

Future at Stake: Key Pillars Aggravating Croatian Pathway to Prosperity

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A scientific paper

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FUTURE AT STAKE: KEY PILLARS AGGRAVATING CROATIAN PATHWAY TO PROSPERITY

ABSTRACT

Prosperity is an omnipotent and ultimate development goal. Its multidimensionality broadens from the core simplicity of a pure economic myth of society hooked on growth towards augmented reality enriched by societal and environmental aspects. Although current mainstream research still predominantly narrows the aspect of growth onto its pure economic dimension, interdisciplinary of opened social sciences rooted in the sociology of economics and environmental economics promoted an inclusive vision of enriched future development pathways.

This paper primary goal is set to investigate the interrelation between two Legatum Prosperity Index (PI) pillars Enterprise Conditions and Social Capital in Croatia within the European Union frame. The paper also observes the relationship towards the other pillars of PI namely: Safety & Security, Personal Freedoms, Governance, Investment Environment, Market Access and Infrastructure, Economic Quality, Living Conditions, Health, Education, Natural Environment. Pillars themselves are categorised into three domains: Inclusive Societies, Open Economies and Empowered People aiming to ensure a holistic approach to the topic investigated.

The panel sample included EU-27 countries between 2007 and 2020. The overall number of observations is 378 and the analysis included two methods: bivariate correlation and hierarchical multiple linear regression (through three models).

The results gained show that Investment Environment, Market Access and Infrastructure, Education, Governance pillars positively affect Enterprise Conditions of EU-27 countries. Although Social Capital has a significant and positive effect on Enterprise Conditions but is not strong. Statistically significant but the weak negative link between Natural Environment and Safety & Security with Enterprise Conditions is also shown.

Finally, the conclusion, limitations and further research development in the topic frame are stated.

Keywords: *prosperity index, enterprise conditions, social capital.*

1. Introduction

It seems as if the contemporary global civilisation fell into a trap of the Greek mythic story of King Midas, taking for granted that economic interest (wealth) brings all together with the omnipotent wellbeing for an individual as well as for the collective. The redundant, narrow economic perspective long prevailing in our greedy developmental frames has led towards different challenges contemporary societies are facing nowadays: climate change, environmental degradation, overconsumption, social inequality and strengthening authoritarianism topped up with the recent pandemic caused the crisis. Seems as though the rise of the never-ending economic growth postulated in the Anthropocene has reached the dead end.

The holistic, “Beyond GDP initiative“ approach on the other hand seeks a prosperous society opened towards new perspectives enriching and reshaping the ways we live in a contemporary world for a better and inclusive future for all. In terms of the empowerment quest, we present the term of prosperity as defined by the Legatum Prosperity Index (LPI): „Prosperity is far more than wealth; it is when all people have the opportunity and freedom to thrive. Prosperity is underpinned by an inclusive society, with a strong contract that protects the fundamental liberties and security of every individual. It is driven by an open economy that harnesses ideas and talent to create sustainable pathways out of poverty. And it is built by empowered people, who contribute and play their part in creating a society that promotes wellbeing.“ Therefore, prosperity is about creating an environment where everyone can reach their full potential.

The building blocks of prosperity, as defined by LPI are spread through three main domains: Inclusive Societies, Open economies and Empowered people. Inclusive societies domain encompasses four key pillars: Safety and Security, Personal Freedom, Governance and Social Capital. Open economies domain includes Investment Environment, Enterprise conditions, Market Access & Infrastructure and Economic Quality. The green dimension of Empowered people includes Living Conditions, Health, Education and Natural Environment. Each of the four pillars developed under a specific domain is subdivided further into elements (detailed scheme available under Appendix II).

Starting from the point on thinking globally, but acting locally we use the dataset presented in the LPI in a period from 2007 until 2020 in our endeavour toward the diagnoses of the key vectors endangering the Croatian path to prosperity.

2. Theoretical framework

The interrelation between positive social conditions and determinations for entrepreneurship development has been emphasised in early work on Tocqueville (2010) in a time 19th century. Tocqueville emphasised the benefits of citizens’ participation in different organizational structures in regards to entrepreneurial potential activity closely connecting entrepreneurship with social capital. Nowadays, after almost two centuries, in regards to The Republic of Croatia LPI results, we witness the discrepancy between exactly these pillars (namely Enterprise Conditions and Social Capital) and all the other pillars in the Croatian overall PI index result.

Entrepreneurship is undoubtedly interrelated with social capital. It is deeply embedded in social network structures (Aldrich, 1987; Aldrich and Zimmer, 1986; Johannison, 1988), while building stronger entrepreneurial social networks consequently will improve the economic performance of a community (Carson & Della Giusta, 2007).

Althou Light & Dana (2013) cross-cultural research findings show social capital promotes entrepreneurship only when supportive cultural capital is in place, and while every culture does not value entrepreneurship, and as noted by Madhooshi & Samimi (2015), social capital will not ultimately transpose into entrepreneurship in communities where entrepreneurship is not valued.

Socially embedded entrepreneur contributes towards and advances the coordination of activities in a complex economic system, minding extra environmental and social costs contemporary intensive economical activities created during the period of the last century time. Beside social capital numerous other influences interfere with society's prosperity as understood in a global society cultural frame as one study after another has shown in recent years that the tie between more stuff and more happiness has broken down as GDP growth mantra has been the single most important policy goal across the world for most of the last century.

Prosperity has been considered the most desirable real outcome of all human efforts however usually measured through the gross domestic output of the economy that may not capable to comprehend it effectively (Khan & Ahmad, 2016). Therefore, in understanding ways, prosperity is to be reached as the concept of human interests we connect the economic, societal and environmental aspect of human beings. Economic interests are ultimately rooted in the needs of the human organism in its dependence on the environment as noted by Maslow's hierarchy of needs theory (1943) but are not singled out as the only one.

Enterprise Conditions as a dependent variable and a prosperity determinant for this research paper was chosen due to the advantages at the disposