5.9491	3.5000
	No	6.0643	4.5440
Country Citizens	Yes	4.4045	3.7750
	No	4.5476	4.6000
Environmental Beauty and Convenience	Yes	4.4242	2.9000
	No	4.8280	4.1740
Shopping and Tourist Accommodation	Yes	5.0485	2.7000
	No	5.2381	4.1620
Similarity of Local Culture and Cuisine	Yes	3.0970	2.6500
	No	3.1786	3.8400
Intention to Visit Greece	Yes	5.3364	2.8250
	No	6.1071	3.5640

Source: Elaborated by the author in [19; 155]

Using the *gravity framework*, as shown in Annex 8, theoretically Greece should be the 16<sup>th</sup> on Moldova's list as regards outbound & inbound tourism flows, similar to the trade and FDI flows. However, it is the 4<sup>th</sup> as regards the outbound flows and the 24<sup>th</sup> as regards the inbound flows. Thus, as recommended by Keum [65], using the gravity theory, the inbound and outbound tourism flows must be considered separately also as regards the Moldovan-Greek relations.

The much higher outbound tourism flows could be explained by the findings of a research study which, using gravity theory, investigated the demand and supply factors of international tourism flows to Greece. The results show that distance and climate resemblance impact negatively the tourism flows to Greece, while Greece's stability, investments in infrastructure, incomes and EU membership of the countries of origin have a positive impact on the tourism flows to Greece [77]. Hence, in the context of Moldovan-Greek tourism relations, obviously the differences in climate of the two countries, the relatively small physical distance between Moldova and Greece, the recent progress of Moldova in getting closer to become an EU member due to the Association Agreement and the large Greek investments in infrastructure impact positively the Moldovan tourism flows to Greece.

Concerning the inbound tourism flows to Moldova, a simple look at the gravity variables from Annex 8 somehow explains the limited number of Greek tourists in Moldova, i.e. Moldova's

GDP is significantly smaller than the Greek GDP, which, if compared to the gravity forces, has no power to attract Greek tourists to Moldova. However, the author considers that merely the gravity model is not sufficient in explaining the Moldovan-Greek tourism flows. That is why we used a combination of all the international tourism theories.

Finally, the author considers in the analysis also the *bilateral tourism framework proposed by Bruce Prideaux*. Using all the information that was acquired so far as regards the economic situation of Greece and Moldova and regarding the bilateral economic flows, particularly concerning the tourism flows, it was compiled in Annex 18 a review of the factors that comprise the Greek-Moldovan tourism framework. Thus, one can see that, both quantitatively and qualitatively, the factors that have a positive influence on the tourism flows from Moldova to Greece are more numerous and stronger than the factors that influence the tourism flows from Greece to Moldova. Moreover, overall, fewer factors impact negatively the tourism flows from Moldova to Greece, if one compares them with the number and intensity of factors that influence negatively the tourism flows from Greece to Moldova. This explains the large number of Moldovan tourists in Greece and the small number of Greek tourists in Moldova.

## **2.5. Conclusions to Chapter 2**

In this chapter, the economic relations between Moldova and Greece were analysed. Based on the findings of the research that was undertaken, the following conclusions are made:

1. The earliest Moldovan-Greek commercial relations were established during the ancient epoch.
2. So as to guarantee nowadays a strong legislative foundation for the development of economic relations between Republic of Moldova and Hellenic Republic, there were signed a multitude of significant bilateral agreements.
3. Owing to the Association Agreement signed between Moldova and the EU in 2014, the economic relations between Greece and Moldova are impacted positively.
4. As Greece is larger than Moldova from the economic point of view, based on the gravity model, Greece is the country that attracts Moldova in terms of economic flows, not vice versa.
5. The economic systems of Moldova and Greece are complementary as regards several sectors, such as the agricultural sector, the business activities sector, the hotels and restaurant sector. Similarly, the Moldovan and Greek export structures are significantly different, thus complementing each other. This means that there are plenty of opportunities for developing the trade between Greece and Moldova, taking into consideration the quite small volume of trade between the two countries if compared with the trade of Moldova and Greece with other economies. As a justification to this is the fact that the actual trade between Greece and

Moldova is basically complementary for many sections of goods.

6. Hellenic Republic is becoming for Republic of Moldova an important trade partner as regards exports, explained by the fact that Moldova's exports to Greece have been increasing over the years and because Moldova has a positive commercial balance with Greece. However, the trade with Moldova seems to be less significant for Greece's overall trade balance.
7. Moldova exports to Greece mainly small added value products, such as agricultural products and raw materials, while it imports from Greece plenty of industrial and manufactured items, which add higher value to the Greek economy and not to the Moldovan one.
8. Concerning the Moldovan-Greek FDI flows, it was noticed that essentially Greece is the nation investing in Moldova. As Greece has a more developed economy than Moldova, Greece is more interested in FDI flows to Moldova, before having it reverse. The FDI flows from Greece to Moldova were typically during the previous 7 years approximately 0.74% of total FDI in Moldova. Accordingly, in 2016, there were recorded in Moldova around 110 firms with entirely Greek or with Moldo-Greek capital. From all these companies, just 53 firms are active. The most common areas in which the Greek companies operate are in agriculture and in retail and wholesale of food products, fresh vegetables, fruits, seeds, grain.
9. The bilateral tourism flows between the two countries is increasing, mainly due to the increasing interest of Moldovans in Greece as a tourism destination, which is the fourth popular tourism destination among Moldovan tourists. Also, this is due to the strong demand-factors, such as visa liberalization, relatively small distance between the countries, significant remittances to Moldova and due to the strong supply-side factors, such as the natural endowments of Greece and the heavy investments in its tourism infrastructure. On the other hand, the Greeks do not show an increasing interest in visiting Moldova and the number of Greek tourists in Moldova is still insignificant – of around 103 persons annually. This is explained by the neutral, imprecise image of Moldova as a tourism destination among the Greeks, by the few demand-factors and by the weak supply-side factors of Moldova.
10. The technological transfer between Greece and Moldova is long-lasting, though it is narrow and undiversified. Nevertheless, the two countries are currently working more intensely on increasing the bilateral technological transfer flows.
11. As regards international migration flows, few Greeks settle in Moldova – on average 24 persons yearly, usually for work purposes, studies, family reunification. On the contrary, officially over 11500 Moldovans live in Greece, while unofficially this figure is larger, due to the fact that many Moldovans settle in Greece as Romanian citizens.
12. Using a simple gravity model analysis, it was determined that, theoretically, for Moldova,

Greece is the 16<sup>th</sup> among the other EU countries as regards the bilateral economic flows. This is explained by the rather small GDP of Greece, if compared with the GDP of other European economies, and also by a relatively large distance between Greece and Moldova, if compared to the distance between Moldova and other EU countries. However, due to the impact of many other factors which gravity theory does not take into consideration, among the EU countries, in reality Greece was in 2016 the 13<sup>th</sup> as regards bilateral trade volumes, the 11<sup>th</sup> concerning Greek FDI flows to Moldova, the 4<sup>th</sup> as regards the outbound tourism flows and the 24<sup>th</sup> regarding the inbound tourism flows.

13. The economic relations between Greece and Moldova appear to be of small importance compared to the relations of these two countries with other economies of the world. Nonetheless, the author considers that Greece should be considered a target market of Moldova, due to Moldova's EU integration endeavor, growing exports to Greece and positive commercial balance with Greece, growing tourism flows towards Greece, large presence of Moldovan immigrants in Greece, the historical economic ties of the two countries, similar religion etc.

### 3. OPPORTUNITIES AND HINDRANCES REGARDING THE INTERNATIONAL ECONOMIC RELATIONS BETWEEN REPUBLIC OF MOLDOVA AND GREECE

#### 3.1. Opportunities for the development of international economic relations between Republic of Moldova and Greece

Based on the research done and the application of the gravity theory, one can see that there are plenty of opportunities for the development of all the economic flows between Republic of Moldova and Greece. These opportunities can be identified by looking at the actual and at the historical relations between these two countries that were described in our recent study [18]. First of all, the *multitude of agreements* between these two countries represents a strong legislative foundation to develop the bilateral economic relations. Second, the *Association Agreement* signed in 2014 between Moldova and the EU facilitates and encourages, by implication, the economic flows between Moldova and Greece, which is an EU member. Third, the *relatively small distance* between Greece and Moldova might impact positively the development of the economic relations between the two countries. Further, the fact that Greece and Moldova belong to *similar geographic regions*, i.e. the Black Sea area and the Organization of the Black Sea Economic Cooperation (with its related body – the *Black Sea Trade and Development Bank*), it brings one more opportunity for the development of the economic flows between these countries.

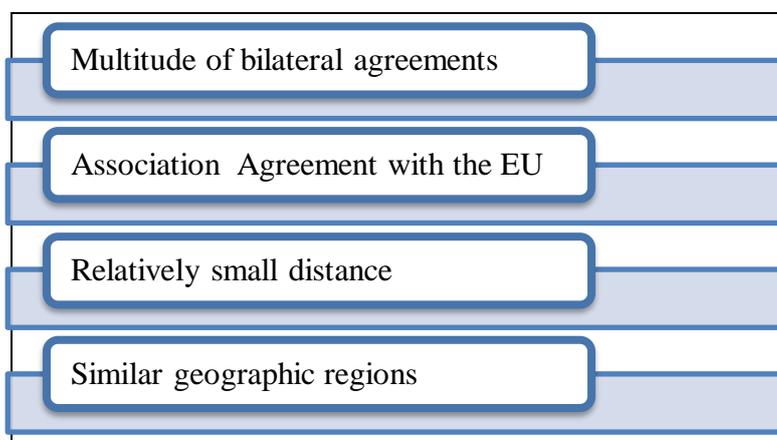


Fig. 3.1. Opportunities common for the development of all the forms of Moldovan-Greek economic relations

Source: Compiled by the author based on [18]

The above mentioned opportunities refer to the general development of all the forms of economic relations between Greece and Moldova (Figure 3.1). At the same time, one must say that each form of economic relations has its own specific opportunities. Hence, further will be discussed the opportunities that arise for the development of the bilateral trade, FDI, tourism relations and other types of economic relations.

**Opportunities for the development of bilateral trade flows.** Based on the analysis of the dynamics of the bilateral trade between Greece and Moldova and based on the current trade theories, particularly the gravity theory, the author has identified several opportunities for the development of the trade flows between Moldova and Greece. These opportunities are shortly represented in Figure 3.2.

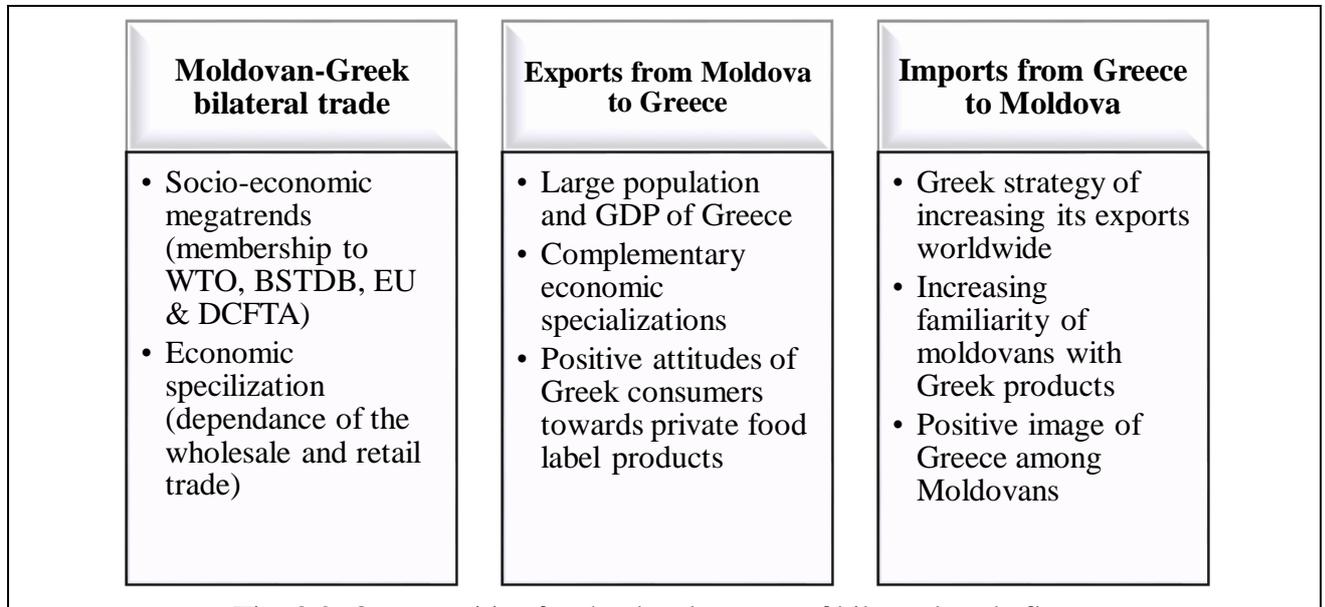


Fig. 3.2. Opportunities for the development of bilateral trade flows

Source: Compiled by the author

First of all, the *socio-economic megatrends*, such as globalization, regionalization, localization etc. [107, p.84] offer opportunities for bilateral trade. For instance, as regards *globalization*, the fact that both Moldova and Greece belong to the *World Trade Organisation* ensures that trade between the member nations, including trade between Moldova and Greece, „flows as smoothly, predictably and freely as possible” [133]. Also, concerning *regionalization*, Moldova and Greece are 2 of the 11 member countries of the *Black Sea Trade and Development Bank (BSTDB)*, which is an international financial institution that „supports economic development and regional cooperation in the Black Sea Region through trade and project finance lending” [6]. Thus, the membership within this institution represents one more opportunity for advancing the bilateral trade between Greece and Moldova, due to the special programs of BSTDB, which focus on supporting investors and firms in the 11 member nations, particularly as regards trade financing.

Additionally, as regards *regional economic integration*, due to the Association Agreement between Moldova and the EU, which entered into force in July 2016, it was established a *Deep and Comprehensive Free Trade Area (DCFTA)*, which is a preferential trade system that offers Republic of Moldova the opportunity to take advantage of decreased or eliminated tariffs for the goods, an enhanced services market and improved investment conditions [44]. Thus, due to the

DCFTA, Moldova can increase its exports to the EU and, by inference, to Greece, which has become an important economic partner of Moldova. Similarly, Greece can take advantage of decreased or eliminated tariffs and thus increase its exports to Moldova. Owing to the DCFTA, the bilateral trade in goods and services between Greece and Moldova is facilitated.

Secondly, due to the fact that *Greece has a significantly larger population than Moldova*, i.e. 3.5 million people in Moldova and 11 million people in Greece [140], it shows that Moldova has higher chances of exporting to Greece rather than the other way around, due to the larger market size of Greece. Hence, Moldova should take advantage of this opportunity and find ways of increasing its exports to Greece and thus make sure that Greece becomes a significant exporting partner for Moldova not only theoretically. In fact, our analysis indicates that actually Moldova has already taken advantage of this opportunity, since it has already improved its exports with Greece and has even reached a positive commercial balance with Greece [18].

Moreover, *the magnitude of the Greek GDP* could represent one more opportunity in increasing the bilateral trade, as the gravity theory states that the size of GDP is one of the key determinants of bilateral trade movements. Due to the fact that the Greek GDP is around 30 times larger than the Moldovan GDP [140], it appears that Moldova's economy is pulled by the gravity force towards the Greek economy and thus it has a greater interest in trading with Greece.

At the same time, one must say that Greece also has an opportunity to increase its exports to Moldova. Particularly, this is due to the recently adopted *Greek strategy of increasing its exports worldwide*, with the aim of enhancing a strong recovery and growth of the Greek economy [91]. In addition, it was noticed that the Greek exports to Moldova indicator has a cyclical pattern, which indicates that there is an increased probability that the Greek exports to Moldova will increase again.

Further, in the previous chapter, the author came up to the conclusion that the economic systems of Moldova and Greece are complementary as regards several sectors (Table 2.3). Hence, the *complementary economic specializations* of Moldova and Greece offer several opportunities for developing the bilateral trade between these two countries.

For instance, Moldova has plenty of opportunities to *export agricultural products in Greece*, as Moldova's agricultural sector is more significant than the Greek one, i.e. in Moldova it accounts for 14.2% [152], while in Greece it constitutes only 3.97% [59]. Thus, Moldova could fill in the Greek needs for agricultural products which are not produced in Greece.

Also, another opportunity for enhancing the bilateral trade can be derived from the fact that both Moldova and Greece are significantly *dependent on the wholesale and retail trade*, where in Moldova's economy this sector ranks the first [152], while in Greece – the third [59]. Both the

Moldovan and the Greek producers can choose to operate in the wholesale and retail trade of the analyzed countries. Thus, they could make an exchange of the needed products on the market.

Further, as the *public administration sector in Greece* accounts for 10.48% of the country's production [59], while in Moldova it represents only 4.7% [152], some Moldovan exporters could target the Greek public administration and try to sell their products and services at a very low price, which would be possible due to Moldova's cheap labor costs.

As regards other opportunities for the development of the bilateral trade between Moldova and Greece, the author discovered in a recent research study that the *Greek consumers have positive attitudes towards private food label products*, such as Carrefour, Vassilopoulos, LIDL [24]. Thus, this knowledge might be utilized by the Moldovan food exporters by means of using private labeling as an exporting method to Greece, which would lead, in turn, to improved Moldovan exports to Greece. Similarly, the Greek food products would probably be much more successful on the Moldovan market, due to the *increasing familiarity of Moldovans with the Greek products*, as Greece is a popular tourism destination among Moldovans [152] and because Greece has a *positive image* as a tourism destination among Moldovan tourists [19].

**Opportunities for the development of bilateral FDI flows.** Using our analysis of the FDI flows between Greece and Moldova and based on the current FDI theories, including the application of the gravity theory, the author has identified plenty of opportunities for advancing bilateral FDI flows. However, we have demonstrated in the previous chapter that basically Greece is the country interested in investing in Moldova, rather than the other way around, since Greece is a developed EU country, while Moldova is still a developing economy that aspires to integrate into the EU. Hence, it appears that there are more opportunities for the development of Greek FDI flows to Moldova than the other way around.

Similarly to the opportunities for the development of bilateral trade, the *socio-economic megatrends* offer opportunities also for the bilateral FDI flows. For example, regarding *globalization*, the *membership to the World Trade Organization* ensures that Greece and Moldova follow also the rules on FDI. The WTO „recognizes that FDI is a prerequisite for exporting many services (there are no corresponding rules on commercial presence in the General Agreement on Tariffs and Trade, which governs trade in goods)” [135]. Hence, the WTO works on areas that involve both trade and investment. For instance, WTO undertakes analytical work on the link between trade and investment and also, through the General Agreement on Trade in Services, it focuses on foreign investment in services as one of the approaches of supply of services [133].

Further, with reference to *regionalization*, the *membership of Greece and Moldova to BSTDB* is one more opportunity to develop the bilateral FDI flows, due to the fact that this

institution supports investors of the Black Sea area [6]. Additionally, with reference to *regional economic integration*, it was demonstrated that regional integration is a significant determinant of FDI [85; 42]. Hence, due to the *Association Agreement between Moldova and the EU*, the movement of capital and financial relations between Greece and Moldova, particularly the Greek FDI flows into the Moldovan economy, should be impacted positively. This is because the Association Agreement demands full implementation by Moldova of the EU system for regulating banks, insurance and securities markets [44]. Also, it obliges Moldova to harmonise its regulations and laws on intellectual property rights, which will, hence, contribute to the protection of intellectual property. Finally, the regulations of DCFTA on transparency envisage that Moldova creates and sustains a transparent and predictable legal environment for business. As a result, Moldova will be able to attract enhanced Greek FDI.

Another socio-economic megatrend, i.e. *transnationalization*, also offers opportunities for the development of the Moldovan-Greek bilateral FDI. For instance, “Michailides Tobacco Moldova SA” is a Greek transnational corporation which invested in Moldova in 1997. It is “the largest tobacco processor in Europe, the fourth largest tobacco processing company in the world and a major supplier of oriental tobacco to all the large cigarette manufacturers in the world” [51].

Some other opportunities that would help to attract Greek FDI into the Moldovan economy are Moldova’s *strategic geographical position* between Europe and Asia, its *cheap and skilled labor force*, the relatively *small cost of living* in Moldova in comparison with other countries and *investor welcoming taxes* that are stated by the government [165]. Additionally, through the interviews that were performed among the Greek investors from Moldova, the author found out that several investors believe that the *Moldovan business environment is friendly and enjoyable*, thanks to the fact that the *Moldovans are hard-working* and due to some *similar features of the Moldovans and Greeks*, to be exact, friendliness. Moreover, the *resemblance in corruption magnitudes* of the two countries is one more factor that determines the presence of Greek FDI in Moldova [17]. All these findings direct us towards the numerous opportunities for advancing Greek FDI flows in Moldova. Figure 3.3 illustrates graphically some of the opportunities for the development of FDI flows from Greece to Moldova.

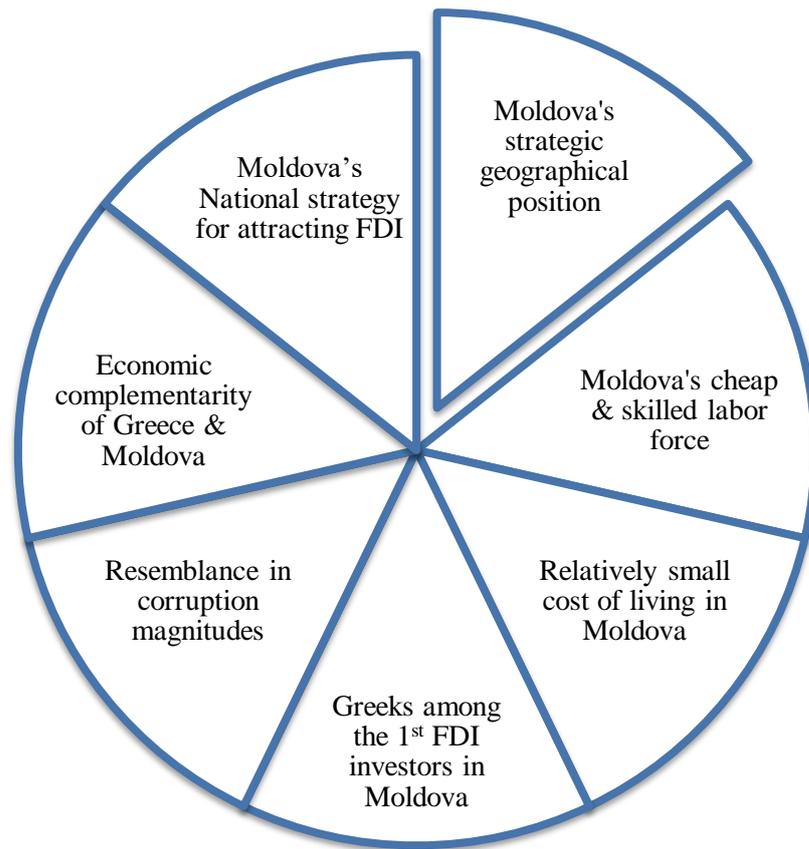


Fig. 3.3. Opportunities for the development of FDI flows from Greece to Moldova

Source: Compiled by the author

The author determined in a recent study that initially, after Moldova's independence, the Greek investors opted to invest in Moldova because of several opportunities, such as *marketing factors* (such as, market growth, proximity to consumers, high possibility to export), *cost determinants* (such as, cheap labor, fertile soil, accessibility of raw materials), *few trade limitations* (e.g. low consumer ethnocentrism), *positive investment climate and only some obstacles* [17]. However, over the years, many of the opportunities for the development of Greek FDI flows into the Moldovan economy have disappeared or even converted into hindrances. Nevertheless, the fact that the *Greeks were among the first largest FDI investors* in Moldova represents an opportunity to take advantage of the enduring economic ties between Moldova and Greece and to maintain them.

The *economic complementarity* of Greece and Moldova (Table 2.3) also offers opportunities for the development of the bilateral FDI flows. For example, the author has determined in the previous chapter that the two economies are highly dependent on the wholesale and retail trade sector [152; 59]. Thus, both Moldovan and Greek investors have the opportunity to *invest in the wholesale and retail sector* of the respective countries, as it might be a highly

profitable investment. Similarly, as it was discussed recently, this represents an opportunity for the development of the bilateral trade.

One more opportunity from the economic complementarity of Greece and Moldova emerges due to the fact that the *construction sector* seems to be somewhat *more important in Moldova than in Greece* [Ibidem], since, most probably, the Greek economic crisis impacted negatively the construction sector in Greece [91]. Hence, the Greek construction companies could *invest in Moldovan construction sector*, since, presumably, there is plenty of room for growth.

Also, it was determined that Moldova's *transport and communications sector* contribution in the formation of Gross Value Added exceeds the Greek contribution with around 6% [152; 59]. This indicates that the EU invests significantly in Moldova due to the recent Association Agreement. Thus, the Greeks have the opportunity to undertake *investment projects in Moldova in the transport and communication sector*, as it appears that they have an advantage, due to their European experience in such projects.

In addition, the Greek investors can identify several opportunities in Moldova's *National strategy for attracting investments and for promoting the exports for the years 2016-2020* and the *Plan of actions in implementing it* [165]. The strategy identified seven priority sectors for policies aimed at attracting investments and at promoting exports: 1) information and communication; 2) manufacture of machinery and equipment; 3) administrative and support service activities; 4) manufacture of machinery and their parts; 5) textiles, clothing and footwear; 6) electrical equipment; 7) food and agriculture.

**Opportunities for the development of bilateral tourism flows.** Using our analysis of the economic relations between Greece and Moldova and based on the international tourism theories, the author has identified numerous opportunities for the development of the tourism flows between these two countries.

First of all, one must say that both Greece and Moldova encourage bilateral tourism flows due to the *beneficial state of their diplomatic relations* which are based on the Moldovan-Greek Agreement on Cooperation in the Tourism Sector and also on the Treaty of Friendship and Cooperation, which the respective countries signed [148]. In addition, both countries have established friendly relations with most world countries and international organizations. Second, the *transport policy factor* offers some opportunities for advancing the bilateral touristic flows between Greece and Moldova. For instance, Moldova and Greece signed an *Agreement on International Road Transport* [148]. Also, Moldova has an *agreement with the EU concerning low-cost flights* [81]. This shows that Moldova might probably have soon low-cost flights also to

Greece. Besides, as Greece follows *high aviation safety standards* [54], it impacts beneficially the willingness of Moldovans to visit Greece by plane.

Using one of the gravity theory parameters, i.e. the distance, it was determined in a recent study that the travel distance between Greece and Moldova is somewhat small, if compared to other tourism destinations [16]. Hence, the *small travel costs* represent one more opportunity to develop the bilateral touristic flows between these two countries.

A *common religion* of Greek and Moldovan population, to be exact, 98% of Greeks and 97% of Moldovans are Christian Orthodox [16], reveals other opportunities for the development of bilateral tourism flows. At the same time, it was determined in a recent study that the *distinctive aspects of Greek and Moldovan culture*, for instance music, dance, language, history, cuisine, and so on, might influence beneficially the willingness of Moldovan tourists to visit Greece [19] and the intentions of the Greek tourists to visit Moldova.

Similarly to the opportunities for advancing the bilateral trade and FDI between Moldova and Greece, the *socio-economic megatrends* offer opportunities also for development of the bilateral tourism flows. For instance, vis-à-vis globalization, the *membership to the World Tourism Organization (UNWTO)*, which „is the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism” [125], ensures that Greece and Moldova implement the Global Code of Ethics for Tourism and that the socio-economic contribution of tourism is maximized.

Furthermore, the *membership of Greece and Moldova to the World Trade Organization* also offers opportunities for the development of bilateral tourism flows, due to the tourism commitments and principles of trade in tourism services that the members must follow, which are included in the General Agreement on Trade in Services. Almost all WTO members put emphasis on the significance of tourism, particularly “in terms of its contribution to employment and generating foreign exchange” [134].

As regards regionalization, the *membership of Greece and Moldova to BSTDB* offers opportunities for advancing the bilateral tourism flows, due to the commitments that this institution has made, such as its readiness to contribute to the promotion of cultural tourism in the Balkans and Black Sea region and even its support in wine production and agritourism in Southern Russia [6], which might be expanded further in Greece and Moldova.

*Transnationalization* is one more socio-economic megatrend that brings opportunities to the advancement of the trade flows between Greece and Moldova. For instance, Mouzenidis Travel is a leading tour operator in Thessaloniki, Greece founded in 1995, which has over 81 offices in Russia, Ukraine, Belarus, Kazakhstan, Romania etc. and in Moldova [84]. As a result of its

operations, this company has influenced significantly the increase in tourism flows between Greece and Moldova.

Regarding *regional economic integration*, due to the *Association Agreement between Moldova and the EU*, the touristic flows between Greece and Moldova should be influenced beneficially. This is because the Association Agreement states that “the Parties shall cooperate in the field of tourism, with the aim of strengthening the development of a competitive and sustainable tourism industry as a generator of economic growth, empowerment, employment and foreign exchange” [36, p.29].

Finally, though opposed to globalization, the mega-trend *localization* also brings opportunities to the development of Moldovan-Greek tourism flows due to the cultural differences of the countries, particularly due the fact that both Greeks and Moldovans can localize their touristic services and products. This means that by localizing their services and products, it could lead to increased sales, as it will remove cultural barriers which could prevent potential tourists from understanding the products/services.

Further, there will be described separately some of the opportunities for the development of the Moldovan tourism flows to Greece and several opportunities for the development of the Greek tourism flows to Moldova, as many opportunities differ significantly, because of the dissimilarities in the economic, political, social, consumer, technological, legal, environmental etc. conditions of these two countries. Using the bilateral tourism framework proposed by Prideaux [98], the author has easily identified the opportunities, which basically represent the factors that affect positively the tourism flows (Annex 1). For instance, the author has recently analysed in a research study both the positive and negative factors that affect the tourism flows from Moldova to Greece [16].

Opportunities for the development of the Moldovan touristic flows to Greece. First of all, the statistical data, to be exact, a general increasing interest of Moldovans in travel and tourism activities and the increasing number of Moldovan tourists in Greece [152], show that Greece is becoming a *more and more attractive tourism destination for Moldovans*. Moreover, the author has demonstrated in a recent study that the *image of Greece as a tourism destination is positive* among the Moldovans and that the Moldovan tourists are very interested in visiting Greece [19]; hence, the Greeks must take advantage of this opportunity. In addition, the Moldovans have the opportunity to *travel without visa* to the Schengen countries [44], which facilitates their travel to Greece for business and touristic purposes, for technology transfer, for instance scientific and educational visits, therefore benefiting the economy of both Greece and Moldova.

The *geographical and climate difference* between Moldova and Greece offer one more opportunity for the Moldovans to visit a warmer country which has also access to the sea.

Moreover, Greece is a *favorite tourism destination for international tourists*, due to its location in the Mediterranean area, beautiful landscapes, rich architecture and conserved ancient history [87]. Hence, *the national attractiveness* of Greece, its *icons and images* will definitely influence positively the Moldovan touristic flows to Greece.

Some other opportunities for the development of Moldovan touristic flows to Greece emerge from the *Greek government regulations*, which facilitate tourism development. Additionally, the *promotion and marketing factor* indicate that Greece has an increased level of public and private sector funding [54], which would, as a result, impact positively the Moldovan touristic flows to Greece.

To continue with opportunities, the fact that Greek authorities provide excellent security shows that Greece is a *safe country to visit*. Also, among some of the opportunities that arise from the Greek government responsibilities, one can identify the *National Strategic Plan for Tourism 2014-2020*, the efficient and well-developed *travel infrastructure*, the *adequate* care offered by *public medical facilities* [54].

As regards the *income effect*, as Moldovans have very low incomes [152], it could be perceived both as a hindrance, and as an opportunity. The Greeks could convert this factor to an opportunity and, thus, target the lower-income Moldovan tourists by creating cheaper packages.

Finally, the *competition factor* indicates that in 2016, following Bulgaria and Romania, which are low-priced destinations and closer to Moldova, Greece was visited by more Moldovan tourists than other EU countries, such as Spain, Montenegro, Italy, Austria etc [152]. Thus, it is imperative that the Greeks capitalize on this opportunity.

Based on all the favorable circumstances identified, one can see that there are plenty of huge opportunities for the development of the Moldovan tourism flows to Greece (see Figure 3.4). In fact, the Greeks have already been capitalizing on these opportunities. As a proof to the later statement is the large and continuously rising number of Moldovan tourists in Greece.

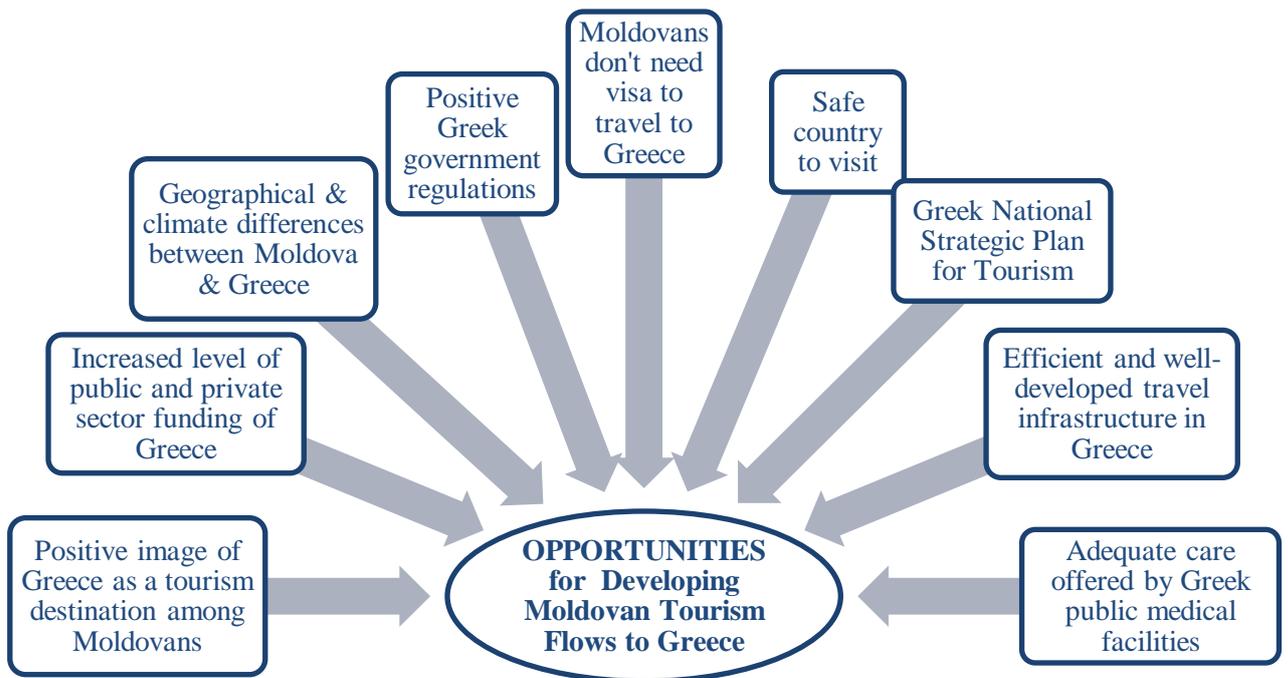


Fig. 3.4. Opportunities for the development of the Moldovan tourism flows to Greece

Source: Compiled by the author

Opportunities for the development of the Greek touristic flows to Moldova. The World Travel and Tourism Council forecasts that *Moldova's tourism sector will grow considerably* over the next 10 years and that, in relative terms, the tourism sector in Moldova will have larger growth rates than the Greek tourism sector [142]. Hence, this estimate indicates that there is potential for the number of Greek tourists in Moldova to increase.

Also, it is known that *Europe is the leader on the international tourism market* with regard to the number of international tourist arrivals [136] and that the *population of Europe is generally wealthy* and with an *increased tendency to travel* [168]. Additionally, the author determined in a recent study that the *young Greeks show increased levels of interest in travel and tourism activities* [155]. Hence, Moldova could capitalize on these opportunities by attracting European tourists, including Greeks.

Besides, the fact that the European tourists, including Greeks, do not need visa in Moldova, it facilitates the development of Greek touristic flows to Moldova. Also, Moldova is considered a *safe country* to visit, due to its peaceful people and due to a minimum level of threat from terrorism, which on a scale from 1 (low threat) to 4 (high threat), is rated with a 1 [81].

Among the few comparative advantages that Moldova has in attracting Greek tourists, one must mention also the *significant price competition* of Moldova. The country is rather a cheap destination, if compared with other tourism destinations. Further, the *cultural heritage* of Moldova,

due to the combination of the Romanian and Soviet cultures, of Western and Eastern ideologies, brings additional opportunities for the development of the Greek touristic flows in Moldova.

To continue with opportunities, there is *no limit on foreign currency import to Moldova* [81]. This means that the Greeks can spend any amount of money they want while visiting Moldova. Also, *depreciation of Moldovan Leu (MDL)* (exchange rate MDL/EUR from 0.064 in October 2012 to 0.049 in October 2017) over the last 5 years [143] leads to lower prices for Greek tourists in Moldova. In addition, as the price levels in Moldova are slightly lower than in Greece, it encourages tourists to spend more on personal consumption.

Based on our application of the *gravity framework*, as shown in Annex 8, theoretically Greece should be the 16<sup>th</sup> on Moldova's list with reference to inbound tourism flows, similar to the trade and FDI flows. However, it is much behind, being the 24<sup>th</sup> as regards the inbound flows. Thus, it indicates that there is much potential to improve the inbound tourism flows from Greece to Moldova.

In fact, Moldovan authorities have been gradually working on increasing the number of tourist inflows. The *government responsibilities* concerning tourism offer plenty of opportunities for the development of touristic inflows to Moldova from all around the world, including Greece. These include: (1) government regulations designed to assist tourism development; (2) promotion and marketing tools, such as the *Tourism Logo of Moldova* (2014) with the slogan "Discover the routes of life", tourism information *online platform MoldovaHoliday.travel* (2012) [81]; (3) the National Strategy for the development of tourism "Tourism 2020" [164] etc. In addition, the *health system* in Moldova offers *adequate care*, both at public and private medical institutions, due to the highly trained and skilled doctors and to the numerous pharmacies that abound in Moldova [81].

If one analyses the opportunities given by Moldova's *travel infrastructure*, then one notices that Moldova is located at an *easily accessible place for the EU tourists* and that it has *efficient tour operators*. In addition, due to the Association Agreement with the EU, Moldova attracts several *investment projects in tourism infrastructure*, such as road rehabilitation. Also, the EU agenda secures reforms in Moldova, in addition to the fact that Moldova has already shown progress in *reducing poverty* and promoting inclusive *economic growth* of around 5% yearly since the early 2000's, fueled by consumption and remittances [152; 89].

The *intangible factors* offer several opportunities for the development of Greek touristic inflows in Moldova as well. For instance, the *international mass-media* has been mentioning more often Moldova as a tourism destination, as a country with a *great wine tradition* and superb wine tours, i.e. the world's largest wine cellar Mileștii Mici, the world's second largest wine cellar

the Cricova wine tunnels [81]. Also, the author determined in a recent study that Moldova is viewed by the Greeks as a destination with *unspoiled countryside*, which has *tasty fruits* [155].

A summary of the opportunities for the development of the tourism flows from Greece to Moldova is illustrated in Figure 3.5.

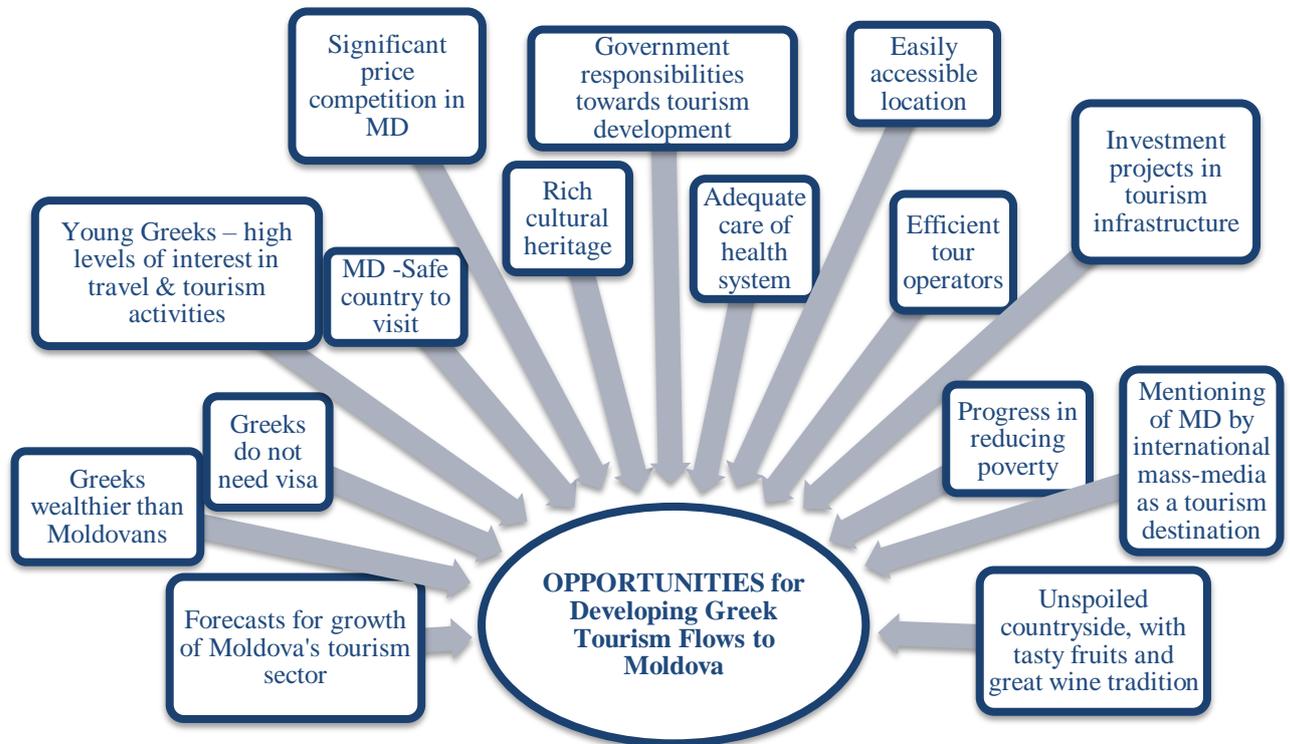


Fig. 3.5: Opportunities for the development of the Greek tourism flows to Moldova

Source: Compiled by the author

**Opportunities for the development of other bilateral economic flows.** The author has described so far the opportunities for the development of economic flows between Moldova and Greece which currently are more intense, i.e. bilateral trade, FDI and tourism flows. At the same time, one can identify opportunities for advancing other forms of bilateral economic flows between these two countries.

For instance, as regards bilateral technology transfer, one must say that there are several opportunities for the significant development of this form of economic relations, as currently the bilateral technology transfer between Greece and Moldova is not broad and diversified. First of all, due to the *Association Agreement*, the Moldovans have had the possibility to travel to Greece without visa since 2014 [44]. At the same time, the Greeks can also visit Moldova without visa, as the EU citizens do not need visa to travel in Moldova. Hence, the simplicity of visiting the respective countries brings with it the opportunity to enhance not only the bilateral touristic flows,

but also the scientific, educational and cultural cooperation between Moldova and Greece, which would benefit mutually the economies of both countries.

What's more, it appears that the technology transfer between Moldova and Greece has already been developing, due to the *scholarships* that the Greek government has been offering to the Moldovans for studies at Greek universities, due to *Onassis exchange programs* for students, lecturers and researchers from Moldova [148]; also, due to the *cooperation agreement* that the *scientific community* in Moldova and Greece started negotiating in 2016 [32]. Thus, the fact that many Moldovans have been attending *Greek language and culture courses* both at private institutions and at the state academic institutions of Moldova for many years [148], the fact that *Greeks* can study *Romanian and Russian languages at Greek institutions* and the fact that Moldova and Greece have a similar religion, did not translate immediately into the development of bilateral technology transfer, but they represent a foundation ground for its advancing.

One can notice that, similarly to the bilateral FDI flows, the current intensity of technology transfer flows is stronger from Greece towards Moldova rather than the other way around and that also there are more opportunities to develop technology transfer flows from Greece to Moldova, than from Moldova to Greece. This is explained by the fact that Greece is more developed than Moldova and that, as a result, Moldova is the one that needs to learn more things from the Greeks as regards technology, scientific and cultural development. For example, the author has determined that the *cultural and sports activities* have a slightly higher importance in Greece than in Moldova (Table 2.3). Thus, Greece could come with its own experience in the cultural and sports activities and transfer its knowledge in Moldova.

Finally, regarding international migration flows between Greece and Moldova, there are more opportunities for the development of migration flows from Moldova to Greece, again due to the fact that Greece is significantly more prosperous economically than Moldova, in spite of the Greek economic crisis. In this sense, the fact that Moldovans can easily obtain the *Romanian citizenship*, it facilitates their migration to Greece.

Since the international movement of population obviously implies as well the international movement of labor forces, an opportunity to increase the migration flows from Greece to Moldova is the *Association Agreement* that Moldova signed with the EU. The agreement promotes collaboration over EU labour-related legislation, such as labour law, anti-discrimination, gender equality, health and safety at work. Moldova has already adapted most of its legislation according to the EU standards [44], which, by implication, should influence beneficially the labour movement from Greece to Moldova.

One can notice that the development of migration flows between Greece and Moldova brings opportunities for the development of other economic flows between these countries. For example, the fact that there are many Moldovans in Greece is an opportunity to *use the diaspora* to establish business contacts, partnerships etc. Also, the Moldovan diaspora from Greece can be mobilized in creating a favorable image of Moldova as a tourism destination, as a country with high quality products, as a favorable business environment for FDI etc.

A summary of all the opportunities for the development of economic relations between Greece and Moldova is illustrated in Annex 19.

### **3.2. Hindrances related to Moldovan-Greek economic relations**

Based on our research and application of the gravity theory, in addition to opportunities, one can identify also numerous hindrances related to Moldovan-Greek economic relations. The hindrances can be determined by viewing the current and the historical economic relations between Greece and Moldova which the author analysed in a recent study [18] and also by investigating the specific economic features of the respective countries.

It was noticed that the hindrances differ depending on the type/form of economic relations. For instance, what seems to be an obstacle for the development of bilateral trade flows, might have no influence on the development of bilateral tourism flows. Hence, the author will identify the hindrances and analyse them separately for each form of economic flows between Moldova and Greece, such as bilateral trade, FDI and tourism flows.

However, before doing that, one must mention that the economic relations between these two countries appear to be of *small significance compared to the relations of Greece and Moldova with other economies* of the world. Thus, it could be perceived as a hindrance for the development of the bilateral economic flows. For instance, because of the fact that Greece and Moldova do not have currently very developed economic relations, most probably, that is the reason why Greece is not listed among the target markets of Moldova. Greece is neither in the Moldovan National Strategy for attracting investments and promoting exports, nor in other strategic studies and documents. Hence, it is not viewed as a source of investments, neither as an export destination [156]. Similarly, Moldova is not on the list of target markets of Greece, particularly because Greece has stronger economic relations with other world countries, while Moldova is much behind; for instance, as regards Greek trade, Moldova is the 47<sup>th</sup> as regards exports and the 68<sup>th</sup> as regards imports [132].

**Hindrances related to bilateral trade flows.** As regards the trade flows between Greece and Moldova, it was noticed that the Moldovan exports to Greece have increased over the last years, while the imports from Greece have decreased. Hence, it appears that there are more hindrances in the development of imports from Greece than in the development of exports to Greece.

Among the hindrances related to the Moldovan-Greek trade flows, the recent *Greek economic crisis* seems to be the strongest. The crisis has already influenced negatively the Greek exports to Moldova. It was determined in the previous chapter that, if in 2010, the ratio of imports from Greece was of 2.42% out of all the Moldovan imports, then in 2015, it reached a level of only 0.49% in 2015, which shows a decrease by 5 times in the significance of the Greek imports among the total imports of Moldova (Figure 2.5). In addition, the author found out in a recent research study that *Greece is perceived by Moldovans as a crisis ridden country* and that, because of this perception, the Greek food products might have limited success on the Moldovan market [19]. However, as the Greek economic crisis is hopefully a temporary situation, the Greek economy must show soon signs of recovery; hence, there are chances that the Greek traders would start targeting the Moldovan market again within a couple of years, even though, currently for Greece, the trade with Republic of Moldova seems to be insignificant for the overall trade balance of the Hellenic Republic.

Some other factors have also contributed to the decrease of Greek exports to Moldova and they still represent barriers for the development of the bilateral trade flows. For instance, the *small and decreasing size of the Moldovan market* because of a small and a constantly decreasing number of the Moldovan population due to the intensive emigration process and the *low purchasing power of the Moldovan consumers* [152] make the Moldovan market to be unattractive for the Greek traders. Additionally, many of the *Greek products*, most probably, *lack competitive advantage on the Moldovan market*, particularly due to the competitiveness of Turkish products, which are similar to many Greek products, but which are cheaper than the Greek products, as the Turkish producers do not have to follow EU standards for exporting in Moldova and as the salaries in Turkey are smaller than in Greece.

Further, another hindrance related to the Moldovan-Greek bilateral trade is the *moderate level of consumer ethnocentrism both in Greece and Moldova*. The author discovered that the Moldovans have a somewhat moderate level of consumer ethnocentrism. This indicates that Moldovans will probably select domestic products and that they will choose the imported products on condition that these products have a better quality and are cheaper [20]. Similarly, the Greeks also prefer domestic products, because of their moderate level of ethnocentrism [30]. In this

context, it appears that the socio-economic megatrend *localization* poses a threat to the development of bilateral trade flows, due to the desire of the consumers to protect local producers. Hence, both the Greek and Moldovan traders must be careful about how to export their products on the Moldovan and Greek market, respectively.

To continue with the hindrances posed by the socio-economic megatrends, *globalization* might also create obstacles in the development of Moldovan-Greek trade flows. For instance, the membership to the *World Trade Organisation* of these two countries means that the Moldovan-Greek trade flows face *competition* in front of the trade flows from countries from all over the world, as the trade is liberalized for all the WTO members. For instance, the author has exemplified previously that the Turkish products seem to be more successful than the Greek products on the Moldovan market, due to their lower price.

Similarly, the *regional economic integration* megatrend, e.g. the *Association Agreement* between Moldova and the EU, also offers hindrances to the development of bilateral trade flows. For instance, the *EU products might be more successful than the Moldovan products on the Greek market*, since the EU traders follow the EU requirements, while many of the Moldovan traders are still adapting to the EU standards, which takes time, skills and financial resources. Additionally, the Moldovan traders might choose to trade with other EU countries rather than with Greece, because of the economic crisis that Greece has to face.

Finally, if one follows the *gravity theory*, among the EU-28 countries, Greece is placed theoretically on the 16<sup>th</sup> position as regards trade volumes of Moldova (Annex 8). However, as of year 2016, Greece ranked the 13<sup>th</sup> as regards Moldovan trade volumes. Hence, the gravity theory indicates that the gravity parameters, to be exact, distance and GDP, might influence negatively the bilateral trade, if the necessary measures are not taken. It appears that the actual larger number of the bilateral trade volume of the two countries could be explained by the historical evolution of the economic relations between Greece and Moldova, when Greece was a much more significant trade partner for Moldova.

Figure 3.6 shows a graphical representation of the main hindrances related to the bilateral trade flows.

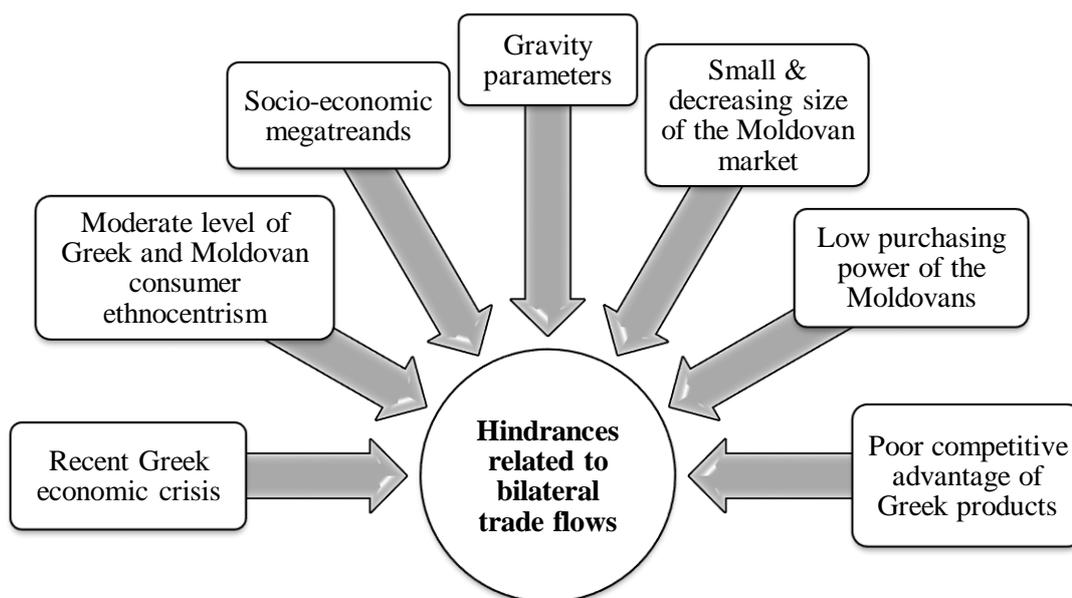


Fig. 3.6. Hindrances related to bilateral trade flows

Source: Compiled by the author

**Hindrances related to bilateral FDI flows.** It was determined in the previous chapter that essentially Greece is the country investing in Moldova. As Greece has a more developed economy than Moldova, it has more interest in FDI flows towards Moldova, rather than reverse. Hence, the bilateral FDI flows between these two countries can be developed basically using one direction of flows, to be exact, FDI flows from Greece to Moldova. This means that the fact that there are *no FDI flows from Moldova towards Greece* represents a fundamental hindrance in the development of the bilateral FDI flows, particularly because Moldova is not a developed country and because the Moldovan investors do not have financial resources to invest in Greece. Hence, the author will investigate further the hindrances in the development of the FDI flows from Greece to Moldova.

Due to the association between trade and FDI flows [73; 53], one can notice that, basically, many of the hindrances related to the bilateral trade flows impact also the bilateral FDI flows between Moldova and Greece. For instance, the *recent Greek economic crisis* and its related *economic austerity measures* have contributed to the decline of the Greek FDI in Moldova (Figure 2.13). Also, as it was found out that *Greece is perceived by Moldovans as a crisis ridden country*, the Greek investors might have limited success on the Moldovan market [19].

Further, the *marketing factors* are usually strong motivations to determine a firm to invest abroad [68]. However, in our context, the marketing factors, such as the *small and decreasing size of the Moldovan market* and the *low purchasing power of the Moldovan consumers* [152], also the

*competitive advantage of the competitors* who offer similar and cheaper products, e.g, the Turkish firms, might interfere with the desire of the Greek investors to choose Moldova.

To continue with hindrances, the *cost factors* also obstruct the Greek FDI in Moldova. For example, if in the past the cheap and skilled work forces were determining Greeks to invest in Moldova, currently the *labour forces are declining* in Moldova [152], because of the intensive emigration process of the population. This leads to insufficient employees both for the local and for the foreign investors. Additionally, the author determined in a recent study that if previously Moldova was chosen by the overseas investors because of the *proximity to the resources of supply and availability of agricultural resources and fertile land*, currently many Greek investors complain about *smaller cultivation areas* and a *declining number of local suppliers* [17]. Hence, it appears that, if in the past the cost factors were a competitive advantage for Moldova to attract foreign investors, nowadays the economy is losing this advantage.

As regards the *trade restrictions*, similarly to how the *moderate level of consumer ethnocentrism in Greece and Moldova* [30; 20] poses hindrances for the bilateral trade flows, it hinders also the bilateral FDI flows, unless the appropriate investment strategies are adopted. Thus, related to consumer ethnocentrism, the socio-economic megatrend *localization*, which indicates the protection of local consumers, is also an obstacle in the advancing of Moldovan-Greek FDI flows. *Globalization* megatrend might also offer hindrances through the fact that the Greek investors face competition on the Moldovan market attributable to FDI investors from other world countries, due to the current globalized character of the contemporary economy. Finally, the *regional economic integration* megatrend, e.g. the Association Agreement between Moldova and the EU, could also offer hindrances to attracting Greek FDI flows into the Moldovan economy, due to the potentially strong competition that the Greek investors would face from the other EU investors in Moldova.

Further, it was found out that the Greeks assess the Moldovan *investment environment* as *unfavorable* [17]. This poses, most probably, the greatest threat to the development of Greek FDI in Moldova. In addition, several international criteria and rankings also rate the Moldovan investment climate as unfavorable. For example, based on the World Bank, Moldova is on the 63<sup>rd</sup> place out of 189 regarding the ease of doing business [150]. Hence, the poor investment climate of Moldova has already affected negatively the Greek FDI in Moldova, as the author has determined in a recent study that more than half of the Greek registered firms are leaving the Moldovan economy, basically, because of its unfavorable business environment, which the Greek investors describe as tough, unstable, risky, with high bureaucracy and high taxes, with limited windows of opportunity, with poor consumers, with an incompetent and corrupt government, that satisfies the interests of a few. In addition, the Greek investors are losing trust in the Moldovan business

environment, in the local employees and partners, due to high corruption levels and also because of the Moldovan banking fraud of the century. Also, even if some Greek firms are still operating under the tough business conditions on the Moldovan market, the economic significance of these firms has reduced considerably, due to the declining number of employees and declining profits [17].

Also, if cultural resemblance is considered generally as a determinant to invest abroad [13], then the cultural differences obviously have an opposite effect. Hence, it is of no surprise that it was found out that the Greek investors declare that the *cultural differences* represent one more obstacle in the success of the Greek FDI in Moldova [17].

Finally, based on the *gravity theory*, it was determined that the gravity model places Greece on the 16<sup>th</sup> position with reference to FDI flows among EU countries. Nevertheless, based on the data from the National Bank of Moldova, Greece was in 2016 the 11<sup>th</sup> on the list regarding FDI flows to Moldova [86]. Thus, theoretically, if one follows the gravity theory, *GDP and distance* might influence negatively the Greek FDI flows into the Moldovan economy. A summary of the hindrances related to FDI flows from Greece to Moldova is illustrated in Figure 3.7. As one can see, due to the link between trade and FDI, this figure includes the hindrances related to bilateral trade flows and the specific hindrances related to the FDI flows.

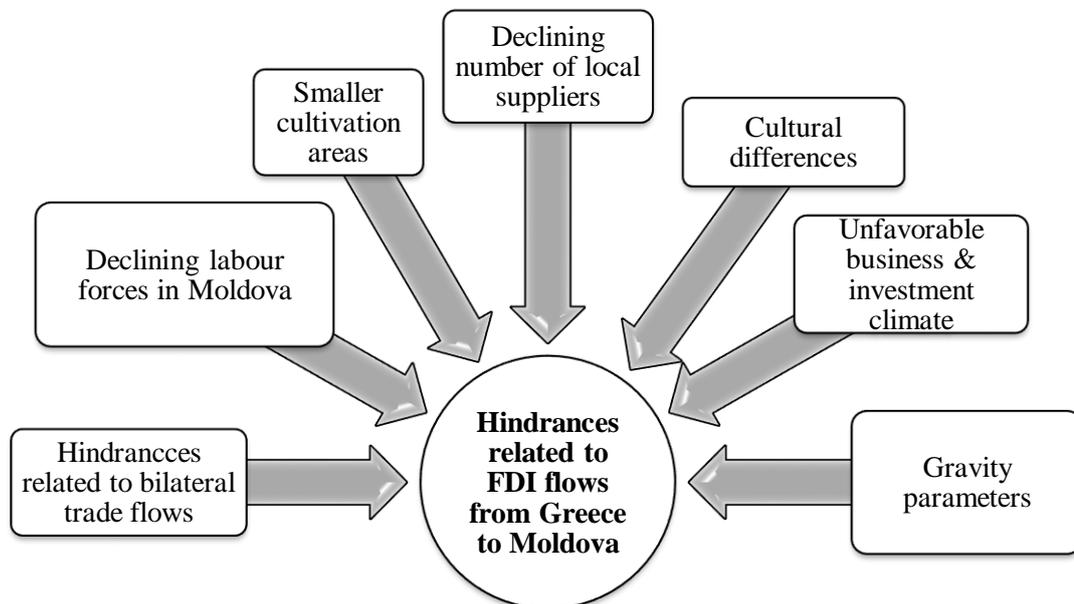


Fig. 3.7. Hindrances related to FDI flows from Greece to Moldova

Source: Compiled by the author

**Hindrances related to bilateral tourism flows.** The author has identified several hindrances related to Moldovan-Greek tourism relations. To begin with, the gravity theory

indicates that among obstacles to bilateral tourism could be considered in essence the *travel distance*. One needs to travel by bus over 20 hours from the capital of Republic of Moldova to the nearby touristic region of Greece, to be precise Khalkidhiki, whereas by plane the trip is expensive, mainly on account of no direct routes from Moldova to lots of the popular Greek destinations.

Because of the differences in the economic, political, social, consumer, technological, legal, environmental etc. conditions of Moldova and Greece, similarly to the analysis of opportunities for the development of bilateral tourism flows, the author will examine the other hindrances for bilateral tourism separately, i.e. the hindrances related to Greek touristic flows to Moldova and the hindrances related to Moldovan touristic flows to Greece. Again the author will utilize the bilateral tourism framework proposed by Prideaux [98], in order to identify the hindrances, which mainly represent the factors that affect negatively the tourism flows (Annex 1).

Hindrances related to Moldovan touristic flows to Greece. One of the strongest barriers in the actual behaviour of Moldovan citizens to visit Greece is the *income effect*. Merely a small ratio of the Moldovans has good incomes. Overall, the Moldovans receive a *very small salary*, i.e. the medium monthly salary in 2016 was of MDL 5084, which is approximately EUR 228. Furthermore, remittances represent a chief source of income [152; 89]. Clearly, the tiny income influences the majority of the Moldovans to opt for cheaper destinations, such as Bulgaria, Romania and Turkey [152], although the author discovered in a current research study that they show increased desire to visit Greece [19].

Hence, it is noticed that linked to the income effect is the *price factor*, which is also a hindrance for the development of Moldovan touristic flows to Greece, as price levels for tourists in Greece are much larger than the prices for a similar touristic experience in Bulgaria, Romania or Turkey. Moreover, the *personal choice factor* might also have a negative effect, i.e. Moldovans are likely to *choose other forms of consumption over travel*, such as the purchase of a house/apartment on credit, because of their small salaries, which determine them to prioritize personal consumption over travel consumption.

The *transport policy factor* might also hinder the Moldovan touristic flows to Greece, first of all, because of the *frequent strikes* from Hellenic Republic, which may disrupt public transport [54], including the trip of the tourists to and from the Greek tourism destinations; second, because Greece is among the top EU countries as regards *traffic fatality ratio*.

Further, as regards currency, what the author has recently identified to be an opportunity for the development of the Greek touristic flows to Moldova represents a hindrance related to Moldovan touristic flows to Greece. More specifically, *depreciation of Moldovan Leu (MDL)* (exchange rate MDL/EUR from 0.064 in October 2012 to 0.049 in October 2017) over the last 5

years [143] indicates increased prices for Moldovan tourists in the EU, including Greece. Also, the *imposed limits in Greece on several bank services* as of year 2015 [54] might hinder the Moldovan touristic flows to Greece.

Among Greek government responsibilities factors, *security* is also a hindrance. To be exact, due to the fact that Greece is one of the nations under a general threat from terrorism and acts of political violence, it might not be considered a safe destination by tourists, including Moldovans. Further, *the Greek government-debt crisis image* might influence negatively the touristic flows; however the current touristic flows indicate the contrary.

Finally, theoretically the author established that the *gravity theory* places Greece on the 16<sup>th</sup> position as regards tourism flows among EU countries. However, based on the data from the National Bank of Moldova, Greece is the 4<sup>th</sup> as regards Moldovan touristic flows [86]. Thus, hypothetically, if one follows the gravity theory, *GDP and distance* might hinder the Moldovan touristic flows to Greece.

Hindrances related to Greek touristic flows to Moldova. First of all, the statistics indicates that *Moldova is generally of poor interest to international tourists* [142], which obviously represents a hindrance related to Greek touristic flows to Moldova. Also, out of over 15000 tourists that visit Moldova yearly, on average, around 101 Greek tourists visit Moldova annually. This number has neither been increasing, nor decreasing over the last 5 years [152], which indicates a stable trend, though it is *not an optimistic and objective trend* for Moldova. To be precise, the *attendance of tourist establishments* in Moldova by *Greek tourists* has a *decreasing trend as regards the overnight stays* [155], even though the number of accommodated tourists appears to be stable over the last 5 years.

In addition to the statistics above which shows that Greeks have a low interest in visiting Moldova, one of our research studies undertaken through questionnaires among Greeks also reveals that the Greeks have *very low intentions of visiting Moldova* [19]. Clearly, this is the strongest hindrance related to the Greek touristic flows to Moldova. Moreover, it was determined that the intentions of the Greeks are influenced by the *imprecise, neutral, thus neither positive, nor negative image of Moldova as a tourism destination*. Thus, Moldova's image represents an additional significant obstacle, which is difficult to remove. It appears that this image has its roots in the *Greeks' poor knowledge of Moldova*. Furthermore, the Greeks have an erroneous image of Moldova, i.e. they *associate Moldova with Russia* and with the *Ukrainian conflict*; hence they consider Moldova as *not safe for visiting*. In addition, Moldova has an *image as the poorest country in Europe*. Thus, it is of no surprise to us to find that the main destinations of Greek tourists are Germany, Italy, the UK, Austria and France, which are more developed economies than

Moldova. Therefore, we can notice that the hindrances enumerated up to now are all connected, in the meaning that one hindrance leads to the emergence of another hindrance and so on, similar to a chain reaction.

One more hindrance related to the Greek touristic flows to Moldova represents the fact that the small number of Greeks who visited Moldova *didn't get a positive impression about Moldova*. Hence, because of the poor Moldovan national attractiveness, these tourists are not interested in visiting Moldova once more and, in addition, through word-of-mouth, they influence negatively the other Greek tourists as regards their potential behaviour of visiting Moldova.

Further, one must mention that the *Greek economic crisis* poses also hindrances for the analysed touristic flows, as many Greeks might *choose other forms of consumption over travel* because of the *income effect*, i.e. the large *decrease in their salaries*. If before austerity measures, the Greek minimum gross wage was €751, then after the taken measures, the wage decreased to €586 (since 2012). In addition, the Greek *unemployment rate* has reached a level of 23%, which is the highest in the EU. Moreover, the Greek crisis led also to *currency restrictions* in using abroad the debit cards issued from Greek banks, i.e. €60 per day or €420 per week [54]. This indicates to one more hindrance in the development of the Greek touristic flows to Moldova.

*Efficiency of Moldova's economy* is an obstacle in attracting Greek tourists as well. Moldova is Europe's poorest country, with very slow economic growth, high public debt, damaged business confidence, transparency, accountability and corruption concerns and large-scale emigration etc. Also, there is a *low level of public and private sector funding for promoting Moldova* as a tourism destination and a limited budget for the implementation of the tourism development strategy. Moreover, the *normative tools* in applying the tourism law are *inconsistent* and many laws are *not harmonized with the EU and the UNWTO tourism laws* [44]. In addition, the *travel infrastructure* is *very poor*, due to high prices for flights Moldova-Greece, also due to the existence of only one airport. In addition, few buildings/attractions in Moldova provide access to/ services for disabled persons.

To continue with, the *state of international relations* of Moldova also hinders the advancing of Greek tourist flows to Moldova. Russia continues to keep a military presence in the Transnistrian region of Moldova, regardless of agreements with Moldova and within The Organization for Security and Co-operation in Europe (OSCE) to withdraw its troops and ammunition [44]. Thus, it is of no surprise to us that the Greeks associate Moldova with Russia and Ukraine and consider Moldova as an unsafe place to visit.

As regards *security*, Moldova does not have threats from terrorism acts; however, one should be alert to the *likelihood of political protests and demonstrations*. Although they are usually

peaceful, the situation might change fast. In addition, the tourists must be prudent against *pickpockets, scam artists* etc [81]. These are insignificant security threats, but they might obstruct slightly the Greek tourism flows.

A final hindrance could be considered the standard of *public medical care* in Moldova, which is *below that available in Greece*. In addition, the public medical clinics might be short of resources, personnel might speak little or no English and, often, doctors and nursing staff expect to be bribed before doing their job [Ibidem].

To conclude, if one compares the hindrances related to Moldovan touristic flows to Greece with those related to Greek touristic flows to Moldova, then one must point out that there are more and stronger obstacles in the development of the Greek touristic flows to Moldova. This can be clearly observed in Figure 3.8.

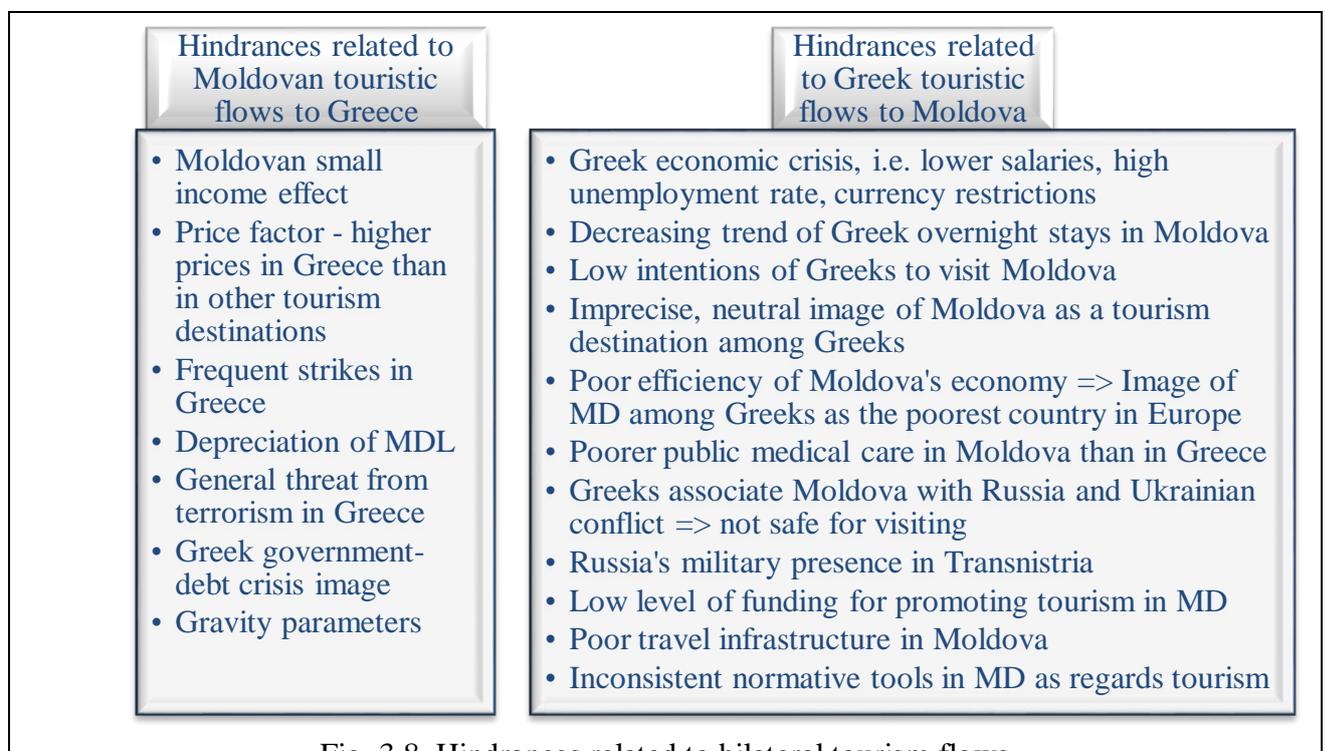


Fig. 3.8. Hindrances related to bilateral tourism flows

Source: Compiled by the author

**Hindrances related to other Moldovan-Greek economic flows.** After examining the hindrances related to the most intense forms of economic flows between Moldova and Greece, more specifically, bilateral trade, FDI and tourism flows, one can identify also several hindrances that obstruct the development of other forms of bilateral economic flows between these two economies.

For example, with reference to bilateral technology transfer, even though the Greek government offers scholarships to Moldovans to study at Greek universities, the Moldovan government does not offer such scholarships to foreigners, particularly because of budget constraints. Hence, *lack of scholarships for Greeks to study at Moldovan universities* does not allow for the development of more intense scientific cooperation between Moldova and Greece.

What is more, as regards exchange programs for studies or research that could be done at Moldovan universities by the Greek scientific community representatives or students, the fact that many representatives of the scientific, academic and cultural communities of Moldova have *poor knowledge of the English language* is one more barrier in the development of bilateral technology transfer. Also, the *limited budget expenses of the Moldovan government on cultural and sports activities* hinder the possibilities of Moldovans to visit Greece for technology and cultural transfer purposes.

As regards Moldovan-Greek migration flows, the fact that there are *few Greek immigrants in Moldova* limits the establishment of business contacts and partnerships with individuals from Greece. Also, probably many Greeks do not want to migrate to Moldova for work purposes, because of the *tough labour-related conditions* in Moldova and because Moldova is a *poorly developed economy*.

If one analyses the hindrances related to Moldovan migration flows to Greece, then the *Greek economic crisis* poses obstacles to it, in the meaning that many of the existing Moldovan immigrants from Greece might change their residence to other more prosperous European countries and also the Moldovans who intend to leave Republic of Moldova for a more developed European country do not consider Greece as a potential new place of living.

### **3.3. Mechanisms that would improve the economic relations between Republic of Moldova and Greece**

Based on the analysis, the author proposes several mechanisms of capitalizing on the identified opportunities and of eliminating the obstacles or converting these obstacles into opportunities for the development of economic relations between Moldova and Greece. In this context, we suggest several mechanisms in different areas, such as consumer, business, IT practices, institutional, governmental, geopolitical sphere etc.

First of all, the author proposes using the *historical perspective* as regards the development of the Moldovan-Greek economic relations. This means that, as it was found out that the earliest Moldovan-Greek commercial and economic cooperation was during the ancient epoch, when on

the current territory of Moldova resided the Geto-Dacians [185], Greece and Moldova should take advantage of their mutual historical ties for the development of the current bilateral economic relations. For instance, the information about the relations between Greek and Moldovan ancestors could be used as a marketing tool in advertisements of the Greek/Moldovan products/services that are sold in Moldova/Greece or on the packaging of the respective products as a slogan or logo or even as a description of the product.

Secondly, in view of the fact that Moldova possesses *geopolitical significance* [113], Greece should use this knowledge to its own advantage. It can be done at the governmental level by ensuring the *implementation of the Greek-Moldovan economic agreements*. In this sense, for example organizing *annual or biannual Moldovan-Greek Joint Committees* would aid, due to the dialog that these committees would facilitate among the economic agents from Greece and Moldova.

Additionally, both the Embassy of the Republic of Moldova in the Hellenic Republic and the Honorary Consulate of the Hellenic Republic in the Republic of Moldova should submit on their official websites *monthly reports on the progress* that has been made so far as regards the development of the bilateral economic relations. In this way, regular reporting is beneficial, as it offers plenty of information to its users, particularly to those who are interested in establishing Moldovan-Greek economic relations. Moreover, regular reporting is a mechanism which enhances progress of the bilateral economic flows, due to the fact that reporting is an efficient approach to communicate all projects, tasks and progresses during the established timeframe, it enhances the understanding of opportunities and hindrances, and it aids in establishing goals and in keeping track if they were met.

What is more, the concept of *economic diplomacy* must be applied as regards the Moldovan-Greek economic relations. To be exact, economic diplomacy refers to international trade, investments, financial and energetic flows, technological transfer, development aid, bilateral and multilateral negotiations [181]. Thus, both the Moldovan and Greek *ambassadors must get involved in the exports' promotion strategy* of Republic of Moldova and Hellenic Republic respectively. Further, the *ambassadors should have sufficient training and knowledge in the field of international economic relations* to organize and aid in the promotion of exports on the foreign markets. Moreover, the *heads of Greek/Moldovan diplomatic missions in Moldova/Greece* should get more involved in *supporting national companies*, in order to facilitate access to foreign markets and to promote the interests of national companies. More efforts must be put into the *improvement of the Moldovan-Greek dialogue with the business environment abroad* through consultations and

direct contacts, which would identify the kind of support that is needed from the foreign diplomatic missions.

Further, *full implementation by the Republic of Moldova of the Association Agreement with the EU* represents one more mechanism that facilitates and encourages the development of the Moldovan-Greek economic relations. Due to the fact that the Association Agreement has the economic goal to aid in modernising Moldova, via advancing of Moldova's trade with the EU and via the harmonising of Moldova's regulations with the EU practices [44], Moldova is likely to improve its business climate and to strengthen its institutions, thus to become better at attracting Greek FDI, at trading with Greece and at establishing and diversifying its other economic flows with Greece. Hence, the full implementation of the Association Agreement must be a priority on the political and economic agenda of the Republic of Moldova.

As it was determined that the relatively small distance between Moldova and Greece is an opportunity for the development of the economic relations between these two economies, in this context, it is suggested to capitalize on this opportunity by establishing *more frequent, more diverse and cheaper flights between Moldova and Greece*. This could be done by a Greek airline or/and by a Moldovan airline. Clearly, an easier way to travel between these countries would impact positively all the bilateral economic flows, facilitating the travel of Moldovan and Greek traders, investors, tourists, scientists, students, migrants etc.

The similar geographic regions to which Moldova and Greece belong, i.e. *Black Sea area*, [71] offer one more instrument in developing the bilateral economic relations. More specifically, through their membership to the Organization of the Black Sea Economic Cooperation (BSEC), which includes also BSTDB, Moldova and Greece should participate regularly in the *BSEC workshops, get involved more actively in mutually beneficial projects* as regards bilateral trade, FDI, tourism, transfer technology and migration processes.

Finally, a mechanism that would help in leveraging on the identified opportunities for the development of the Moldovan-Greek economic flows is the *application of the gravity equation* for explaining each type of the economic flows between Moldova and Greece. Using the gravity equation, one will be able to measure the magnitude and the potential of the economic flows between these two economies, so that one can take afterwards the necessary steps that would lead to the increase in the magnitude of these flows. Hence, the author suggests using the following version of the gravity equation:

$$X_{ij} \text{ or } M_{ij} = A \frac{Y_i Y_j}{D_{ij}} \quad (3.1)$$

where:

- $X_{ij}$  is the volume of exports from Moldova to Greece;
- $M_{ij}$  is the volume of imports from Greece to Moldova;
- $Y_i$  and  $Y_j$  are the national incomes of Moldova and Greece;
- $D_{ij}$  is the distance between Moldova and Greece;
- $A$  represents a constant of proportionality.

This equation refers to the bilateral trade and one can adapt it to the other types of economic flows, such as bilateral FDI and tourism. For instance:

- $X_{ij}$  may represent the tourism flows from Moldova to Greece and  $M_{ij}$  may represent the tourism flows from Greece to Moldova;
- Similarly,  $X_{ij}$  could represent the FDI flows from Moldova to Greece, while  $M_{ij}$  – the FDI flows from Greece to Moldova.

Also, the application of this theory will help to determine causality, i.e. the effect of certain variables (e.g. membership to the EU, presence of diplomatic representatives, the influence of cultural values, climate resemblance etc.) on the economic flows between Moldova and Greece, so that one would be able to understand how to develop the economic flows between the two economies.

The mechanisms discussed above refer to the general development of all forms of the Moldovan-Greek bilateral economic relations (Figure 3.9). Further, the author will propose specific mechanisms for the development of each type of international economic relations between Moldova and Greece.



Fig. 3.9. Mechanisms for the development of all the forms of Moldovan-Greek economic relations

Source: Elaborated by the author

**Mechanisms that would improve the bilateral trade flows.** First of all, efficient mechanisms for the development of the Moldovan-Greek trade flows at a governmental level would be the *national strategies of Greece and Moldova that aid in the increase of the countries' exports*. In Moldova's case, such a strategy was approved by the government in 2016 and it is entitled the "*National strategy for attracting investments and for promoting the exports during years 2016-2020*", with its related "Plan of actions in implementing it" [165]. Based on this strategy, there can be identified the following mechanisms that would aid in the increase of Moldova's exports to the world countries, including Greece:

- a) Strengthen the regulatory framework regarding exports, which would help in the improvement of fiscal policy and customs administration, increase in business confidence and transparency relations;
- b) Focus on the development of workforce for priority sectors oriented towards export activities, i.e. 1) information and communication; 2) manufacture of machinery and equipment; 3) administrative and support service activities; 4) manufacture of machinery and their parts; 5) textiles, clothing and footwear; 6) electrical equipment; 7) food and agriculture;
- c) Improve the quality of industrial, transport and commercial infrastructure in order to develop the export-oriented sectors mentioned above;
- d) Boost the export capacity of local producers;
- e) Enhance the capabilities of the national institutions that aim at promoting exports.

Hence, the full implementation and continuation of this strategy ensures that the exports to Greece are also boosted.

As regards Greece, it also has a national strategy of increasing its exports worldwide. It is entitled the "*National Trade Facilitation Strategy*" (NTFS). It includes a wide range of reforms that have the purpose to simplify export procedures. It is estimated that the full implementation of this strategy will considerably ease the high cost and the time-consuming steps involved in exports [91], including exports to Moldova. Using the information and objectives of the NTFS, the author spotted out the following mechanisms that would facilitate the enhancement of Greece's exports to the world economies, including Moldova:

- a) Decrease by half the number of days required to export;
- b) Decrease the cost to export by 20%;
- c) Create a National Single Window for exports (Figure 3.10).

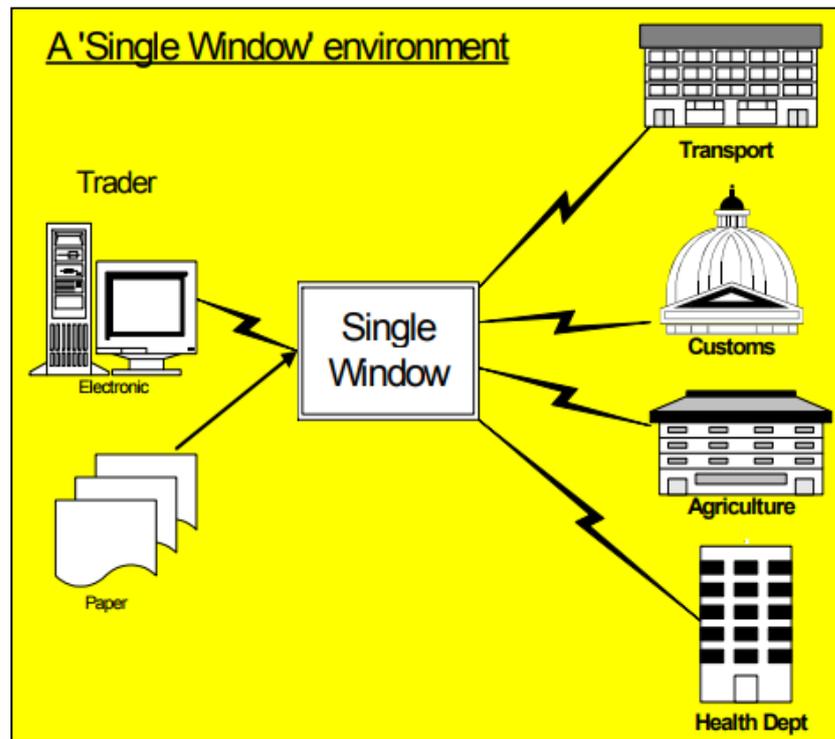


Fig.3.10. Single Window System

Source: [11]

The last mechanism, i.e. the Single-Window System, is an instrument designed to facilitate trade, to simplify processes and to put into practice electronic business [90]. A graphic representation of the Single Window System is illustrated in Figure 3.10.

Though only around 50 world countries implement this system, it brings plenty of benefits, because it acts “as one-stop shop specifically for export procedures” [91, p.44]. This system enables traders to submit the required documents (e.g. customs declarations, applications for import/export authorizations, certificates of origin, trading invoices) at a single entry point/location, thus reducing the time and costs of exporting [91], as opposed to the traditional system of trading (Figure 3.11). Clearly, the application of this system in Greece would enhance the Moldovan-Greek trade.

In the Republic of Moldova, the Customs Service has already implemented the Single Window System for trade operations since 2006. The system is based on the ASYCUDA (Automated System for Customs Data) World Information System. It is installed and utilized in the main office of the Customs Service and in every customs house and border check point [23].

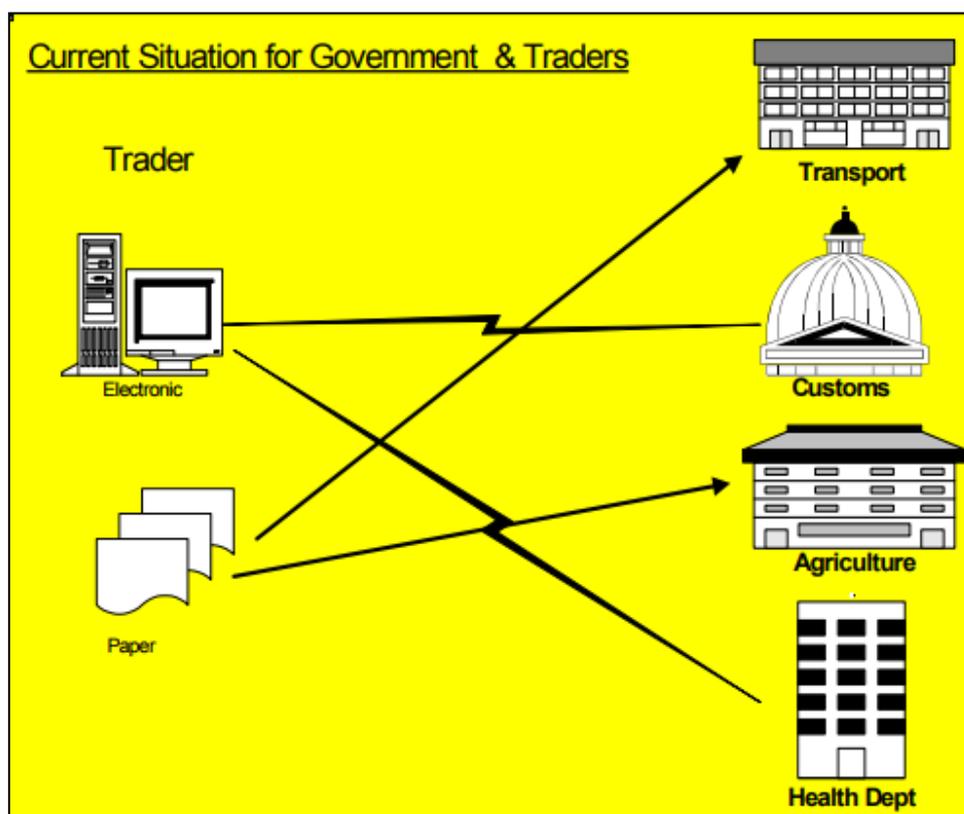


Fig.3.11. The Traditional Trading System

Source: [11]

If one attempts to understand the reasons why the Single Window System was implemented in Moldova 6 years earlier than in Greece, even though Greece has a more developed economy than Moldova, then the size of the trade volumes of these countries could offer an answer. For instance, the fact that in 2016 Moldova's international trade volume was at least 12 times smaller than Greece's international trade volume (i.e. Greece – over \$75 million USD and Moldova – over \$6 million USD) [132] indicates that it is easier, simpler and faster to implement in Moldova the Single Window System and many other new systems.

Another mechanism for the development of the Moldovan-Greek economic relations represents the *specialized agencies that promote exports*. Such an agency in the Republic of Moldova is *The Moldovan Investment and Export Promotion Organization* (MIEPO), which aims to carry out policies concerning efficiency of companies which carry out or intend to carry out their activities in Moldova, to encourage export increase and to attract investments [80]. In Greece, *Enterprise Greece* is the specialized export and investment promotion agency, which establishes yearly an Action Plan for exports promotion. The importance of these specialized agencies as instruments in promoting exports is considerable, due to the activities that they undertake, such as “promotional activities, branding, organisation of conferences, and development of domestic and international networking” [91, p.44]. Hence, both Moldova and Greece should allocate sufficient

funds for the operational activities of MIEPO and Enterprise Greece, due to their strategic importance for the economic development of the two countries.

The author has identified also mechanisms that are consumer related. For instance, as we found out that the consumers both in Moldova and in Greece have a *moderate level of ethnocentrism* [20; 30], which means that they prefer the local products against the imported products, then, in order to be successful while exporting in these countries, the author proposes the following mechanism: Moldovan/Greek marketers who intend to export their products in Greece/Moldova must *adapt the marketing mix properly to the Greek/Moldovan culture*. For instance, appeals to patriotism might be suitable. Also, the use of made-in Moldova and buy-Moldovan themes, respectively made-in Greece and buy-Greek themes might be useful in promotional campaigns.

Further, as the author determined that the Moldovans reveal an increasing familiarity with the Greek products, since Greece has become a more and more popular tourism destination among Moldovans [152], a mechanism that Greeks could use in increasing their exports to Moldova is suitable *advertisements which remind of the vacation in Greece*.

Also related to consumer behavior, the author discovered that, in the context of economic crisis, Greek consumers have positive attitudes towards private food label products, e.g. Carrefour, Vassilopoulos, LIDL [24]. Therefore, this knowledge could be used as a mechanism by the Moldovan food exporters in Greece. Particularly, they are advised to use *private food labeling as an exporting method to Greece*.

Further, at a national economic level, the author determined that Moldova exports to Greece mostly primary goods, to be exact, agricultural products, raw materials and others [18]. As agriculture plays a significant role in the Moldovan economy, then another mechanism of increasing exports to Greece would be by using this economic specialization of Moldova and by *continuing to export plenty of agricultural products to Greece*. However, this does not contribute considerably to the national economy, because of the insignificant added value of these products. Therefore, it is suggested that Moldova focuses also on *increasing its exports to Greece of high value added products, such as industrial products*. This is what Greece is doing as regards exports to Moldova, i.e. Greece exports particularly industrial and manufactured items.

One more mechanism in boosting Moldova's exports to Greece is derived from the opportunity offered by the economic specialization of Greece. As the author determined that the public administration sector in Greece is twice more significant than in Moldova, in the context of the Greek economic crisis, Moldovan exporters should *target the Greek public administration* and attempt to sell their products and services at a competitively *low price*, which could be probable

due to Moldova's cheap labor costs. This would be convenient to the Greek public administration, because the latter needs to cut the public expenses, as a result of the Greek economic crisis.

The economic specialization of Moldova and Greece indicates also that the economies of these countries are highly dependent on the wholesale and retail trade. Hence, a mechanism to capitalize on this opportunity is if the Moldovan and the Greek producers choose to *operate in the wholesale and retail trade* of the analyzed countries.

An indication of what the Moldovan and Greek exporters should focus on in order to increase the bilateral trade is also the worldwide imports by group category of the respective countries. Annex 20 shows in a decreasing order that Greece imported in 2016 mostly consumer goods, then fuels, raw materials, intermediate goods, capital goods etc. On top of the Moldovan imports worldwide in 2016 were consumer goods, intermediate goods, capital goods, machinery and electronics, chemicals [132]. Hence, the Moldovan traders are advised to *export to Greece* products that the Greek economy mostly imports (i.e. *consumer goods, fuels, raw materials, intermediate goods, capital goods*), as there are high chances that these products would be successful on their market. Similarly, the Greek exporters should follow the same suggestion as regards the Moldovan market, i.e. they should *export to Moldova consumer goods, intermediate goods, capital goods, machinery and electronics, chemicals etc.*

As the Moldovan imports from Greece have been declining over the last years, a mechanism in increasing the Greek imports is the *improvement of the Moldovan business environment*. Clearly, this involves a complex, tedious and long-lasting process, because the Moldovan business climate has numerous obstacles and their removal cannot be done overnight. For instance, the following mechanisms related to the removal of obstacles in the Moldovan business environment would help in increasing the trade flows with Greece and with other countries:

- ✓ Reduce and simplify bureaucracy levels;
- ✓ Decrease import and export taxes and the local taxes;
- ✓ Maintain stable, reliable, trustworthy and fair business conditions for all international traders;
- ✓ Increase incentives from the government for international traders;
- ✓ Involve only best professionals and experts in jobs related to trade activities at the governmental level;
- ✓ Reduce corruption levels;
- ✓ Maintain a stable national currency;
- ✓ Increase the working conditions and salaries of the Moldovans;

- ✓ Enhance international competitiveness of the Moldovan products by implementing the EU standards.

Similarly, the author proposes several mechanisms that would improve the Greek business environment and which in turn would lead to higher trade flows with Moldova:

- ✓ Direct the economic growth model towards exports: tax policy improvements, public administration enhancement;
- ✓ Enhance international competitiveness through wage reductions, cost-cutting and labor market reforming;
- ✓ Improve energy efficiency;
- ✓ Enhance the governance standards;
- ✓ Boost skills transfers, training and guidance on export readiness, which would improve the resilience of Greek firms to economic instability;
- ✓ Sustain a stable financial sector, to improve private sector access to finance.

Greece has already improved significantly its business conditions, which influence also its international trade flows. For instance, the costs and time of starting a new business have reduced considerably. Also, Greece has implemented electronic submission of custom declarations for exports which facilitates trade [101].

**Mechanisms that would improve the bilateral FDI flows.** In addition to the mechanisms that apply to the development of all forms of economic relations between Moldova and Greece, the author will describe further specific mechanisms for the development of the bilateral FDI flows. Similarly to trade flows, the FDI flows between Moldova and Greece could be enhanced using and implementing fully the *national strategies that aid in attracting investments*. As regards Moldova, it was already mentioned such a strategy for the FDI, as one strategy is formulated both for promoting the exports and for attracting investments. It is called the “*National strategy for attracting investments and for promoting the exports during years 2016-2020*”, with its related “*Plan of actions in implementing it*” [165]. Within this strategy, a couple of mechanisms that would help in attracting investments, including Greek FDI, are identified:

- a. Strengthen the regulatory framework concerning investments, which could aid in efficient prevention and settlement of investment disputes, enhancement of fiscal policy and customs administration, boost in business confidence and transparency relations;
- b. Enhance the capabilities of the national institutions, with the aim of attracting, maintaining and developing the investments.

This strategy identified seven priority sectors for attracting investments, similar to exports. Hence, the Greek investors are advised to invest in the following sectors: 1) information and communication; 2) manufacture of machinery and equipment; 3) administrative and support service activities; 4) manufacture of machinery and their parts; 5) textiles, clothing and footwear; 6) electrical equipment; 7) food and agriculture.

With reference to Greece, its government does not have a specific strategy on attracting FDI, but it has created several policies and adopted several laws which act as mechanisms in attracting FDI. “Investments in Greece operate under two main laws: the new *Investment Law (4399/2016)* that addresses small-scale investments and *Law 4146/2013* that addresses strategic investments”. Law 4399/2016 offers assistance and tax breaks to firms that invest at least €50,000. The second law also offers tax exemptions and incentives to investors and permits foreign investors from non-EU countries (including Moldova) who purchase property in Greece of at least €250,000 to get every 5 years residence permits for their families [127].

Further, one more mechanism for the development of bilateral FDI flows between Moldova and Greece is the *specialized agencies that facilitate FDI*. As regards Moldova, it was already mentioned this agency, as it promotes also exports; to be precise one is talking about *The Moldovan Investment and Export Promotion Organization (MIEPO)*, which aims also at attracting investments [80]. Similarly to Moldova, the agency that promotes exports in Greece also aids in attracting FDI to the Greek economy, i.e. *Enterprise Greece* [91]. It is of no surprise to us to notice that the agency that promotes exports is also the agency that facilitates FDI. This is explained by association between trade and FDI, as setting up an overseas subsidiary offers the possibility to substitute or complement exports [53].

These specialized agencies have considerable importance as an instrument in facilitating FDI, as they assist the foreign investors with information as regards investment laws, tax exemptions, FDI priority sectors etc. Hence, a mechanism in developing the Moldovan-Greek FDI flows is if *MIEPO includes Greece on its target market list*, so that Greece would be viewed as a significant source of investments for Moldova, due to the existing Greek FDI flows in Moldova, which the author determined that are of a high magnitude for the Moldovan economy. More specifically, Greek FDI in Moldova is the 19<sup>th</sup> amongst the FDI from the world economies [86]. However, as Greece did not attract Moldovan FDI and, most probably will not attract, because Moldova is not a developed economy, Enterprise Greece shouldn't include Moldova on its target market list, as there are limited investors from Moldova.

Further, these specialized agencies and other institutions from Moldova and Greece which have an influence on the FDI should *organize regularly events focusing on investment*

*opportunities for Greek firms.* These events would facilitate the dialog between the Greek investors and the Moldovan institutions.

One can spot out also mechanisms that are consumer related. For example, since it was found out that the consumers both in Moldova and in Greece have a moderate level of ethnocentrism [20; 30], which indicates that they might choose the local products against the imported products, then, in order to be successful whilst investing in Moldova/Greece, the foreign firms are advised to *engage into joint ventures or strategic alliances with local firms.*

Based on the findings of our recent research on Greek FDI in Moldova [17], a mechanism that would improve the Greek FDI flows into Moldova's economy is if the Greek firms *place their investments in the large cities of Moldova*, due to their more developed infrastructure, more skilful workers and increased consumer demand, hence a more attractive market. Also, the Greeks are advised to *invest in the agricultural sector of Moldova and in retail and wholesale of food products, fresh vegetables, fruits, seeds, grain, live animals*, as it was determined that these are the *major economic activities* in which the Greek companies operate and in which they obtain success, particularly because these sectors of Moldova's economy are in the top three positions as regards the formation of the Gross Value Added. Another mechanism in developing the Greek FDI to Moldova is if the Greek investors continue their current habits of *getting involved in several economic activities*, which helps to spread the market risk and diversify the market opportunities. Also, the Greek investors in Moldova are advised to *increase the salaries of the employees*, in order to avoid their emigration abroad, as currently this is a very intensive phenomenon that leads to deficit in workforce on the Moldovan labour market.

Further, the economic complementarity of Greece and Moldova indicates some other mechanisms that would aid in attracting Greek FDI into Moldova's economy. Thus, the Greek companies could *invest in Moldovan construction sector*, since, presumably, there is plenty of room for growth, as the construction sector seems to be somewhat more important in Moldova than in Greece. Also, as it was determined that *Moldova's transport and communications sector* contribution in the formation of Gross Value Added exceeds the Greek contribution with 4%, the Greeks have the opportunity to undertake *investment projects in Moldova in the transport and communication sector.*

Additionally, the following mechanisms would aid in the enhancement of the Moldovan investment climate, thus leading to increased Greek FDI:

- ✓ Increase incentives to foreign investors, e.g. tax deduction in the first years of investment;
- ✓ Offer comprehensive information as regards investments in Moldova;
- ✓ Enhance the image of Moldova among foreign investors;

- ✓ Invest in human capital through reforming the educational sector, as currently the cheap labor force of Moldova is basically the only valuable determinant of FDI into the Moldovan economy;
- ✓ Cancel or diminish the interdictions imposed on the local firms with foreign capital on purchasing agricultural land, since agriculture is the sector in Moldova which ranks the third as regards its contribution to GDP;
- ✓ Enhance the transport infrastructure and the communal infrastructure necessary for economic activities (gas network, secure connections to electricity, drinking and technical water supply, sanitary and industrial sewage systems, waste treatment facilities etc), particularly in the suburbs, so that the suburbs would become attractive for foreign investors;
- ✓ Ensure the stability of tax/customs policy.

Also, by *improving the Moldovan business environment*, clearly the investment climate would be beneficially impacted. This would lead to increased Greek FDI into the national economy. These measures are similar to those discussed in the previous section as regards mechanisms for the development of bilateral trade:

- ✓ Diminish and simplify bureaucracy levels;
- ✓ Reduce import and export taxes and the local taxes;
- ✓ Sustain stable, reliable, trustworthy and fair business conditions for all investors;
- ✓ Reduce corruption levels;
- ✓ Maintain a stable national currency;
- ✓ Boost the working conditions and salaries of the local labor force.

Further, as there are no FDI flows from Moldova to Greece, we will not discuss mechanisms on how to improve the Greek investment climate to attract foreign FDI, since the reason behind lack of Moldovan FDI in Greece is not the Greek investment climate, but the fact that Moldova is a not a developed economy.

**Mechanisms that would improve the bilateral tourism flows.** In addition to the mechanisms proposed for the development of all the economic relations between Greece and Moldova (i.e. use the historical context; implement fully the bilateral agreements between Moldova and Greece; organize regularly Joint Committees; submit regular reports on the progress; implement fully the Association Agreement with the EU; establish more frequent, more diverse and cheaper flights between Moldova and Greece; get involved more actively in mutually beneficial projects within BSEC, BSTDB), one can identify some specific mechanisms that would enhance the bilateral Moldovan-Greek tourism relations.

For instance, the fact that Moldova and Greece have an *identical religion could be used in promoting the image of the respective countries* among Greek/Moldovan tourists. The similarity in religion is a factor that facilitates tourism flows [98], due to the fact that the tourists feel comfortable to visit a country that has a familiar religion.

On the other hand, the distinctive aspects of Greek and Moldovan cultures (i.e. music, dance, language, history, cuisine) could also be used as a mechanism for the development of the bilateral tourism flows. More specifically, Moldovan tourism marketers should *use an attractive promotional advertisement which emphasizes the unique and exciting features of the Moldovan culture*, which would consequently influence the willingness of the Greek tourists to explore Moldova. Similarly, the Greek marketers should do as regards the Moldovan tourists.

Due to the fact that Greece and Moldova differ considerably, because of the dissimilarities in their economic, political, social, consumer, technological, legal, environmental etc. conditions, Moldova and Greece should use different mechanisms for the development of their touristic inflows. Further, there will be described separately the mechanisms for the development of the Moldovan tourist flows to Greece and separately the mechanisms for the development of the Greek tourist flows to Moldova.

Mechanisms that would enhance the Moldovan tourism flows to Greece. Even though Greece has become a very popular tourism destination among Moldovans [152], nevertheless Greece should implement several mechanisms to make sure that the number of Moldovan tourists increases or is at least stable.

For example, due to the mainly small revenues of the Moldovans, the Greek tourist marketers could *design special low-priced packages* that would target such prospective customers. Or the Greeks could at least *maintain stable the prices for the touristic packages*, as, in case they increase, the Moldovan tourists would probably opt for cheaper destinations.

In addition, because there are a few flight routes Moldova-Greece, the Greek airlines are advised to *provide direct flights from/to Moldova to several destinations of Greece*. Furthermore, so as to decrease the security problems, since Greece is one of the nations under a general threat from terrorism and acts of political violence [54], the Greek authorities should *pay more attention to safety maintenance* and thus *communicate messages to international tourists that Greece is a safe destination to visit*.

Concerning intangible aspects, the Greek tourist marketers should work on *decreasing the influence of the Greek government-debt crisis image*, hence on *improving the image of Greece as a tourism destination*, even though it was determined through a recent research study that, generally, the image of Greece as a tourism destination is positive among Moldovans [19]. Additionally, the

*Greek authorities should collaborate with the Greek tourism resorts in enhancing the conditions for the international tourists. To be exact, the Greek resorts should implement the suitable marketing strategies which might improve the Greek image as a tourism destination and, as a result, influence positively the experience of the tourists from Moldova as well.*

Also, with reference to the economic aspects, the Greek authorities, companies and citizens should put more effort into *improving the Greek economic efficiency*. In addition, the obligatory currency limitations from Greece must have *a reduced influence on the tourists' ability to make use of currency*.

Further, one more mechanism for the development of the Moldovan tourism flows and other international tourism flows to Greece is the *full implementation of the Greek National Strategic Plan for Tourism 2014-2020* [54]. Some of the mechanisms proposed by this strategy are:

- ✓ Creation of Destination Management Organizations;
- ✓ Establishment of a Think Tank which would aid at the implementation of tourism strategies and would support the companies in a scientific manner;
- ✓ Alliances with overseas airlines that would connect the Greek tourism destinations with overseas cities via direct flights;
- ✓ Upgrade and enhance the quality of the product “sea and sun”;
- ✓ Improve the image of tourism in the Greek society, to attract more competent employees and to stimulate tourism entrepreneurship.

Mechanisms that would enhance the Greek tourism flows to Moldova. As Moldova is of poor interest to Greek tourists, with only around 101 Greek visitors as of 2016 [152] and because Moldova has a poor image as a tourism destination among Greeks [155], much time, effort and resources are needed to develop the Greek tourism inflows to Moldova.

Based on the results of our recent research study, which evaluated the image of Moldova as a tourism destination among Greeks [155], one can identify several mechanisms for the development of the Greek touristic flows to Moldova. These mechanisms should be followed both by Moldovan tourism marketers and by the Moldovan authorities:

- ✓ The marketing strategies, particularly promotion, should *focus on young Greeks*, as they reveal the highest levels of interest in tourism and travel activities;
- ✓ The *image of Moldova* should be *promoted equally among Greek men and women*, due to their equal interest in travel and tourism activities;
- ✓ Considering that 30% of Greeks assert that they have low income, the *advertisements* about Moldova should *emphasize that Moldova is a cheap tourism destination*. At the

same time, it is necessary to *create a variety of tourist packages, adapted to the various incomes of Greek tourists*;

- ✓ Because many Greeks have university degrees, a way to increase their interest towards Moldova is *intellectual motivation*. More exactly, Moldova's promotion should *focus on its history, on the importance of the country from the geostrategic viewpoint, on the country's bilingualism* etc;
- ✓ As most Greeks who show an interest in travel and tourism activities are not married, the author recommends that promotional messages among the Greeks *highlight the entertaining activities they can get involved in* while visiting Moldova;
- ✓ Because Greeks have poor knowledge about Moldova, which leads to a low interest in visiting this country, it is suggested that the *Moldovan Government to promote more intensely Moldova's image*, both as a tourism destination among the Greeks, as well as among other European citizens;
- ✓ To counteract the effects of the negative perceptions which the Greeks have about Moldova, the *promotional messages should emphasize that Moldova is a progressive, politically stable and safe destination to visit, that Moldova has numerous relaxing, beautiful places with scenic nature, with places of historical or archeological interest, with a high level of service in restaurants and hotels*;
- ✓ The Moldovan authorities are responsible for the *development of the places that are of touristic interest, especially the cities of Moldova*, which are perceived by the Greek tourists as unattractive;
- ✓ The Government of Moldova must *invest in infrastructure development*;
- ✓ As the citizens of Moldova were evaluated the highest by the Greeks among all the tourism destination image dimensions, it is necessary to *use in the ads common, usual Moldovan citizens, who embody the diligence, hospitality, courtesy and sincerity of the Moldovans*. At the same time, the *Moldovans involved in the tourism sector activities must also exhibit the above-mentioned features*;
- ✓ It is essential to *improve the quality and diversity of the Moldovan products*. Similarly, *tourism services and information* should be offered at a *higher level*.

Some mechanisms for the development of Greek tourist flows to Moldova can be proposed based on the hindrances that the author analysed previously. For instance, the level of *public and private sector funding for promoting Moldova as a tourism destination* should be *increased*. This includes also the increase in the budget for the implementation of the tourism development

strategy. Further, *Moldova's tourism laws must be harmonized with the EU and UNWTO tourism laws*. Also, the *standard of public medical care* should be improved.

Finally, one more mechanism for the development of the Greek tourism flows and other international tourism flows to Moldova is the full implementation of the *Strategy for Tourism Development "Tourism 2020"*. It proposes the following objectives and specific mechanisms for each objective:

- 1) *Improvement of the normative framework in the field of tourism in accordance with the requirements of the tourism market according to the European standards* (i.e. for tourism heritage assessment and tourism zoning; regarding the tourist routes and tourist indicators; for the delimitation of tour operator and travel agency attributions; regarding the quality assurance of the tourist services; for the protection of the rights of the consumers of tourist services; for the activity of tour guides; for the organization and functioning of the tourist information and promotion structures; to simplify procedures for starting a business in the field of rural tourism; for improving the statistical tools and the way to collect, process, validate and disseminate the statistical data on tourism);
- 2) *Capitalization on the national tourist potential and promotion of the image of the Republic of Moldova as a tourism destination* (i.e. diversification of tourism promotion instruments; development of forms of tourism that need to be stimulated and of perspective forms of tourism; diversification and exploitation of recreational activities; collaboration with the Diaspora to promote the image of the country and to attract foreign tourists);
- 3) *Regional development of tourism* (i.e. tourism zoning of the country; identification and capitalization on investment opportunities; support of the firms in the tourism industry that contribute to the development of domestic and inbound tourism; modernization of tourism infrastructure; creation of an efficient collaboration mechanism with local public authorities);
- 4) *Enhancement of the training level of specialists and of the quality of tourism services* (i.e., adjusting the training programs for tourism specialists to market requirements; diversifying the possibilities of staff development; increasing the level of execution of quality standards in tourism; countering the phenomenon of illegal activity and work in tourism);
- 5) *Technological modernization of the tourism industry through the use of information and communication technology* (i.e. creating and implementing a mechanism for recording, in electronic format, the tourism potential of the country; creation and implementation of the statistical recording and reporting mechanism in electronic format; gradual transition to the electronic delivery of tourism services; diversification of tourism promotion instruments in electronic format) [164].

**Mechanisms that would improve other bilateral economic flows.** In addition to the proposed mechanisms for the development of all forms of economic relations between Greece and Moldova, one can identify also specific mechanisms for the advancing of bilateral technology transfer and for bilateral migration flows. Even though these Moldovan-Greek economic flows are not as intense as the bilateral trade, FDI and tourism flows, there is room for their improvement if certain mechanisms are followed.

As regards the development of bilateral technology transfer, Moldova and Greece should put more time and resources into the improvement, diversification and broadening of their scientific cooperation, particularly because, according to the Moldovan economist *Onofrei Alexandru*, international technology transfer is one of the several prerequisites for Moldova's economic integration within EU [189]. For instance, as Moldova does not offer scholarships to foreigners, including Greeks, to study, to get involved in mutually scientific research projects or to attend an exchange program at Moldovan universities, it restricts the Moldovan-Greek scientific cooperation. Hence, a mechanism for its development would be the *existence of at least some scholarships to Greeks*. In addition, representatives of the scientific and cultural community of Moldova have limited possibilities to visit Greece for technology and cultural purposes, because of limited budget expenses of the Moldovan government on cultural and sports activities. Clearly this implies that Moldovan government should *increase the budget expenses on cultural and sports activities*. Also, due to the fact that Greece is more developed economically than Moldova and because the Greek cultural and sports activities sector is more developed than the Moldovan, *Greece should make use of its advantages by transferring its knowledge to Moldova*.

Further, as many representatives of the scientific, academic and cultural communities of Moldova have poor knowledge of the English language, it represents a language barrier for exchange programs with Greece. Hence, the *scientific and academic communities should improve their English language skills*. Finally, *full implementation of the Moldovan-Greek cooperation agreements by the scientific, academic and cultural communities* is a certain mechanism in developing the bilateral technology transfer relations.

With reference to the development of bilateral migration flows, due to the high number of Moldovan immigrants in Greece, the *Moldovan government must intensify its relations with the Moldovan Diaspora from Greece*. Meanwhile, in order to increase the migration flows from Greece to Moldova, the *process of getting permit residence for Greek investors and Greeks who come for knowledge transfer purposes in Moldova must be simplified*. Additionally, Moldova must *implement and maintain fair labor conditions for all immigrants, including Greeks*.

### 3.4. Conclusions to Chapter 3

This chapter identified and analysed the opportunities and hindrances for the development of all the economic flows between Moldova and Greece. Then, it proposed several mechanisms that would aid in advancing the bilateral Moldovan-Greek economic relations. Based on all the findings, the following conclusions were drawn:

1. Numerous opportunities that were identified refer to the general development of all the forms of economic relations between Greece and Moldova, i.e. the numerous bilateral agreements, Association Agreement signed in 2014 between Moldova and the EU, the relatively small distance between Moldova and Greece, and the similar geographic regions to which these two countries belong.
2. Several opportunities for the development of the trade flows between Moldova and Greece were identified, such as the socio-economic megatrends (i.e. membership to WTO, to BSTDB, Greek membership to the EU; DCFTA for Moldova), complementary economic specializations of the countries, large population and GDP of Greece, positive attitudes of Greek consumers towards private food label products, positive image of Greece etc.
3. It was determined that basically there are more opportunities for the development of Greek FDI flows to Moldova than the other way around. Such opportunities are derived from Moldova's economic and political conditions, i.e. cheap and skilled labor force, strategic geographical position between Europe and Asia, relatively small cost of living in Moldova, investor welcoming taxes, similar features of the Moldovans and Greeks, resemblance in corruption magnitudes, economic complementarity, priority sectors identified in Moldova's strategy etc.
4. The opportunities for the development of the bilateral tourism flows are offered by the beneficial state of the bilateral diplomatic relations, transport policy factor, relatively small travel costs, identical religion, distinctive aspects of Greek and Moldovan culture and climate. At the same time, based on the differences in the economic, political, consumer, technological, environmental etc. conditions of Greece and Moldova, specific opportunities for the development of Moldovan tourism flows to Greece and reverse were identified.
5. With reference to bilateral technology transfer opportunities, one must mention the scholarships offered by the Greek government to Moldovans, the cooperation agreement by the scientific communities, Greek language and culture courses at Moldovan institutions and Romanian and Russian language courses at Greek institutions. Concerning migration flows, Moldovans' ease of migrating to Greece due to the Romanian citizenship represents an opportunity.

6. There were identified more hindrances in the development of imports from Greece than in the development of exports to Greece, such as the recent Greek economic crisis, the small and decreasing size of the Moldovan market, low purchasing power of the Moldovan consumers, limited competitive advantage of the Greek products on the Moldovan market, moderate level of consumer ethnocentrism both in Greece and Moldova, localization megatrend etc.
7. Due to the link between trade and FDI flows, one can notice that many of the hindrances related to the bilateral trade flows impact also the bilateral FDI flows. In addition, there were identified the following hindrances related to Greek FDI flows to Moldova: cost factors (i.e. declining labour forces, smaller cultivation areas, decreasing number of local suppliers), unfavorable investment environment of Moldova and Moldovan-Greek cultural differences.
8. With reference to hindrances related to bilateral tourism flows, the gravity theory indicates that the *travel distance* is the strongest. As regards hindrances related to Moldovan touristic flows to Greece, one must mention: very small salary of Moldovans, depreciation of Moldovan Leu, Greek government-debt crisis image. Among hindrances related to Greek touristic flows to Moldova, one must point out: very low intentions of Greeks to visit Moldova, poor image of Moldova as a tourism destination, Greeks' poor knowledge of Moldova, Greek economic crisis, poor efficiency of Moldova's economy, poor travel infrastructure of Moldova.
9. Among hindrances related to bilateral technology transfer are: lack of scholarships for Greeks to study at Moldovan universities, poor knowledge of the English language among the scientific, academic and cultural communities of Moldova, limited budget expenses of the Moldovan government on cultural and sports activities. As regards migration flows hindrances, one must mention the hard labour-related conditions in Moldova, the poorly developed economy of Moldova and the Greek economic crisis.
10. Numerous mechanisms for the development of all economic relations between Moldova and Greece were identified, such as using the historical perspective and the geopolitical significance of Moldova, full implementation of the Greek-Moldovan economic agreements, organizing regular Moldovan-Greek Joint Committees, submitting reports on the progress, involvement of the ambassadors in the exports' promotion strategy and in supporting national companies, full implementation by Moldova of the Association Agreement with the EU, more active involvement within BSTDB and BSEC in mutually beneficial projects, more frequent, more diverse and cheaper flights between Moldova and Greece.
11. Specific mechanisms for the development of each type of international economic relations between Moldova and Greece are proposed. For instance, as regards bilateral trade and FDI development, it is suggested full implementation of the national strategies of Greece and

Moldova that aid in the increase of the countries' exports and in attracting foreign investments; the use of the specialized agencies that promote exports and facilitate FDI, i.e. MIEPO and Enterprise Greece; improvement of business and investment climate. Concerning bilateral tourism development, the national strategies for tourism indicate several mechanisms that must be followed. Increasing the Moldovan budget expenses on cultural and sports activities represent a mechanism as regards bilateral technology transfer, while intensifying the relations of Moldovan Government with the Moldovan Diaspora from Greece is a mechanism for the development of migration flows.

- 12.** Finally, it is proposed a gravity equation that would measure the magnitude and the potential of the different types of economic flows between Moldova and Greece.

## GENERAL CONCLUSIONS AND RECOMMENDATIONS

Having based on the research findings on the development of the international economic relations between Moldova and Greece, as well as the related opportunities and hindrances, the following **conclusions** have been drawn:

1. On the basis of the analysis of the international economic relations between Moldova and Greece, it has been revealed that the most intense forms of international economic relations between Moldova and Greece are bilateral trade, FDI and tourism flows [18]. In doing so, the theories for explaining the character of those relations were classified and the following theories were applied: the factor endowment theory, gravity framework [14], the FDI experience of the Western countries, the framework on how corruption influences FDI, theories that examine the FDI outflow from developing countries [15], tourism demand- and supply-side theories, destination image theory [106] etc.

2. Proceeding from the fact that the current specialized literature does not offer a certain classification of the international tourism theories, in the actual research, for explaining the particular features of tourism flows between Moldova and Greece it has been proposed the following classification: (1) Tourism-demand models; (2) International trade theoretical approaches based on supply-side factors; (3) Destination image models; (4) Gravity theories [106].

3. Based on the detailed analysis of the Moldovan-Greek economic flows, it has been determined that Greece is becoming for Moldova an important trade partner as regards exports, explained by the fact that Moldova's exports to Greece have been increasing over the years and because Moldova has a positive commercial balance with Greece. However, the trade with Moldova seems to be less significant for Greece's overall trade balance [18]. Regarding the bilateral FDI flows, it was noticed that Greece is more interested in FDI flows to Moldova, before having it the other way around, as Greece has a more developed economy than Moldova [17]. The bilateral tourism flows between the two countries is increasing, mainly due to the increasing interest of Moldovans in Greece as a tourism destination [19]. The Greeks do not show an increasing interest in visiting Moldova and the number of Greek tourists in Moldova is still insignificant, explained by the neutral, imprecise image of Moldova as a tourism destination among the Greeks, the few demand-factors and the weak supply-side factors of Moldova [155]. As regards the bilateral technological transfer flows, they are long-lasting, though narrow and undiversified. With reference to international migration flows, few Greeks settle in Moldova – on average 24 persons yearly, while officially over 11500 Moldovans live in Greece [18].

4. Using a simple gravity model analysis, it has been established that, theoretically, for Moldova, Greece should be the 16<sup>th</sup> among the other EU countries as regards the bilateral

economic flows. And so, Greece should be of small importance to Moldova compared to the relations of with some other EU economies. This could be explained by the rather small GDP of Greece, if compared with the GDP of other European economies, and also by a relatively large distance between Greece and Moldova, if compared to the distance between Moldova and other EU countries. However, as the thesis analysis has shown, due to the impact of many other factors which gravity theory does not take into consideration, in reality Greece was in 2016 the 13<sup>th</sup> as regards bilateral trade volumes, the 11<sup>th</sup> concerning Greek FDI flows to Moldova, the 4<sup>th</sup> as regards the outbound tourism flows and the 24<sup>th</sup> regarding the inbound tourism flows. Based on these, it could be drawn the conclusion that Greece is rather an important partner of Moldova, which could be explained by a certain mutual interest, by Moldova's EU intergration endeavour, historical economic ties, similar religion etc [18]. As a result, it has been registered growing exports from Moldova to Greece, a positive commercial balance with Greece, growing tourism and immigrant flows to Greece.

5. Many *opportunities* influence positively the development of all the forms of economic relations between Greece and Moldova, such as the numerous bilateral agreements, Association Agreement signed in 2014 between Moldova and the EU, the relatively small distance between Moldova and Greece, similar geographic regions to which these two countries belong. Some opportunities influence a specific form of bilateral economic relations. For instance, complementary economic specializations of the countries, large population and large GDP of Greece influence the development of the trade flows between Moldova and Greece. Opportunities for the development of Greek FDI flows to Moldova are given by Moldova's cheap and skilled labour force, resemblance in corruption magnitudes and relatively small cost of living in Moldova. Opportunities for advancing the bilateral tourism flows are offered by the relatively small travel costs, identical religion, distinctive aspects of Greek and Moldovan culture and climate etc [16]. Vis-à-vis bilateral technology transfer opportunities, one should mention the scholarships offered by the Greek government to Moldovans, the cooperation agreement by the scientific communities. Concerning migration flows, Moldovans' ease of migrating to Greece due to the Romanian citizenship represents an opportunity [18].

6. As far as the *hindrances* in the development of imports from Greece are concerned, their magnitude and intensity is higher than of the hindrances in the development of exports to Greece. Due to the link between trade and FDI flows, established in the research, it has become clear that many of the hindrances related to the bilateral trade flows impact also the bilateral FDI flows. They are intensified by the numerous hindrances related to Greek FDI flows, which have been identified in thesis, such as declining labour forces, unfavourable investment environment of Moldova and

the Moldovan-Greek cultural differences [17]. As regards obstacles related to Moldovan touristic flows to Greece, the small salary of Moldovans is worthy to be mentioned [16], while among hindrances related to Greek touristic flows to Moldova, the low intentions of Greeks to visit Moldova has to be pointed out, as well as the poor image of Moldova as a tourism destination, Greeks' lack of knowledge of Moldova, Greek economic crisis, low efficiency of Moldova's economy, and the underdeveloped travel infrastructure of Moldova [155]. With reference to bilateral technology transfer, limited budget expenses of the Moldovan government on cultural and sports activities represent a considerable hindrance, while as regards migration flows hindrances, the attention should be paid to the hard labour-related conditions in Moldova, the poorly developed economy of Moldova and the Greek economic crisis.

**The important scientific problem solved in the investigated field** consists in the determination of the methodological prerequisites for the research of the evolution of the Moldovan-Greek economic relations, having as an effect the identification of the obstacles and opportunities to ensure several mechanisms that would contribute to the development of these relations in the context of the European economic integration.

On the basis of the research done, the following **recommendations** regarding the development of the economic relations between Republic of Moldova and Hellenic Republic have been developed:

1. To the attention of the *Ministry of Economy and Infrastructure of Republic of Moldova* and *Hellenic Ministry of Economy, Development and Tourism*, it is recommended to use all the possibilities revealed in this thesis for ensuring full implementation of the Moldovan-Greek economic agreements, as well as the regular monitoring and reporting of the results of their implementation by *the Embassy of the Republic of Moldova in the Hellenic Republic* and by the *Greek Honorary Consulate in Chişinău, Moldova*, also by *MIEPO* and by *Enterprise Greece*. Additionally, the two diplomatic representatives should organize regularly Moldovan-Greek Joint Committees, which would aid to the development of bilateral economic relations, due to the dialog that these committees would facilitate among the economic agents from Greece and Moldova.
2. The Moldovan and the Greek diplomatic representative, i.e. *the Embassy of the Republic of Moldova in the Hellenic Republic* and the *Greek Honorary Consulate in Chisinau* are recommended to intensify the application of the economic diplomacy concept in the Moldovan-Greek economic relations, i.e. involve more actively the Moldovan and Greek ambassadors/embassy staff in the exports' promotion strategy, in supporting national companies and in improving the bilateral dialogue with the business environment abroad through consultations and direct contacts.

3. It is imperative that the *Moldovan Government* and its institutions ensure the full implementation of the Association Agreement with the EU, because it would contribute to the modernisation of Moldova, via advancing of Moldova's trade with the EU and via the harmonising of Moldova's regulations with the EU practices. Hence, Moldova is likely to improve its business climate and to strengthen its institutions, thus to become better at attracting Greek FDI, at trading with Greece and at establishing and diversifying its other economic flows with Greece.

4. *The Moldovan and Greek producers of goods and service providers* that intend to trade and/or invest in Greece and Moldova respectively should use as a marketing tool the mutual historical ties between Moldova and Greece and the geopolitical significance of Moldova for the development of the bilateral economic relations.

5. It is important that the Moldovan and/or Greek airlines, such as *Air Moldova, Aegean Airlines, Ellinair* establish more frequent, more diverse and cheaper flights between Moldova and Greece. An easier way to travel between these countries would impact positively all the bilateral economic flows, facilitating the travel of Moldovan and Greek traders, investors, tourists, scientists, students, migrants etc.

6. A number of institutions, i.e. governmental, business, academic, consumer related etc. should apply specific mechanisms for the development of each type of international economic relations between Moldova and Greece.

6.1. As regards bilateral trade and FDI development, it is suggested full implementation of the national strategies of Moldova that aid in the increase of the countries' exports and in attracting foreign investments, which should be completed by the following institutions from Moldova: *The Ministry of Economy and Infrastructure of Republic of Moldova, The National Institute for Economic Research, The National Bureau of Statistics, The National Bank, The Ministry of Finance, The Ministry of Justice* and other related ministries and local authorities of Moldova. Similarly, it is recommended that the National Trade Facilitation Strategy of Greece to be completed by the following Greek authorities: *The Hellenic Ministry of Finance, The Ministry of Foreign Affairs, The Ministry of Economy, Development and Tourism, The Ministry of Rural Development and Food*. Also, it is vital that the specialized agencies that promote exports and facilitate FDI get involved in these strategies, i.e. *MIEPO* and *Enterprise Greece*.

6.2. Concerning bilateral tourism development, the national strategies for tourism should be followed by *the Tourism Agency of the Republic of Moldova* and by *Hellenic Ministry of Economy, Development and Tourism*, by the tour agencies and tour operators from Moldova and Greece, by the *National Association of Tourism Agencies of Moldova* and the

*Greek National Tourism Organization* etc. Further, the *Moldovan Government* should increase the Moldovan budget expenses on cultural and sports activities, as they represent a mechanism as regards bilateral technology transfer. Also, intensifying the relations of Moldovan Government with the *Moldovan Diaspora from Greece* is a mechanism for the development of migration flows.

7. As the author has applied the gravity theory within this doctoral thesis limits, it is recommended to *researchers* and *academics* in the field to extend this research investigation in a future study and we propose using a gravity equation that would measure the magnitude and the potential of the different types of economic flows not only between Moldova and Greece, but also between Moldova and other EU countries.

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## ANNEXES

### Annex 1

#### Categories of Factors that Comprise the Bilateral Framework

Category	Factors (Examples)
<b>Demand</b> Price Personal choice	Cost of travel Travel versus other forms of consumption
<b>Government Responsibilities</b> State of diplomatic relations Government policy towards tourism Transport policy Currency restrictions Promotion and marketing Government regulations Government supplied goods and services Economic policy	Facilitates or discourages travel Visa and passport regulations Bilateral aviation agreements Level of restrictions on import or export of currency Level of public and private sector funding Designed to assist or hinder tourism development Security, public health, policing Does government have expansionary policies to stimulate tourism
<b>Private Sector Factors</b> Travel infrastructure Domestic price levels	Efficiency of tour operators Restrict or encourage personal consumption
<b>Intangible Factors</b> Quality of the nation's attractions and national attractiveness Icons and images Barriers to bilateral tourism Other factors including media	Positive attractiveness encourages travel, negative attractiveness discourages travel Unique icons encourage travel Distance, cultural differences Positive or negative images
<b>External Economic Factors</b> Efficiency of national economy Competition Exchange rates Income effect Elasticity and Substitution effect	An efficient economy provides competitively prices goods and services Impacts on visitor numbers and destination prices Impacts on relative price levels Determines number of people able to participate in travel If prices increase consumers seek substitute destinations
<b>External Political and Health Factors</b> Terrorism and political risk State of international relations Health	Known level of terrorist risk Friendly is a positive factor, unfriendly is a negative factor State of public health system

Source: [998, p. 783]

**Significant economic agreements between Republic of Moldova and Hellenic Republic**

1. Agreement on the establishment of diplomatic relations;
2. Agreement on international road communications;
3. Protocol of Consultations between the Ministry of Foreign Affairs of the Republic of Moldova and the Ministry of Foreign Affairs of the Hellenic Republic;
4. Agreement on the conditions of granting scholarships to Moldovan students for training in military educational institutions of Greece;
5. Agreement between the Government of the Hellenic Republic and the Government of the Republic of Moldova on economic, technological and scientific cooperation;
6. Agreement between the Government of the Hellenic Republic and the Government of the Republic of Moldova on the promotion and reciprocal protection of investments;
7. Treaty of friendship and cooperation between Moldova and Hellenic Republic;
8. Consular Convention between the Republic of Moldova and Hellenic Republic;
9. Protocol on cooperation between the Moldovan Ministry of Foreign Affairs and Ministry of Foreign Affairs of the Hellenic Republic;
10. Agreement on cooperation in veterinary;
11. Agreement on economic and technical-scientific cooperation in the agricultural area and manufacturing industry;
12. Agreement on military cooperation;
13. Agreement regarding air services;
14. Protocol on cooperation in social security and labor market;
15. Convention for the avoidance of double taxation and prevention of fiscal evasion concerning taxes on income and on property;
16. Agreement on cooperation in the tourism area;
17. Memorandum of Agreement in the field of youth;
18. Agreement on mutual assistance between customs administrations;
19. Memorandum of Agreement regarding cooperation in the public administration area, personnel management and organization;
20. Agreement on cooperation in culture, education and science fields;
21. Cooperation agreement between Standardization and Metrology Services of Moldova and the Hellenic Organization for Standardization.

Source: The Embassy of the Republic of Moldova to the Hellenic Republic website [148].

## Share in value in Moldova's and Greece's cluster exports (2016, %)

	Moldova		Greece	
	<i>Product label</i>	<i>Share, %</i>	<i>Product label</i>	<i>Share, %</i>
1	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	12.37	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	27.49
2	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	9.92	Aluminium and articles thereof	5.53
3	Beverages, spirits and vinegar	8.56	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5.14
4	Cereals	7.74	Pharmaceutical products	4.21
5	Edible fruit and nuts; peel of citrus fruit	7.62	Plastics and articles thereof	3.99
6	Articles of apparel and clothing accessories, not knitted or crocheted	7.25	Electrical machinery and equipment and parts thereof; sound recorders and reproducers...	3.92
7	Furniture; bedding, mattresses, mattress supports, cushions and similar...	6.26	Preparations of vegetables, fruit, nuts or other parts of plants	3.74
8	Articles of apparel and clothing accessories, knitted or crocheted	4.49	Edible fruit and nuts; peel of citrus fruit or melons	3.52
9	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	2.66	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	2.78
10	Pharmaceutical products	2.39	Fish and crustaceans, molluscs and other aquatic invertebrates	2.59
11	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	2.18	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	2.27
12	Sugars and sugar confectionery	2.15	Tobacco and manufactured tobacco substitutes	2.09
13	Preparations of vegetables, fruit, nuts or other parts of plants	2.03	Commodities not elsewhere specified	2.06
14	Glass and glassware	2.02	Salt; sulphur; earths and stone; plastering materials, lime and cement	1.92
15	Footwear, gaiters and the like; parts of such articles	1.41	Copper and articles thereof	1.81
16	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1.35	Cotton	1.44
17	Vehicles other than railway or tramway rolling stock, and parts and accessories	1.32	Iron and steel	1.38
18	Knitted or crocheted fabrics	1.19	Articles of iron or steel	1.37
19	Plastics and articles thereof	1.13	Articles of apparel and clothing accessories, knitted or crocheted	1.27
20	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	1.05	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	0.98
21	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	0.91	Miscellaneous edible preparations	0.97
22	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	0.88	Miscellaneous chemical products	0.88

23	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.84	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.87
24	Preparations of cereals, flour, starch or milk; pastrycooks' products	0.82	Beverages, spirits and vinegar	0.86
25	Residues and waste from the food industries; prepared animal fodder	0.77	Preparations of cereals, flour, starch or milk; pastrycooks' products	0.85
26	Articles of iron or steel	0.67	Articles of stone, plaster, cement, asbestos, mica or similar materials	0.82
27	Tobacco and manufactured tobacco substitutes	0.66	Cereals	0.8
28	Other made-up textile articles; sets; worn clothing and worn textile articles	0.66	Toys, games and sports requisites; parts and accessories thereof	0.76
29	Carpets and other textile floor coverings	0.65	Furskins and artificial fur; manufactures thereof	0.74
30	Rubber and articles thereof	0.61	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other...	0.73
31	Miscellaneous articles of base metal	0.58	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.71
32	Live animals	0.49	Edible vegetables and certain roots and tubers	0.64
33	Copper and articles thereof	0.44	Articles of apparel and clothing accessories, not knitted or crocheted	0.63
34	Wood and articles of wood; wood charcoal	0.43	Vehicles other than railway or tramway rolling stock, and parts and accessories	0.54
35	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.42	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	0.49
36	Meat and edible meat offal	0.41	Ships, boats and floating structures	0.48
37	Edible vegetables and certain roots and tubers	0.4	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles	0.47
38	Miscellaneous edible preparations	0.4	Inorganic chemicals; organic or inorganic compounds of precious metals ...	0.47
39	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.37	Fertilisers	0.43
40	Cocoa and cocoa preparations	0.33	Soap, organic surface-active agents, washing preparations, lubricating preparations...	0.43
41	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	0.33	Footwear, gaiters and the like; parts of such articles	0.42
42	Man-made filaments; strip and the like of man-made textile materials	0.23	Miscellaneous articles of base metal	0.41
43	Raw hides and skins (other than furskins) and leather	0.22	Knitted or crocheted fabrics	0.39
44	Man-made staple fibres	0.21	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	0.35
45	Aluminium and articles thereof	0.2	Natural or cultured pearls, precious or semi-precious stones, precious metals...	0.33
46	Miscellaneous manufactured articles	0.14	Miscellaneous manufactured articles	0.32
47	Miscellaneous chemical products	0.14	Aircraft, spacecraft, and parts thereof	0.31
48	Toys, games and sports requisites; parts and accessories thereof	0.14	Sugars and sugar confectionery	0.29
49	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	0.13	Man-made filaments; strip and the like of man-made textile materials	0.29
50	Iron and steel	0.13	Printed books, newspapers, pictures and other products of the printing industry; ...	0.28
51	Cotton	0.13	Meat and edible meat offal	0.24

52	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.1	Ores, slag and ash	0.23
53	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...	0.1	Residues and waste from the food industries; prepared animal fodder	0.23
54	Ceramic products	0.08	Wood and articles of wood; wood charcoal	0.22
55	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	0.07	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper....	0.18
56	Coffee, tea, maté and spices	0.07	Clocks and watches and parts thereof	0.17
57	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring ...	0.07	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.17
58	Articles of stone, plaster, cement, asbestos, mica or similar materials	0.06	Works of art, collectors' pieces and antiques	0.16
59	Clocks and watches and parts thereof	0.06	Rubber and articles thereof	0.14
60	Organic chemicals	0.05	Cocoa and cocoa preparations	0.14
61	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings...	0.05	Raw hides and skins (other than furskins) and leather	0.13
62	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, ...	0.05	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	0.12
63	Furskins and artificial fur; manufactures thereof	0.05	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic...	0.12
64	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	0.04	Glass and glassware	0.12
65	Cork and articles of cork	0.04	Ceramic products	0.11
66	Products of the milling industry; malt; starches; inulin; wheat gluten	0.04	Coffee, tea, maté and spices	0.11
67	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	0.04	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	0.11
68	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0.03	Man-made staple fibres	0.11
69	Other base metals; cermets; articles thereof	0.03	Lead and articles thereof	0.1
70	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables	0.02	Organic chemicals	0.1
71	Headgear and parts thereof	0.02	Products of the milling industry; malt; starches; inulin; wheat gluten	0.09
72	Aircraft, spacecraft, and parts thereof	0.02	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.06
73	Zinc and articles thereof	0.01	Live animals	0.05
74	Albuminoidal substances; modified starches; glues; enzymes	0.01	Lac; gums, resins and other vegetable saps and extracts	0.05
75	Musical instruments; parts and accessories of such articles	0.01	Carpets and other textile floor coverings	0.04
76	Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures ...	0.01	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.04
77	Lac; gums, resins and other vegetable saps and extracts	0.01	Albuminoidal substances; modified starches; glues; enzymes	0.04

Source: Compiled by the researcher based on International Trade Center Statistics [118]

## Moldovan Trade with Greece (2002-2016, thousands USD)

Year	Exports to Greece	Exports to World	Ratio of total exports (%)	Imports from Greece	Imports from World	Ratio of total imports (%)	Bilateral Trade Volume	Commercial Balance
2002	3111.70	643792	0.48	13267.30	1038000	1.28	16379.00	-10156.00
2003	3727.30	789934	0.47	11465.80	1402347	0.82	15193.10	-7738.50
2004	3420.90	985174	0.35	10404.20	1768534	0.59	13825.10	-6983.30
2005	4736.20	1090919	0.43	10305.60	2292292	0.45	15041.80	-5569.40
2006	5881.00	1050362	0.56	16732.50	2693184	0.62	22613.50	-10852.00
2007	9629.60	1340050	0.72	21939.10	3689524	0.59	31568.70	-12310.00
2008	9003.90	1591113	0.57	31293.90	4898762	0.64	40297.80	-22290.00
2009	16004.10	1282981	1.25	52649.70	3278270	1.61	68653.80	-36646.00
2010	17743.80	1541487	1.15	93319.20	3855289	2.42	111063.00	-75575.00
2011	24026.80	2216815	1.08	68744.40	5191271	1.32	92771.20	-44718.00
2012	13339.70	2161880	0.62	49989.40	5212928	0.96	63329.10	-36650.00
2013	25311.40	2428303	1.04	39327.50	5492393	0.72	64638.90	-14016.00
2014	26715.50	2339530	1.14	36809.10	5316959	0.69	63524.60	-10094.00
2015	25412.70	1966837	1.29	19710.70	3986820	0.49	45123.40	5702.00
2016	29494.487	2044610	1.40	19544.226	4020357	0.49	49038.712	9950.261

Source: Compiled by the author based on Biroul Național de Statistică al Republicii Moldova [152]

## Moldovan Exports to Greece, by sections (2011-2016, thousands USD)

	2011	2012	2013	2014	2015	2016
<b>EXPORT – total</b>	<b>24026.8</b>	<b>13339.7</b>	<b>25311.4</b>	<b>26715.5</b>	<b>25412.7</b>	<b>29494.5</b>
<i>Live animals; animal products</i>	-	-	-	-	-	-
<i>Vegetable products</i>	19181.8	9660.8	12539.7	21920.8	18433.2	22860.75
<i>Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes</i>	824.2	93.3	7801.6	-	-	-
<i>Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes</i>	1987.3	1928.8	2582.5	1837.4	3240.0	4244.58
<i>Mineral products</i>	-	-	-	-	-	0.21
<i>Products of the chemical or allied industries</i>	35.1	8.1	1.9	58.3	42.3	3.65
<i>Plastics and articles thereof; rubber and articles thereof</i>	170.2	48.8	11.5	7.3	2.5	21.97
<i>Raw hides and skins, leather, furskins and articles thereof</i>	-	-	-	-	-	-
<i>Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork</i>	7.5	6.2	-	5.9	-	9.6
<i>Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof</i>	26.1	40.1	54.6	38.3	87.3	41.17
<i>Textiles and textile articles</i>	-	156.9	223.3	116.2	9.1	38.54
<i>Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware</i>	1505.9	1324.6	2072.3	2650.2	2713.7	2246
<i>Base metals and articles of base metal</i>	34.6	-	0.1	0.2	1.0	4.1
<i>Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and</i>	253.8	57.6	19.4	71.0	882.9	13.29

<i>reproducers</i>						
<i>Vehicles, aircraft, vessels and associated transport equipment</i>	-	-	3.7	9.8	-	5.07
<i>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; musical instruments; parts and accessories thereof</i>	0.3	-	0.7	-	0.6	5.28
<i>Miscellaneous manufactured articles</i>	-	14.5	0.1	0.1	0.1	0.27

Source: Biroul Național de Statistică al Republicii Moldova [152]

## Moldovan Imports from Greece, by sections (2011-2016, thousands USD)

	2011	2012	2013	2014	2015	2016
<b>IMPORT – total</b>	<b>68744.4</b>	<b>49989.4</b>	<b>39327.5</b>	<b>36809.1</b>	<b>19710.7</b>	<b>19544.23</b>
<i>Live animals; animal products</i>	181.3	170.8	243.9	338.4	396.6	484.86
<i>Vegetable products</i>	20752.0	24960.7	18646.6	18673.2	2925.2	4206.93
<i>Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes</i>	186.1	199.0	285.6	200.7	280.6	559.38
<i>Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes</i>	9595.8	6284.9	4114.2	1906.2	1713.6	2320.07
<i>Mineral products</i>	24293.1	5658.4	5092.8	3035.4	2534.7	138.23
<i>Products of the chemical or allied industries</i>	1288.1	1536.9	2311.8	3896.4	4152.3	3188.55
<i>Plastics and articles thereof; rubber and articles thereof</i>	1282.5	1540.8	1059.8	1008.7	2585.5	2824.92
<i>Raw hides and skins, leather, furskins and articles thereof</i>	20.4	8.0	22.4	0.1	0.2	-
<i>Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork</i>	1.6	3.0	7.9	3.7	5.9	35.68
<i>Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof</i>	68.4	30.8	69.4	623.2	71.9	201.86
<i>Textiles and textile articles</i>	312.1	84.3	144.5	73.9	82.8	96.62
<i>Footwear, headgear, umbrellas, walking sticks, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair</i>	0.3	-	0.2	0.1	112.8	1.64
<i>Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware</i>	584.4	177.7	236.0	307.9	136.9	127.22
<i>Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin</i>	15.2	0.1	1.1	-	-	9.46

<i>Base metals and articles of base metal</i>	3383.3	4031.2	3379.1	3134.3	1986.6	2523.61
<i>Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers</i>	6093.9	4892.6	2596.9	2952.1	2059.9	1982.04
<i>Vehicles, aircraft, vessels and associated transport equipment</i>	208.4	45.7	708.0	260.2	118.6	54
<i>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; musical instruments; parts and accessories thereof</i>	217.3	21.8	64.4	22.7	75.9	491.16
<i>Miscellaneous manufactured articles</i>	260.2	342.6	342.9	371.9	470.7	298
<i>Works of art, collectors' pieces and antiques</i>	-	0.1	-	-	-	-

Source: Biroul Național de Statistică al Republicii Moldova [152]

## Ranking of Moldovan Goods Categories traded to Greece as regards Exports and Imports (2016)

Nomenclature of Goods Code		Exports	Imports
I.	<i>Live animals; animal products</i>	-	9
II.	<i>Vegetable products</i>	1	1
III.	<i>Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes</i>	-	7
IV.	<i>Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes</i>	2	5
V.	<i>Mineral products</i>	14	12
VI.	<i>Products of the chemical or allied industries</i>	12	2
VII.	<i>Plastics and articles thereof; rubber and articles thereof</i>	-	3
VIII.	<i>Raw hides and skins, leather, furskins and articles thereof</i>	6	-
IX.	<i>Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork</i>	8	16
X.	<i>Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof</i>	4	11
XI.	<i>Textiles and textile articles</i>	5	14
XII.	<i>Footwear, headgear, umbrellas, walking sticks, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair</i>	-	18
XIII.	<i>Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware</i>	3	13
XIV.	<i>Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin</i>	-	17
XV.	<i>Base metals and articles of base metal</i>	11	4
XVI.	<i>Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers</i>	7	6
XVII.	<i>Vehicles, aircraft, vessels and associated transport equipment</i>	10	15
XVIII.	<i>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; musical instruments; parts and accessories thereof</i>	9	8
XX.	<i>Miscellaneous manufactured articles</i>	13	10

Source: Compiled by the researcher based on [152]

## Moldovan trade with EU-28 countries and their “trade gravitational” parameters (2016)

Country	GDP (million current USD)	Rank by GDP (descending)	Driving Distance Chisinau-Capital (km)	Rank by Driving Distance (ascending)	Moldovan Exports (thousands USD)	Moldovan Imports (thousands USD)	Bilateral Trade Volume (thousands USD)	Rank by trade volume (descending)	Coefficient GDP / Driving Distance	Rank based on gravity theory (descending)
Germany	3466756	1	1547	11	126623	316441	443065	3	2241.0	1
UK	2618885	2	2581	23	114311	61997	176308	5	1014.7	2
France	2465454	3	2489	22	44746	89958	134704	6	990.5	3
Italy	1849970	4	2317	21	197804	280770	478575	2	798.4	4
Poland	469508	8	951	3	73408	132205	205613	4	493.7	5
Romania	186690	17	458	1	513034	551498	1064533	1	407.6	6
Netherlands	770845	6	2166	19	26898	43416	70314	11	355.9	7
Spain	1232088	5	3625	27	18796	49953	68749	12	339.9	8
Austria	386427	10	1349	7	27232	73738	100970	8	286.5	9
Belgium	466365	9	2249	20	9859	30689	40548	14	207.4	10
Sweden	510999	7	2626	24	697	18555	19253	17	194.6	11
Denmark	306142	11	1981	16	1094	11953	13047	21	154.5	12
Finland	236785	13	1818	15	955	11925	12880	22	130.2	13
Czech Republic	192924	16	1483	10	28286	56147	84434	10	130.1	14
Hungary	124342	18	960	4	9213	80095	89309	9	129.5	15
Greece	194558	15	1633	13	29494	19544	49038	13	119.1	16
Ireland	294053	12	3189	25	283	6251	6534	24	92.2	17
Slovakia	89551	19	1307	6	6830	18272	25102	15	68.5	18
Bulgaria	52395	21	826	2	76015	57622	133638	7	63.4	19
Portugal	204564	14	4178	28	5465	12478	17943	18	49.0	20
Lithuania	42738	24	1127	5	7538	14256	21795	16	37.9	21
Croatia	50425	22	1446	9	202	1945	2147	27	34.9	22
Slovenia	43990	23	1566	12	447	17464	17911	19	28.1	23
Luxembourg	59947	20	2160	18	98	2429	2528	26	27.8	24
Latvia	27677	25	1424	8	5307	8840	14147	20	19.4	25
Estonia	23136	26	1731	14	3432	4283	7716	23	13.4	26
Cyprus	19801	27	2000	17	3744	619	4364	25	9.9	27
Malta	10949	28	3336	26	75	356	431	28	3.3	28

Source: Compiled by the researcher based on [116] for GDP, [40] for Distance, [152] for Imports and Exports

## The adapted 17-item CETSCALE to evaluate Moldovan consumer ethnocentrism

<b>1</b>	Moldovan people should always buy Moldovan-made products instead of imports.
<b>2</b>	Only products that are unavailable in the Republic of Moldova should be imported.
<b>3</b>	Buy Moldovan-made products. Keep Moldova working.
<b>4</b>	Moldovan products first, last and foremost.
<b>5</b>	Purchasing foreign-made products is un-Moldovan.
<b>6</b>	It is not right to purchase foreign products, because it puts Moldovans out of jobs.
<b>7</b>	A real Moldovan should always buy Moldovan-made products.
<b>8</b>	We should purchase products manufactured in Moldova instead of letting other countries get rich of us.
<b>9</b>	It is always best to purchase Moldovan products.
<b>10</b>	There should be very little trading or purchasing of products from other countries unless out of necessity.
<b>11</b>	Moldovans should not buy foreign products, because this hurts Moldovan businesses and causes unemployment.
<b>12</b>	Curbs should be put on all imports.
<b>13</b>	It may cost me in the long-run, but I prefer to support Moldovan products.
<b>14</b>	Foreigners should not be allowed to put their products on our markets.
<b>15</b>	Foreign products should be taxed heavily to reduce their entry into the Moldovan market.
<b>16</b>	We should buy from foreign countries only those products that we cannot obtain within our own country.
<b>17</b>	Moldovan consumers who purchase products made in other countries are responsible for putting their fellow Moldovans out of work

Source: Adapted by the author [20, p.297] from [106, p. 282].

## Survey to study the country-of-origin effect on the Greek consumers' evaluation of wine

1. Which sample of wine do you prefer the most?

- 1                       2                       3

On a scale from 1 to 10 (10 the best), please rate:

2. the *colour* of the wine you preferred

3. the *aroma* of the wine you preferred

4. the *taste* of the wine you preferred

5. the *aftertaste* of the wine you preferred

6. the *overall grade* of the preferred wine

7. What is your gender?

- Male                       Female

8. In which age group do you belong?

- Under 20  
 20-29  
 30-39  
 40-49  
 50-59  
 Over 60

9. What is your level of education?

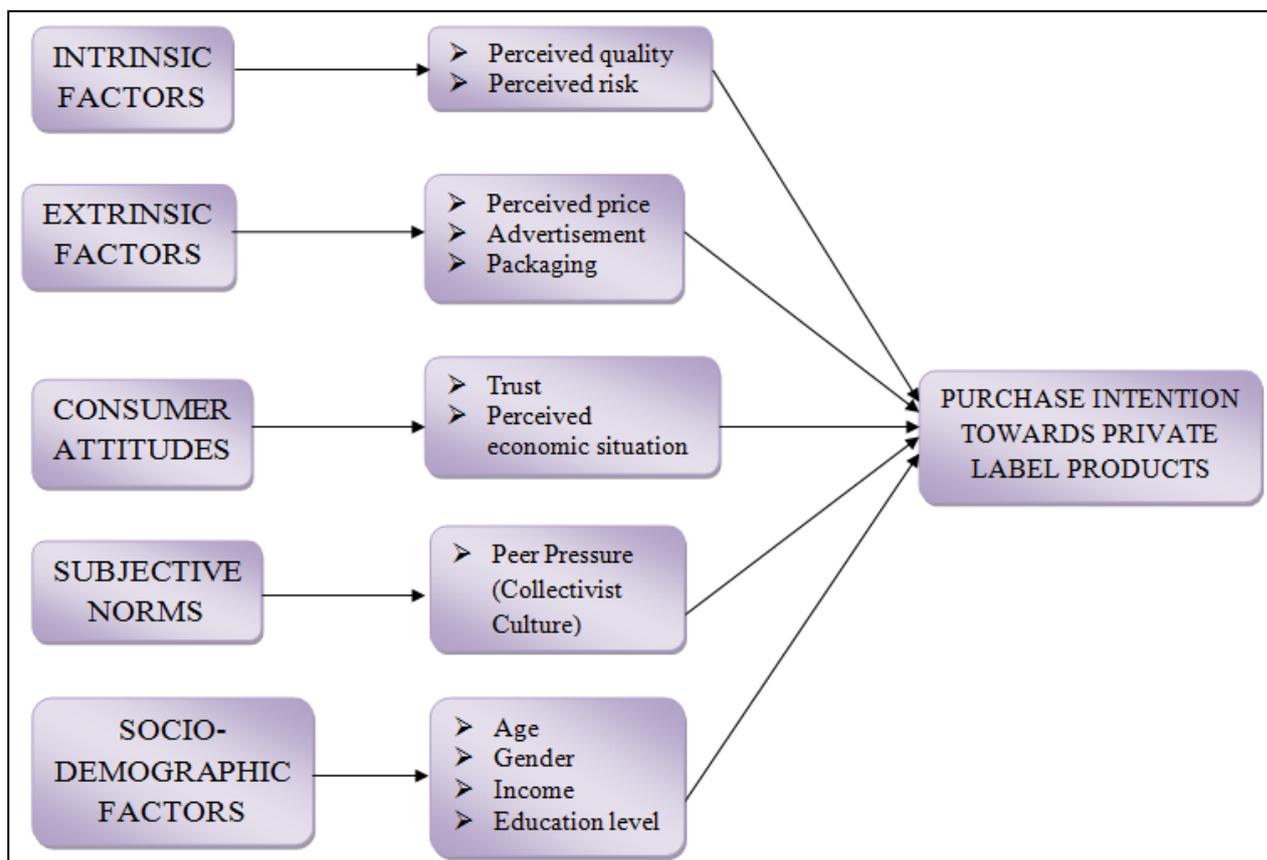
- High School  
 Professional School  
 Bachelor  
 Masters/PhD

10. Have you lived or worked outside Greece for at least one year?

- Yes                       No

Source: Compiled by the author in [33, p.106]

Confirmed framework to identify the Greek consumers' attitudes and purchase intentions towards food private label brands



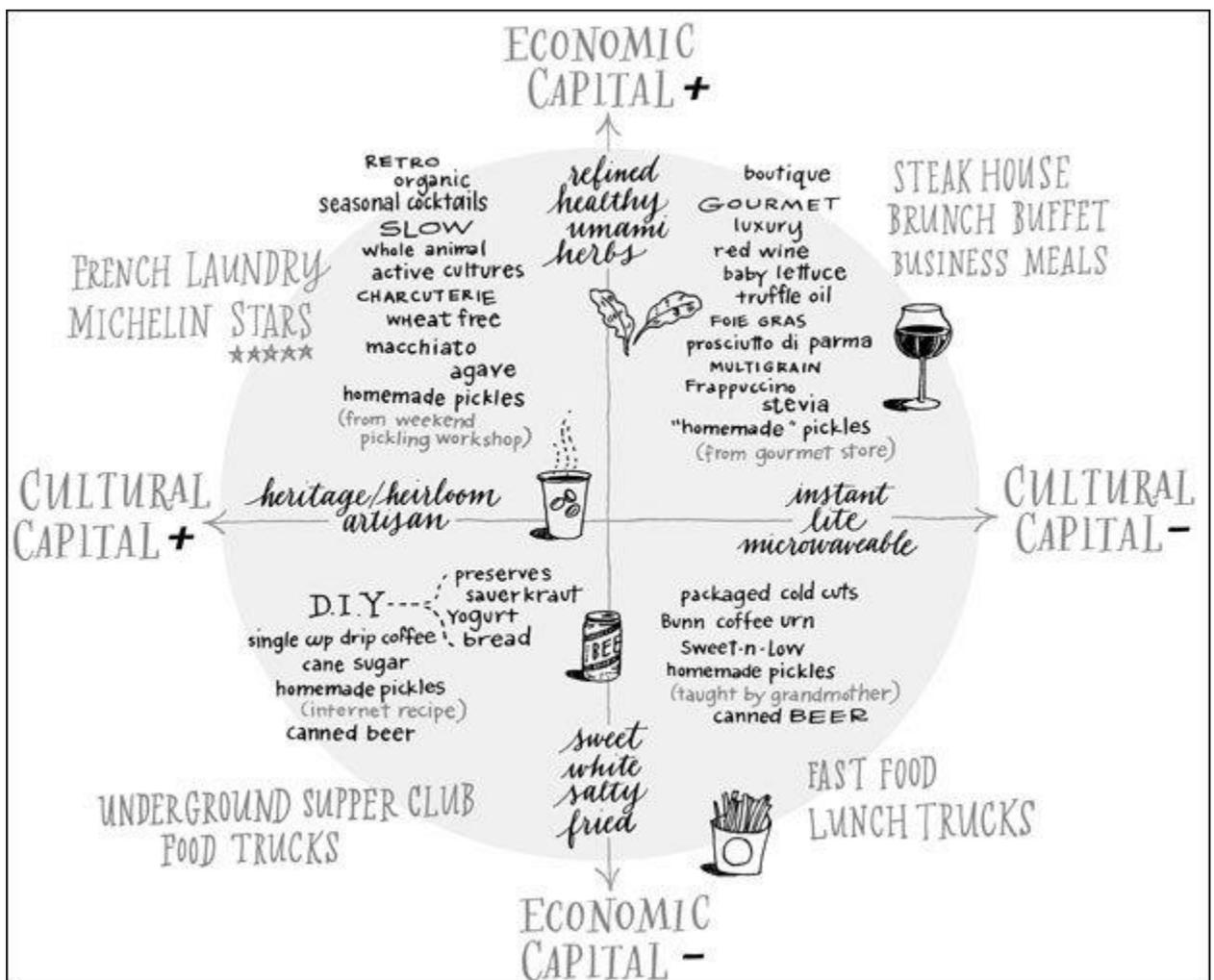
Source: Compiled by the author in [24, p. 126]

## Interview Questions among German traders of Greek wines

- 1) When it comes to choosing among wines, does the German consumer tend to place more emphasis on the:
  - grape variety,
  - brand name of the producer,
  - region,
  - all of the above equally?
- 2) How would you evaluate the actual perceived strength of different Greek wines in terms of:
  - grape variety,
  - brand name of the producer,
  - region,
  - all of the above equally?
- 3) How would you evaluate the potential strength of different Greek wines in terms of:
  - grape variety,
  - brand name of the producer,
  - region,
  - all of the above equally?
- 4) Overall, how would you categorise Greece as a wine producer and exporter: an emerging or an established producer?
- 5) French producers are said to define what wine quality is in terms of “being traditional, expressing the land and being unique”. Would you say that Greek wines can compete in the German market on the basis of this definition of quality?
- 6) Researchers speak of an “industrial pole” and a “craftsman pole” (*winzerischer Pol*) as the two segments of the wine market. Would you agree that this classification reflects the way German consumers approach wine? If you do, which pole would be more promising for Greek wines?
- 7) We understand that in Germany, wine quality is conferred or denied by official testing and that German regulations are somewhat different from EU ones. Would you say that Greek wines can benefit from being subjected to “official” German testing and being categorised accordingly?
- 8) Overall how would you evaluate the familiarity of German consumers with Greek wine: high, medium, low? How important is in this respect the exposure of German tourists to Greek wine? How important is in this respect the perception of German citizens regarding the classic Greek antiquity?
- 9) Do German consumers tend to relate the consumption of Greek wine with Greek cuisine, or do they see the two elements as distinct from each other?

- 10) Would you say that wine is regarded by the German consumer as every-day or a luxury/special treat? Would German consumers consider Greece as a potential supplier of luxury wines?
- 11) Is the recent image of Greece as a crisis ridden country affecting the image of Greek wine in any way?
- 12) Overall, would you consider the Greek national brand as: a) Positive, neutral, negative or b) Strong, indifferent, weak?
- 13) The graph below tries to categorise American consumers in terms of their self-perceived Economic and Cultural capital (Pierre Bourdieu). Would you say that such a categorisation reflects the German society? If it does, where would you place the German consumers of Greek wine? (different wines could correspond to different categories of consumer)

“The food space” chart by Pierre Bourdieu



- 14) Given all of the above, what motivates you and/or your business to become involved with the import of Greek wine?

Source: Compiled by the author for the research in [22]

## FDI Attracted in the Moldovan Economy

Year	Inward FDI (USD at current prices in millions)	Percentage of GDP (%)	Inward FDI (USD at current prices per capita)
2000	128	9.90	30
2001	103	6.99	25
2002	84	5.06	20
2003	74	3.72	18
2004	146	5.63	35
2005	191	6.38	46
2006	258	7.58	62
2007	541	12.30	131
2008	711	11.75	173
2009	208	3.83	51
2010	208	3.58	51
2011	288	4.11	71
2012	227	3.12	56
2013	243	3.04	60
2014	201	2.51	49
2015	182	2.82	45
2016	143	2.17	35

Source: Compiled by the author based on UNCTADstat [124]

## Strengths and weaknesses of the Moldovan economy as regards attracting FDI

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Favorable productivity/wages ratio in manufacturing industries and in exports-oriented services;</li> <li>• Multilingual population;</li> <li>• Reforms implemented by the Customs Service to reduce time, cost and documents required during the customs clearance;</li> <li>• Favorable geographical location in relation to the EU, Russia, Middle East and Central Asia;</li> <li>• Proximity to the CIS and to business contacts developed by Moldovan exporters and manufacturers in these markets;</li> <li>• Liberalized visa regime with the CIS countries, EU, the USA, Canada etc .;</li> <li>• Liberalized trade with the EU, Turkey, Southeast Europe and the CIS;</li> <li>• 47 bilateral agreements between Moldova and other countries to avoid double taxation;</li> <li>• 40 bilateral agreements between Moldova and other countries on the mutual protection of investments;</li> <li>• Internationally competitive rate of income tax for legal entities;</li> <li>• Existance of tools for attracting investments (free economic zones, industrial parks);</li> <li>• Availability of unused assets (industrial land, constructions) in free economic zones and industrial parks;</li> <li>• Large infrastructural and technological</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of medium and high skilled labor, particularly in rural areas;</li> <li>• Small percentage of young people with specializations in technical and technological fields;</li> <li>• The curriculum in the professional education sector does not meet the requirements of the labor market;</li> <li>• Inflexible policies on employment;</li> <li>• Investors' uncertainties related to the tax and customs treatment;</li> <li>• Rigid immigration policy and inadequate procedures applied by the immigration authorities;</li> <li>• Weak agency for attracting investment and promoting exports caused by insufficient funding;</li> <li>• Unclear delimitation of institutional competencies in attracting foreign direct investment and in export promotion;</li> <li>• Unsatisfactory state of physical infrastructure, especially of regional roads;</li> <li>• High costs of logistics services;</li> <li>• Insufficiency of properly developed industrial sites, of their common utilities, as well as high costs for their development;</li> <li>• Total tax burden is relatively high compared to countries in the region;</li> <li>• Difficult procedures for obtaining</li> </ul>

<p>potential for the development of software industry and export-oriented services;</p> <ul style="list-style-type: none"> <li>• Great potential for development of the automotive, textile and electronics industries;</li> <li>• Tax exemptions and other facilities to the residents of free economic zones and industrial parks;</li> <li>• Exemptions and tax concessions for transportation, food and employees' training;</li> <li>• Exemption from VAT on imports or purchases of equipment included in the capital share of the company.</li> </ul>	<p>construction permits and approval of the supplier to connect to electricity networks from local authorities;</p> <ul style="list-style-type: none"> <li>• Low quality of governance (corruption, lack of transparency in decision-making, uncertain protection of property rights) generate significant business risks;</li> <li>• Insufficiency of own sources of raw materials;</li> <li>• Fragmented domestic agricultural market and insufficiency of scale production in this sector.</li> </ul>
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Source: Compiled by the author based on Hotărîre Nr. 511 din 25.04.2016 [165]

## List of operating firms with Greek or mixed Moldo-Greek capital (2016)

	Year registered	Name	Types of activities
1	1995	<i>Hellas Groups SA</i>	Import, manufacture, storage and wholesale of chemical substances and materials, toxic items and household chemical; market research; sale of foods
2	1996	<i>Educational centre SRL</i>	Library of foreign books of renowned world publishers to study and teach foreign languages, for academic interest, vocational, business interests
3	1996	<i>Linguata SRL</i>	Foreign Language Centre
4	1996	<i>Cardico SRL*</i>	Processing and sale of fruits and vegetables, i.e. walnuts
5	1997	<i>Michailides Tobacco Moldova SA</i>	Tobacco production and processing
6	1998	<i>Instalco SRL</i>	Sale of autonomous heating, boilers, radiators etc.; pipes and fittings of copper, zinc; Stainless steel: sheets, pipe; sanitary ware etc.
7	1998	<i>George Travel</i>	Tourism; passenger and cargo transportation
8	2000	<i>Alumil Industry</i>	Design and production of architectural aluminium systems
9	2000	<i>Hromak</i>	Construction, reparations of buildings; reparations of vehicles; sale of construction materials; rental services
10	2000	<i>Green-Golden</i>	Cultivation of fruits, vegetables, tobacco; growth of sheep, calves, goats
11	2004	<i>DSL-Greece</i>	Retail and wholesale of clothing, footwear, food, beverages and tobacco
12	2004	<i>Agras-Invest</i>	Estate agency activities; sale of food, beverages and tobacco products
13	2004	<i>Aria-Grup</i>	Bars; sale of hardware, paints and glass; Sale of alcoholic and other beverages, of tobacco products; Sale of wood and construction materials
14	2005	<i>Onder-Ercan (Restaurant El Greco)</i>	Restaurant
15	2005	<i>Sedra-Com</i>	Construction, installations, restorations; estate agency activities; sale of wood materials, construction materials and sanitary equipment
16	2005	<i>Nutimo*</i>	Cultivation, processing, preserving and sale of fruit and vegetables, live animals; Sale of goods, i.e. sugar confectionery, chocolate, coffee, tea, cocoa, spices
17	2005	<i>Helidoni-Exim*</i>	Sale of food (i.e. nuts, kernels), beverages and tobacco products; of wood and construction materials
18	2005	<i>Tanong &amp; Co</i>	Construction and restorations; sale of construction materials, food, beverages; fruit cultivation
19	2005	<i>Easy Credit</i>	Microfinancing activities: granting and managing loans, providing guarantees for bank loans
20	2005	<i>Quality Mediteranian Products</i>	Bars and restaurants
21	2006	<i>Adritec Moldova</i>	Manufacture of agricultural machinery; sale of machinery and equipment; import, sale and storage of fertilizers; sale of seeds
22	2006	<i>Vodas Inter</i>	Estate agency activities; Activities of business and management consulting

23	2006	<i>Aegean</i>	Sale of food, beverages and tobacco products; Estate agency activities; Construction and restorations; Import, manufacturing, sale of chemical, toxic substances, materials
24	2007	<i>Kallisti Energy Solutions</i>	Business consulting; adult education; Research and development in physical and natural sciences; Electricity production, transmission and / or activity of central monitoring station
25	2007	<i>Simple Use Beauty</i>	Sales of beauty products, equipment for beauty salons and spa
26	2008	<i>Kanadas*</i>	Sales of frozen foods, plastic materials, seeds, dry fruits and vegetables; animal breeding; production and sale of condiments, spices, vinegars, prepared sauces; tinned fruits and jams
27	2008	<i>Greenbus (Olympic)</i>	Transportation of passengers and goods
28	2008	<i>Moel Impex</i>	Sale of hardware, paints and glass; wholesale vegetables and fruit, wood materials, construction materials and sanitary equipment; buying and selling of own real estate
29	2008	<i>IQ Intelligent Quality Systems</i>	Publishing and printing of publications; Software development and consulting; Data processing; real estate activities; adult education; business consulting; Market research
30	2009	<i>Elpis Exim</i>	Cultivation, storage, sale, transportation and export of walnuts and its related products; sunflower seeds and other fruits and vegetables; public transportation services
31	2009	<i>Mirelen</i>	Sale of vegetables and fruit, food, beverages and tobacco products; agents for sale of a wide range of products; public transportation
32	2010	<i>Olovia Gold</i>	Transportation of goods; sale of food, beverages and tobacco products; activities of telephone information centres
33	2011	<i>Lazven</i>	Transportation of products and of passengers; hotels; services of barbershops; sale of food, beverages and tobacco products
34	2011	<i>Artstas Impex</i>	Sale of vegetable oil, of food, beverages and tobacco products, of vegetables and fruit, of milk and milk products, eggs
35	2011	<i>Ermis First</i>	Retail trade not in stores; Research and development in physical and natural sciences; Other wholesale
36	2012	<i>Translink Expedition</i>	International logistic actions; Full cargo and packing transportation; Internal transport and distribution; Information support regarding transportation
37	2012	<i>Med Celule Stem</i>	Import, manufacture, marketing, technical support, repair of medical devices and optics; Pharmaceutical activity; Medical assistance to private medical institutions
38	2012	<i>Evros Company</i>	Repairing vehicles; Car rental; Sale of parts and accessories for motor vehicles; Retail and wholesale of food, beverages and tobacco products; of clothing and footwear
39	2012	<i>Planetnuts*</i>	Construction of buildings and (or) engineering facilities; Cultivation, processing, preserving, sale of fruit, vegetables, of vegetable and animal oils and fats, of nuts, grains
40	2012	<i>Agri Biofruct</i>	Cultivation, processing, preserving and sale of fruit, vegetables, nuts, cereal crops; Manufacture of articles of wood; Sale of food, beverages and tobacco products, of agricultural raw materials and live animals, of flowers and plants
41	2013	<i>SA Imedica</i>	Veterinary pharmaceuticals and (or) veterinary assistance; Medical assistance to private medical institutions

42	2013	<i>Danassay</i>	Pharmaceutical activity
43	2013	<i>Sarosis</i>	Cleaning services; Repairs and restoration
44	2013	<i>Trikala (El Greco Travel)</i>	Travel agency - all travel services to Greece; publications of brochures; translation services
45	2014	<i>Greek Traditional Products</i>	Sale of traditional Greek products
46	2014	<i>Fresh Garden</i>	Production and sale of grain, seeds and animal feed, cereal crop technical plants, vegetables, fruits, live animals; activities of business consulting
47	2014	<i>Easy Colect</i>	Bureaus activities for legal advice services; Market research; business consulting
48	2015	<i>Aktina Hellas*</i>	Trade of various products, i.e. animal feed; specialized wholesale trade; business consulting
49	2015	<i>Canvas Group Advisors</i>	Real estate activities; tourism activities; transportation of passengers and of goods; Trade of various products, i.e. food, beverages, tobacco; Legal and office support activities; business consultancy
50	2015	<i>Suvlaki King*</i>	Restaurant
51	2016	<i>Greek Farm</i>	Pharmaceutical activity
52	2016	<i>Delphi Hellas Group</i>	Construction, restorations; Sale of food products, of grain, seed, fodder and raw tobacco, of wood and construction materials and sanitary equipment; cultivation of trees, strawberries, nuts and other fruit trees, of cereals, legumes, oil seeds
53	2016	<i>Emper Global</i>	Pharmaceutical activity; Import, manufacture, marketing, technical support and (or) repair of medical devices and (or) optics

Note: \* Headquarter's Location other than the capital

Source: Compiled by the researcher using data from Camera Înregistrării de Stat [154], Bizzer [153] and the websites of the respective companies

Interview Questions among Greek investors in Moldova

- 1) When did you invest in Moldova?
- 2) What are the main business activities of the firm? (products/services)
- 3) What investment support from the Moldovan authorities did you get initially?
- 4) Did the MD government provide any tax reduction opportunities?
- 5) Why did you decide to invest in Moldova/ What market opportunities are available in MD for the GR investors?
- 6) What obstacles did you face initially?
- 7) What obstacles are you facing now?
- 8) What is the foreign-domestic share ratio of the company?
- 9) What revenues and profits did you have over the last 5 years? What's the trend of these indicators?
- 10) How many employees does the company have?
- 11) How do you find the Moldovan business environment?
- 12) According to your opinion, what is the reason that only a few Greek investors are willing to invest in Moldova?
- 13) How would Moldova get better at attracting Greek investors?

Source: Compiled by the author

## Greek Perceptions of Moldova as a Tourism Destination Survey

<b>Place &amp; Architectural Structure</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
There are many interesting places in Moldova	1	2	3	4	5	6	7
There are lots of natural scenic beauty in Moldova	1	2	3	4	5	6	7
There are many restful and relaxing places in Moldova	1	2	3	4	5	6	7
There are lots of places of historical or archeological interest to visit in Moldova	1	2	3	4	5	6	7
Moldova's cities are attractive	1	2	3	4	5	6	7
<b>Country's Citizens</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
The local people (the Moldovans) are courteous	1	2	3	4	5	6	7
The Moldovans are hardworking	1	2	3	4	5	6	7
The Moldovans are honest	1	2	3	4	5	6	7
The Moldovans are friendly	1	2	3	4	5	6	7
<b>Environmental Beauty &amp; Convenience</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
Highways and roads are in good condition in Moldova	1	2	3	4	5	6	7
Moldova has well-developed transport system	1	2	3	4	5	6	7
It is easy to get good service in restaurants and hotels in Moldova	1	2	3	4	5	6	7
There are many gardens and parks in Moldova	1	2	3	4	5	6	7
Moldova is clean and green	1	2	3	4	5	6	7
Moldova is an orderly country	1	2	3	4	5	6	7
Moldova is a progressive country	1	2	3	4	5	6	7
Moldova is a safe place to visit	1	2	3	4	5	6	7
Moldova is a politically stable country	1	2	3	4	5	6	7
<b>Shopping &amp; Tourist Accommodation</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
Moldova is a good place to shop	1	2	3	4	5	6	7
Good quality of products are available in Moldova	1	2	3	4	5	6	7
There are a wide variety of products available in Moldova	1	2	3	4	5	6	7
Good tourist information is available in Moldova	1	2	3	4	5	6	7
Food is varied and exotic in Moldova	1	2	3	4	5	6	7
Good tourist facilities and services are available	1	2	3	4	5	6	7
<b>Local Culture &amp; Cuisine</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
The lifestyles and customs in Moldova are similar to those in Greece	1	2	3	4	5	6	7
The food in Moldova is similar to the Greek	1	2	3	4	5	6	7
The architectural styles of the buildings in Moldova are similar to those in Greece	1	2	3	4	5	6	7

<b>Intention to Visit Moldova</b>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Somewhat Disagree</i>	<i>Neutral</i>	<i>Somewhat Agree</i>	<i>Agree</i>	<i>Strongly Agree</i>
I want to visit Moldova	1	2	3	4	5	6	7
One of my dreams that I intend to accomplish is to visit Moldova	1	2	3	4	5	6	7
I plan to visit Moldova this year	1	2	3	4	5	6	7
<b>Have you ever visited Moldova?</b>	<i>Yes</i>		<i>No</i>				
<p><b>Demographic Characteristics.</b></p> <p>Please indicate the answer that fits:</p> <p><b>a. Monthly Income</b></p> <ul style="list-style-type: none"> <li>• €450 or less</li> <li>• €451 – €850</li> <li>• €851 – €1300</li> <li>• €1301 – €2000</li> <li>• €2001 or more</li> </ul> <p><b>b. Family Size</b></p> <ul style="list-style-type: none"> <li>• 1 person</li> <li>• 2 persons</li> <li>• 3 persons</li> <li>• 4 persons or more</li> </ul> <p><b>c. Age</b></p> <ul style="list-style-type: none"> <li>• 18-25</li> <li>• 26-35</li> <li>• 36-45</li> <li>• 46-55</li> <li>• 56 or more</li> </ul> <p><b>d. Education</b></p> <ul style="list-style-type: none"> <li>• High school/Secondary school</li> <li>• Undergraduate (BSc)</li> <li>• Graduate (MSc/PhD)</li> </ul> <p><b>e. Occupation</b></p> <ul style="list-style-type: none"> <li>• Self-employed/Businessman</li> <li>• Employee</li> <li>• Retired</li> <li>• Housewife</li> <li>• Student</li> <li>• Unemployed</li> </ul> <p><b>f. Gender</b></p> <ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> </ul> <p><b>g. Marital Status</b></p> <ul style="list-style-type: none"> <li>• Single</li> <li>• Married</li> <li>• Other</li> </ul>							
<p><b>Please use the space provided below for any <a href="#">comments</a> you may have:</b></p>							

Source: Compiled by the author based on Bozbay Z., Ozen H. [10]

## Factors that affect the Moldovan-Greek tourism flows

## Annex 18.1: Factors that affect the tourism flows from Moldova to Greece

<b>Factors</b>	<i>Positive effects</i>	<i>Negative effects</i>
<b>Demand</b>		
<i>Price</i>	Moderately, because of smaller transportation costs, in comparison to other destinations	More expensive than tourism in Bulgaria or Turkey
<i>Personal choice</i>	Moldovans show an interest in travel and tourism activities	A lot of Moldovans opt for other types of consumption over travel, e.g. purchase an apartment on credit
<b>Government Responsibilities</b>		
<i>State of diplomatic relations</i>	Greece and Moldova ease travel; Moldovan-Greek accord on cooperation in the tourism area	Nil
<i>Government policy towards tourism</i>	Moldovans are not required to apply for visa in Greece, if travelling with biometric passport	Nil
<i>Transport policy</i>	Agreement with the EU concerning low-cost flights from/to Moldova; Enhanced aviation safety measures in Greece etc.	Frequent strikes in Greece may disrupt public transport (as well as air travel and ports); Greece – among top EU countries with the largest traffic fatality ratios.
<i>Currency restrictions</i>	€10,000 or the comparable ought to be declared at entry / exit from Greece; Currency export from Moldova of maximum USD 5000 – no need to declare.	Limitations in Greece on several bank services as of June 2015
<i>Promotion and marketing</i>	Increased intensity of public and private sector financial support	Nil
<i>Government regulations</i>	Intended to aid tourism development	Nil
<i>Security</i>	GR authorities has improved security	A general hazard from terrorism and acts of political violence
<i>Economic policy</i>	National Strategic Plan for Tourism 2014-2020	Nil
<b>Private Sector Factors</b>		
<i>Travel infrastructure</i>	Developed infrastructure; competent tour operators;	Nil

	a lot of big investment projects in infrastructure	
<i>Domestic price levels</i>	Price levels in Greece are somewhat higher than in Moldova, which somehow encourage personal consumption	Price levels in touristic areas of Greece are very high, which restricts personal consumption
<b>Intangible Factors</b>		
<i>Quality of the nation's attractions and national attractiveness</i>	Positive Greek image as a tourism destination among Moldovans	Nil
<i>Icons and images</i>	Image of a holy location, owing to Holy Mountain Athos, Meteora monasteries.	Nil
<i>Barriers to bilateral tourism</i>	The same religion – 98% of Greeks and 97% of Moldovans are Christian Orthodox; Some cultural differences, i.e. music, dance.	Rather large distance, i.e. trip by bus - minimum 20 hours
<i>Other factors including media</i>	Rich history of Greece; Contemporary Greek language; Mediterranean culture & food.	The government-debt crisis image of Greece; Frequent strikes and demonstrations; Image of Greece as an excessively relaxed state.
<b>External Economic Factors</b>		
<i>Efficiency of national economy</i>	Upsurge in tourism is forecasted to lead to an economic growth of 2.7% in 2017	Europe's most indebted nation; From the time when the crisis started, Greece - thrown into a depression-period with the loss of a quarter of GDP and unemployment reaching a maximum of 28%.
<i>Competition</i>	In 2016, Greece was visited by more Moldovan tourists than other EU countries, such as Spain, Montenegro, Italy, Czech Republic, Austria.	Turkey, Bulgaria and Romania are more popular destinations among Moldovans because they are cheaper
<i>Exchange rates</i>	Nil	Depreciation of MDL (exchange rate MDL/EUR from 0.064 in October 2012 to 0.049 in October 2017) during the last 5 years indicates increased prices for Moldovan tourists in EU, and Greece.

<i>Income effect</i>	Remittances represent a chief source of income; The highest incomes have Moldovans involved in financial and insurance activities, energy production and supply, information technology, technical activities.	Tiny income of Moldovans (medium monthly salary in 2016 was of MDL 5084, which is approximately EUR 228)
<i>Elasticity and Substitution effect</i>	If the prices for tourists in Greece turn out to be alike the prices in Turkey and Bulgaria, Moldovans might certainly prefer Greece over other countries	Due to tiny incomes, Moldovans will probably opt for cheaper destinations, in case prices for the tourists in Greece raise
<b>External Political and Health Factors</b>		
<i>Terrorism and political risk</i>	There is not a exact threat to tourists	On a range from 1 (minimum threat) to 4 (maximum threat), the hazard from terrorism is evaluated in Greece with a 3 (general terror threat) not in favour of UK interests and British citizens.
<i>State of international relations</i>	Friendly terms with the EU countries, Russia, the US, Serbia, Armenia, Albania, Egypt, Israel, China etc; Treaty of friendship and cooperation between Moldova and Greece.	Major concerns in Greek foreign policy: arguments in the Aegean Sea and Eastern Mediterranean by Turkey, the Turkish takeover of Cyprus, and the divergence regarding the name of the Republic of Macedonia (recognized under the temporary name of "former Yugoslav Republic of Macedonia").
<i>Health</i>	The majority of the public medical Greek institutions provide sufficient care	Public medical facilities might be short of resources; personnel might speak limited or no English.

Source: Compiled by the author based on statistical websites, tourism and government institutions websites from Moldova and Greece

Annex 18.2: Factors that affect the tourism flows from Greece to Moldova

<b>Factors</b>	<i>Positive effects</i>	<i>Negative effects</i>
<b>Demand</b>		
<i>Price</i>	Moldova is rather a cheap destination	Few low-cost flights to Moldova
<i>Personal choice</i>	Greeks are interested in travel and tourism activities	Many Greeks might choose other forms of consumption over travel because of the large decrease in their salaries
<b>Government Responsibilities</b>		
<i>State of diplomatic relations</i>	Both Greece and Moldova facilitate travel; Moldovan-Greek agreement on cooperation in the tourism area	The diplomatic initiatives must work more on improving Moldova's image
<i>Government policy towards tourism</i>	Greeks don't need touristic visa in Moldova	Nil
<i>Transport policy</i>	Moldovan-Greek agreement on international road transport; Agreement with the EU regarding low-cost flights from/to Moldova	Nil
<i>Currency restrictions</i>	No limit on foreign currency import to Moldova. Non-residents must declare amount imported upon entry; €10,000 or the equivalent must be declared at exit from Greece.	Restrictions in using abroad the debit cards issued from Greek banks, i.e. €60 per day or €420 per week.
<i>Promotion and marketing</i>	Tourism Logo of Moldova (2014) with the slogan "Discover the routes of life"; Tourism information online platform <i>MoldovaHoliday.travel</i> (2012).	Low level of public and private sector funding for promoting Moldova as a tourism destination
<i>Government regulations</i>	Tourism sector in Moldova is governed by laws and public policies; Designed to assist tourism development.	Inconsistent normative tools in applying the tourism law; Many laws are not harmonized with the EU and UNWTO tourism laws.
<i>Security</i>	Safe country	Prudency required against pickpockets, scam artists etc.
<i>Economic policy</i>	National Strategy for the development of tourism "Tourism 2020"	Limited budget for the implementation of the tourism development strategy
<b>Private Sector Factors</b>		
<i>Travel infrastructure</i>	Moldova is located at an easy accessible place for the EU tourists; Efficient tour operators; Investment projects in infrastructure, i.e. road rehabilitation	Poor infrastructure; Existence of only one airport; High prices for flights; Few buildings/attractions provide access to/ services for disabled persons.
<i>Domestic price levels</i>	Price levels in Moldova are slightly lower than in Greece, which encourage personal consumption	Non-competitive prices for tourism products, due to relatively high prices for accommodation

<b>Intangible Factors</b>		
<i>Quality of the nation's attractions and national attractiveness</i>	The international mass-media has been mentioning Moldova more often as a tourism destination	Neutral and imprecise image of Moldova as a tourism destination among Greeks
<i>Icons and images</i>	Some Greeks view Moldova as a cheap destination, which has tasty fruits	Greeks associate Moldova with Russia and with the Ukrainian conflict, hence they consider Moldova as not safe for visiting
<i>Barriers to bilateral tourism</i>	A common religion –the majority of Greeks and Moldovans are Christian Orthodox; Several cultural differences might stimulate the Greeks' interest to visit Moldova	Relatively large distance, i.e. travel by bus from Greece to Moldova takes at least 20 hours, while the flight routes are few and expensive
<i>Other factors including media</i>	Mix of cultures, i.e. combination of Romanian and Soviet cultures, of Western and Eastern ideologies; Unspoiled countryside; Country with a great wine tradition and superb wine tours, i.e. the world's largest wine cellar Mileștii Mici, the world's second largest wine cellar - the Cricova wine tunnels.	Image as the poorest country in Europe; High corruption perceptions.
<b>External Economic Factors</b>		
<i>Efficiency of national economy</i>	Progress in reducing poverty and promoting inclusive growth (economic growth - an average of 5% yearly) since the early 2000's, determined by consumption and fueled by remittances; EU integration agenda secures reforms.	Europe's poorest country; Slow economic growth; High public debt; Damaged business confidence; Transparency, accountability, corruption concerns; Large-scale emigration etc.
<i>Competition</i>	Moldova is a relatively cheap destination	Few Greeks intend to visit Moldova; Main destinations of Greek tourists: Germany, Italy, the UK, Austria, France
<i>Exchange rates</i>	Depreciation of MDL (exchange rate MDL/EUR from 0.067 in 2012 to 0.048 in 2017) over the last 5 years leads to lower prices for Greek tourists in Moldova	Nil
<i>Income effect</i>	The public sector workers have 40% higher salaries (usually €1000-€1500) than private sector workers.	Greek minimum gross wage in the private sector=€586 (since 2012), while before austerity measures it was €751; The Greek average salary=€780. Greek unemployment rate =23%, which is the highest in the EU;

<i>Elasticity and Substitution effect</i>	In case the prices for touristic packages in Moldova decrease significantly, particularly for the flight tickets, Greeks will be more likely to visit Moldova	In case the prices for touristic packages in Moldova increase, Greeks will definitely choose other destinations rather than Moldova; If prices decrease, the Greeks' intention to visit Moldova anyway might be low.
<b>External Political and Health Factors</b>		
<i>Terrorism and political risk</i>	On a scale from 1 (low threat) to 4 (high threat), the threat from terrorism is rated in Moldova with a 1.	One should be alert to the likelihood of political protests and demonstrations. Although they are usually peaceful, the situation might change fast.
<i>State of international relations</i>	Treaty of friendship and cooperation between Moldova and Greece; Moldova has established relations with the EU countries, NATO, the USA, OSCE, WTO, IMF, World Bank etc.	Russia continues to keep a military presence in the Transnistrian region of Moldova, regardless of agreements with Moldova and within OSCE to withdraw its troops and ammunition
<i>Health</i>	Doctors are highly trained and skilled; The private medical facilities in Moldova offer excellent care; Pharmacies abound in Moldova.	The standard of public medical care in Moldova is below that available in Greece and public medical clinics may lack resources; Staff may speak little or no English; Often, doctors and nursing staff expect to be bribed before doing their job.

Source: Compiled by the author based on statistical websites, tourism and government institutions websites from Moldova and Greece

Summary of the opportunities for the development of economic relations  
between Greece and Moldova

Forms of Economic Flows	OPPORTUNITIES
<b>Bilateral Trade Flows</b>	<p><u>Opportunities for the development of bilateral trade flows:</u></p> <ul style="list-style-type: none"> <li>• Socio-economic megatrends: <ul style="list-style-type: none"> <li>○ Globalization – membership to WTO</li> <li>○ Regionalization - membership to BSTDB</li> <li>○ Regional economic integration – GR membership to the EU; DCFTA for MD</li> </ul> </li> <li>• Economic specialization, e.g. dependence on the wholesale and retail trade</li> </ul> <p><u>a. Specific opportunities for the development of trade flows from MD to GR:</u></p> <ul style="list-style-type: none"> <li>• Large population of GR</li> <li>• Large GDP of GR (based on gravity theory)</li> <li>• Complementary economic specializations: <ul style="list-style-type: none"> <li>○ Export agricultural products in GR</li> <li>○ Target the GR public administration</li> </ul> </li> <li>• Positive attitudes of GR consumers towards private food label products</li> </ul> <p><u>b. Specific opportunities for the development of trade flows from GR to MD:</u></p> <ul style="list-style-type: none"> <li>• GR strategy of increasing its exports worldwide</li> <li>• Increasing familiarity of MDs with the GR products</li> <li>• Positive image of GR</li> </ul>
<b>Bilateral FDI Flows</b>	<p><u>Opportunities for the development of bilateral FDI flows:</u></p> <ul style="list-style-type: none"> <li>• Socio-economic megatrends: <ul style="list-style-type: none"> <li>○ Globalization – membership to WTO</li> <li>○ Regionalization - membership to BSTDB</li> <li>○ Regional economic integration – GR membership to the EU; Association Agreement between MD and the EU</li> <li>○ Transnationalization, e.g. GR TNC in MD</li> </ul> </li> <li>• Economic specialization, e.g. dependence on the wholesale and retail trade sector =&gt; opportunity to <i>invest in this sector</i> of the respective countries</li> </ul> <p><u>Specific opportunities for the development of FDI flows from GR to MD:</u></p> <ul style="list-style-type: none"> <li>• MD's strategic geographical position between Europe and Asia</li> <li>• MD's cheap and skilled labor force</li> <li>• Relatively small cost of living in MD in comparison with other countries</li> <li>• MDs are hard-working</li> <li>• Similar features of the MDs and GRs</li> <li>• Resemblance in corruption magnitudes of the two countries</li> <li>• GRs were among the first largest FDI investors</li> <li>• Economic complementarity opportunities: <ul style="list-style-type: none"> <li>○ Invest in MD construction sector</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Invest in MD transport and communication sector</li> <li>● Priority sectors opportunities identified in MD's <i>National strategy for attracting investments and for promoting the exports for the years 2016-2020</i>: 1) information and communication; 2) manufacture of machinery and equipment; 3) administrative and support service activities; 4) manufacture of machinery and their parts; 5) textiles, clothing and footwear; 6) electrical equipment; 7) food and agriculture.</li> </ul>
<p><b>Bilateral Tourism Flows</b></p>	<p><u>Opportunities for the development of bilateral tourism flows:</u></p> <ul style="list-style-type: none"> <li>● Beneficial state of bilateral diplomatic relations</li> <li>● Transport policy factor, i.e. Agreement on International Road Transport between GR and MD, MD's Agreement with the EU concerning low-cost flights, high aviation safety standards of GR</li> <li>● Relatively small travel costs</li> <li>● Identical religion, i.e. Christian Orthodoxy</li> <li>● Distinctive aspects of GR and MD culture</li> <li>● Socio-economic megatrends: <ul style="list-style-type: none"> <li>○ Globalization – membership to UNWTO, membership to WTO</li> <li>○ Regionalization – membership to BSTDB</li> <li>○ Transnationalization, e.g. Mouzenidis Travel</li> <li>○ Regional economic integration – GR membership to the EU; Association Agreement between MD and the EU</li> <li>○ Localization, i.e. both GRs and MDs remove certain cultural barriers.</li> </ul> </li> </ul> <p><u>Opportunities for the development of the MD touristic flows to GR:</u></p> <ul style="list-style-type: none"> <li>● GR - a more and more attractive tourism destination for MDs</li> <li>● Positive image of GR as a tourism destination among MDs</li> <li>● No need for visa to travel to the Schengen countries, including GR</li> <li>● Geographical and climate difference between MD and GR</li> <li>● GR – favorite tourism destination for international tourists</li> <li>● Positive GR government regulations</li> <li>● Increased level of public and private sector funding of GR</li> <li>● GR – safe country to visit</li> <li>● GR National Strategic Plan for Tourism 2014-2020</li> <li>● Efficient and well-developed <i>travel infrastructure in GR</i></li> <li>● Adequate care offered by GR public medical facilities</li> <li>● GR – a more popular EU destination than other EU countries (after Bulgaria and Romania) among MDs</li> </ul> <p><u>Opportunities for the development of the GR touristic flows to MD:</u></p> <ul style="list-style-type: none"> <li>● Forecasts for considerable growth of MD's tourism sector</li> <li>● Generally wealthy population of Europe</li> <li>● Increased tendency to travel among European citizens</li> <li>● Young GRs – high levels of interest in travel and tourism activities</li> <li>● GRs do not need visa to travel in MD</li> <li>● MD – safe country to visit, i.e. peaceful people and minimum level of threat from terrorism</li> <li>● Significant price competition of MD</li> </ul>

	<ul style="list-style-type: none"> <li>• Cultural heritage of MD, due to the combination of the Romanian and Soviet cultures, of Western and Eastern ideologies</li> <li>• No limit on foreign currency import to MD</li> <li>• Depreciation of MDL – lower prices for GR tourists</li> <li>• Gravity framework estimate - potential to improve the inbound tourism flows from GR to MD</li> <li>• MD government responsibilities towards tourism development</li> <li>• Health system in MD – adequate care</li> <li>• MD – located at an easily accessible place for the EU tourists</li> <li>• Efficient tour operators in MD</li> <li>• investment projects in tourism infrastructure of MD</li> <li>• MD’s progress in reducing poverty and in promoting economic growth</li> <li>• Frequent mentioning of MD by the international mass-media as a tourism destination</li> <li>• MD’s unspoiled countryside, with tasty fruits and great wine tradition</li> </ul>
<p><b>Other Bilateral Economic Flows</b></p>	<p><u>Opportunities for the development of bilateral technology transfer:</u></p> <ul style="list-style-type: none"> <li>• Association Agreement between MD and the EU</li> <li>• Scholarships offered by the GR government to MDs</li> <li>• Initializing of a cooperation agreement by the scientific communities</li> <li>• GR language and culture courses at MD institutions</li> <li>• Romanian and Russian language courses at GR institutions</li> <li>• Possibility for GR knowledge transfer in the cultural and sports activities, due to a slightly higher importance of this sector in GR than in MD</li> </ul> <p><u>Opportunities for the development of bilateral migration flows:</u></p> <ul style="list-style-type: none"> <li>• MDs’ ease of migrating to GR, due to the Romanian citizenship</li> <li>• The Association Agreement signed between MD and the EU, i.e. collaboration over EU labour-related legislation, such as labour law, anti-discrimination, gender equality, health and safety at work.</li> </ul>

Source: Compiled by the author based on documentary and empirical research [6; 17; 18; 19; 24; 44; 51; 59; 81; 91; 107; 133; 135; 140; 148; 152; 165 etc.]

## Worldwide Imports of Moldova and Greece by product category (2016)

<b>MOLDOVA</b>		<b>GREECE</b>	
<b>Product Group</b>	<b>Import (US\$ Thousand)</b>	<b>Product Group</b>	<b>Import (US\$ Thousand)</b>
All Products	4,020,359	All Products	47,595,035
Consumer goods	1,954,847	Consumer goods	18,460,245
Intermediate goods	965,686	Fuels	10,782,767
Capital goods	656,413	Raw materials	10,765,027
Mach and Elec	643,040	Intermediate goods	9,312,415
Chemicals	502,383	Capital goods	8,929,107
Fuels	414,322	Chemicals	6,081,356
Miscellaneous	358,688	Mach and Elec	6,061,495
Textiles and Clothing	345,692	Transportation	4,401,465
Food Products	305,181	Metals	3,200,502
Metals	273,965	Food Products	2,727,297
Plastic or Rubber	257,969	Animal	2,436,925
Raw materials	236,689	Textiles and Clothing	2,373,485
Transportation	232,184	Plastic or Rubber	2,205,614
Vegetable	196,217	Miscellaneous	2,158,364
Wood	182,386	Vegetable	1,986,256
Stone and Glass	111,090	Wood	1,540,294
Animal	106,836	Footwear	595,854
Hides and Skins	48,390	Stone and Glass	570,948
Footwear	27,320	Hides and Skins	339,734
Minerals	14,696	Minerals	132,680

Source: Compiled by the author based on WITS [132]

## Annex 21. Acts of Implementation

### Annex 21.1: Act of Implementation of the research results by Perrotis College



**Perrotis College**  
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T: +30-2310-492-800, F +30-2310-492-815

Date:

08/12/2017

#### IMPLEMENTATION ACT

of the results from the scientific research undertaken by **Ms. Cazacu Stela**, for conferring the PhD title in Economics, with the topic:

*The Development of the Moldovan-Greek Economic Relations: Hindrances and Opportunities*

Hereby, I remark Ms. Cazacu Stela's contribution to the development of the international economic relations between Greece and Moldova, particularly to the bilateral trade, foreign direct investments and tourism flows between the two countries. Using a diversity of research studies on the topic of her PhD thesis entitled "*The Development of the Moldovan-Greek Economic Relations: Hindrances and Opportunities*", I confirm that the results and recommendations proposed by Ms. Cazacu Stela are valuable both for the Greek and the Moldovan higher education institutions, particularly for undergraduate and graduate studies.

The work that this PhD candidate has carried out offers valuable information for Perrotis College educational programs. We used the results of Ms. Cazacu Stela's research studies (such as: *The Attitudes and Purchase Intentions Towards Private Label Products, in the Context of Economic Crisis: A Study of Thessalonian Consumers* (2016); *Preference for Domestic Goods: A Study of Consumer Ethnocentrism in the Republic of Moldova* (2016); *Moldovan Perception of Greece as a Tourism Destination* (2017)) in several courses of our graduate program in M.Sc. in Marketing for the Agro-Food Sector. Hence, based on the research undertaken, I can assure that Ms. Cazacu Stela has theoretical and methodological competence, high level of knowledge, critical thinking skills and proactive approach, which helped her in undertaking such valuable research studies.

Due to the results and recommendations given in Ms. Cazacu Stela's PhD thesis, Greece and Moldova would strengthen and diversify their economic relations, thus leading to enhanced economies of the respective countries.

Sincerely,

Head of the Programme in MSc in Marketing for the Agro-Food Sector

*Philippos Papadopoulos*

Signature & stamp





## Agencia de Turism "Paradis -Tur"

Bulevardul Grigorie Vieru 18 et.2 (magazinul Linella)  
Tel/fax: 00 373 (22) 21-27-21; Mob: 00 373 69771677  
Mob: 00 373 60877899 sau 069206290  
E-mail: [paradistur@gmail.com](mailto:paradistur@gmail.com)

Data: 7.12.2014

### ACT DE IMPLEMENTARE

a rezultatelor investigațiilor științifice ale tezei de doctor în economie la specialitatea 521.02 –  
Economie Mondială; Relații Economice Internaționale a dnei **Cazacu Stela**, cu tema:  
*Dezvoltarea Relațiilor Economice Moldo-Grecești: Obstacole și Oportunități*

Remarcăm contribuția doamnei Cazacu Stela la dezvoltarea relațiilor economice internaționale dintre Grecia și Republica Moldova, în special în privința fluxurilor de turism dintre aceste două țări. Folosind o diversitate de studii de cercetare pe tema tezei de doctorat intitulată "Dezvoltarea relațiilor economice moldo-grecești: obstacole și oportunități", confirmăm rezultatele și recomandările propuse de doamna Cazacu Stela sunt valoroase pentru companiile implicate în sectorul turismului dintre Moldova și Grecia.

Utilizând rezultatele investigațiilor științifice ale doamnei Cazacu Stela, compania Paradis-Tur elaborează cele mai adecvate strategii de marketing pentru atragerea turiștilor moldoveni în Grecia și a turiștilor greci în Moldova. Prin urmare, în baza cercetărilor efectuate, pot să vă asigurăm că doamna Cazacu Stela are competență teoretică și metodologică, un nivel înalt de cunoștințe, abilități de gândire critică și o abordare proactivă.

Datorită rezultatelor și recomandărilor oferite în teza de doctor a doamnei Cazacu Stela, Grecia și Republica Moldova își vor consolida și diversifica relațiile turistice, și implicit, aceasta va duce la creșterea economică a acestor țări.



Director: *Serocuta - Zavatian*  
*Zionice*

**Asociația Națională a Agențiilor de Turism din Moldova  
(ANAT Moldova)**

Moldova, Chișinău str. București 60

Tel: +373 22 99 77 27 Email: [office@anat.md](mailto:office@anat.md)

**ACT DE IMPLEMENTARE**

a rezultatelor cercetării științifice efectuate de către doamna **CAZACU Stela** pentru conferirea titlului de doctor în economie cu tema:

**“Dezvoltarea Relațiilor Economice Moldo-Grecești: Obstacole și Oportunități”**

Asociația Națională a Agențiilor de Turism din Moldova (ANAT), care are ca obiect de activitate coordonarea, monitorizarea, apărarea, promovarea și reprezentarea intereselor membrilor săi, precum și organizarea diverselor acțiuni specifice activității de turism, comunică următoarele cu referință la teza de doctor a doamnei Cazacu Stela “Dezvoltarea Relațiilor Economice Moldo-Grecești: Obstacole și Oportunități”:

Recomandările generate ca urmare a cercetărilor științifice efectuate de doamna Cazacu Stela sunt utilizate de ANAT pentru intensificarea relațiilor de turism dintre Republica Moldova și Grecia. În special, ANAT utilizează recomandările propuse de D. Cazacu Stela (din recentul articol “*Imaginea Republicii Moldova în Calitate de Destinație Turistică printre Greci*”, 2017) pentru a promova o imagine pozitivă a Republicii Moldova ca destinație turistică atât printre greci, cât și pe scară internațională, cu scopul sporirii fluxului de turiști în Republica Moldova.

● Astfel, suntem convingși de faptul că teza de doctor a doamnei Cazacu Stela are relevanță economică și socială și că aplicarea în practică a recomandărilor din teză vor contribui la dezvoltarea turismului dintre Republica Moldova și Republica Elenă.

Președinte ANAT Moldova

7.12.2017

Juraveli Alexandru





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07-013 din 09.01 2018

### ACT de Implementare

a rezultatelor investigațiilor științifice ale tezei de doctor în economie la specialitatea 521.02 – Economie Mondială; Relații Economice Internaționale a dnei **CAZACU Stela**, cu tema:  
*Dezvoltarea Relațiilor Economice moldo-grecești: obstacole și oportunități*

Prin prezența, se remarcă contribuția Dnei Cazacu Stela la influențarea dezvoltării semnificative a relațiilor economice dintre Republica Moldova și Republica Elenă. Datorită multitudinii de investigații științifice pe care le-a realizat, în special analiza propriu-zisă a dinamicii diferitor forme ale relațiilor economice dintre Moldova și Grecia, cum este comerțul bilateral, investițiile străine directe și turismul bilateral, Dna Cazacu Stela a formulat propuneri și recomandări în privința oportunităților și obstacolelor din calea relațiilor economice moldo-grecești, ce vor influența benefic atât economia Republicii Moldova, cât și economia Greciei.

Astfel, MIEPO confirmă posibilitatea utilizării recomandărilor propuse de Dna Cazacu Stela atât la nivelul instituției noastre, cât și la nivel de agenți economici și alte autorități publice și private din Moldova, în special pentru îmbunătățirea dialogului dintre autoritățile moldovenești și cele grecești, ce ar duce la intensificarea relațiilor comerciale și de investiții dintre aceste două țări. Mai mult ca atât, deoarece Dna Cazacu Stela a demonstrat în teza sa că Grecia a fost și continuă să fie o sursă importantă de investiții pentru Moldova și o destinație pentru export cu care Moldova are balanță comercială pozitivă în ultimii 2 ani, MIEPO recomandă ca Grecia să fie inclusă printre piețe țintă ale Moldovei.

Director MIEPO



/Vitalie ZAHARIA



## **DECLARATION FOR ASSUMING RESPONSIBILITY**

I, the undersigned, declare on my personal responsibility that the materials presented in this PhD thesis are the results of my own scientific research and achievements. I realize that, otherwise, I will have to face the consequences according to the legislation in force.

Cazacu Stela

Signature

Date

## AUTHOR'S CV

### PERSONAL INFORMATION



STELA CAZACU

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Sex Female | Date of birth 07/06/1985 | Nationality Moldovan, Romanian

### WORK EXPERIENCE

---

Nov 2014–30 Aug 2016	<i>Lecturer and Researcher at the Faculty of Economic Sciences</i> Moldova State University, Chisinau (Moldova)
Sep 2012–Aug 2014	<i>Lecturer and Researcher at the International Agribusiness Faculty</i> Perrotis College, Thessaloniki (Greece)
Oct 2008–Jun 2012	<i>Administrative and Research Assistant, Head of Learning Center Department</i> Perrotis College, Thessaloniki (Greece)
Jan 2007–May 2007	<i>Assistant Internet-Marketing</i> InfoHub S.R.L., Chisinau (Moldova)
Sep 2006–May 2007	<i>Sales Agent for the "Work and Travel Program"</i> STM Acord Travel, Chisinau (Moldova)

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### EDUCATION & TRAINING

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Nov 2014–Nov 2017	<i>PhD in International Economic Relations</i> Moldova State University, Chisinau (Moldova)
Oct 2011–Apr 2013	<i>MSc in Management</i> International Hellenic University, Thessaloniki (Greece)
Oct 2008–Jun 2011	<i>BSc Hons in International Agribusiness; Marketing Management for the Food Industry Pathway</i> Perrotis College (degree validated by the Cardiff Metropolitan University), Thessaloniki (Greece)
Sep 2004–May 2008	<i>BSc in Economics; International Economic Relations Pathway</i> The Moldovan State Institute of International Relations (IRIM), Chisinau (Moldova)

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### PERSONAL SKILLS

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Communication skills	good communication & empathy skills gained through experience as a lecturer, researcher; ability to adapt to multicultural environments, gained through work & study experience
Organisational skills	good organizational skills obtained while working as a lecturer and researcher
Job-related skills	time management, organizational, teaching and analytic skills, reliability, creativity, determination, ethics, critical thinking, customer service skills, patience, multi-tasking
Digital skills	Academic Databases Research Skills, SPSS, Microsoft Office, and Internet Browsing

---

Mother tongue(s) **Romanian**

Other language(s)	UNDERSTANDING		SPEAKING		WRITING
	Listening	Reading	Spoken interaction	Spoken production	
Russian	C2	C2	C1	C1	C1
English	C2	C2	C2	C2	C2
German	B1	B1	B1	B1	B1
Greek	B1	B1	B2	B1	A2

Levels: A1 and A2: Basic user - B1 and B2: Independent user - C1 and C2: Proficient user [Common European Framework of Reference for Languages](#)

#### ADDITIONAL INFORMATION

- Publications** **Cazacu, S.** 2017, Imaginea Republicii Moldova în Calitate de Destinație Turistică printre Greci, *Akademios*, No. 2 (45), pp. 88-97.
- Cazacu, S.** 2017, Greek Foreign Direct Investments in the Economy of the Republic of Moldova, *Studia Universitatis Moldaviae*, USM, No. 7 (107).
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- Cazacu, S.** & Papadopoulos, F. 2015, German Perceptions of Greek Wines, *Fork to Farm: International Journal of Innovative Research and Practice*, Vol 2, No.1, 2015.
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- Cazacu, S.** 2013, Greek Consumers' Purchase Intentions towards Dairy Functional Foods, *LAP LAMBERT Academic Publishing GmbH & Co. KG*. Saarbrucken, Germany.
- Cazacu, S.** 2012, What motivates Greek consumers to buy organic food? *LAP LAMBERT Academic Publishing GmbH & Co. KG*. Saarbrucken, Germany.

- Conferences** **Cazacu, S** 2017, Greek Foreign Direct Investments in the Economy of the Republic of Moldova, "*European Union – Crises and Borders in the XXI Century*" Conference, 19th of May, 2017, "Alexandru Ioan Cuza" University, Iași, Romania.
- Cazacu, S** 2017, Factors that Affect the Tourism Flows from Moldova to Greece, *12<sup>th</sup> International Conference entitled : „Paradigme moderne ale economiei și antreprenoriatului inovativ”*, 03 – 04 November 2017, USM, 2017, pp. 289-293. ISBN 978-9975-71-942-1.
- Cazacu, S.** 2016, Imaginea Greciei ca Destinație Turistică printre Consumatorii Moldoveni (Greek Image as a Tourism Destination among Moldovan Consumers), *11<sup>th</sup> International Conference entitled „The economical competitiveness growth during the process of transition to knowledge based society”*, 28-29 October 2016, Chișinău, Moldova.
- Cazacu, S.** 2016, International Economic Relations between Republic of Moldova and Greece, *The Political Sciences Student Conference*, 19– 22 May 2016, Faculty of Political, Administrative & Communication Sciences, Babeș-Bolyai University, Cluj-Napoca, Romania.
- Cazacu, S.** & Șișcan, Z. 2015, Theories and Methodological Aspects of International Trade between Moldova and Greece, *6th International Conference entitled The Development of Modern Economic Systems: Challenges and Alternatives of the 21st Century*. 26-27 November 2015, Chișinău, Moldova.
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- Cazacu, S.** 2012, What motivates Greek consumers to buy organic food? An investigation into the motives of residents of Thessaloniki. Conference on *Organic Agriculture and Products: Production, Certification and Entrepreneurship*, organised by the Greek Network of Agricultural Products, Aristotle University and Perrotis College. 20th of February 2012, Thessaloniki, Greece.
- Internships & Projects** "*BSH Horizon 2020*" **Summer School** on Social Sciences and Humanities (Tsaghkadzor, Armenia, 10-12 July 2017).
- Erasmus+ Project** *Promoting Youth Migrants in Democratic Life Across Europe* (Cluj-Napoca, Romania, 12-20 September 2015).
- Internship** in International Agribusiness at Agro-Tourism Resort *Platanorema* (Greece, 2010).
- Internships** at PAP Corps Hotel Chain in Greece. Summer 2009, 2011.
- Internship** in International Economic Relations at *Combinatul Poligrafic Chisinau* (MD, 2008).
- Work and Travel Program** in Alabama and Florida (USA, Summer 2007).
- Internship** in Accounting at *Identconst SRL* (Moldova, Summer 2006, Fall 2007).
- Internship** at *Amnesty International* (Moldova, Nov 2005-Mar 2006).
- Certifications, Scholarships & Awards** **Driving License:** Category B (2007).
- Scholarship for Excellence** among PhD students (2017). Moldova.
- GMAT:** 570 points = 50% (27 January 2016).
- Valedictorian Award**, Perrotis College, Class of 2011.
- A.G. Leventis Foundation Scholarship** for BSc studies at Perrotis College.
- Hobbies** Reading, Piano, Jogging, Meditation, Cats, Nature.

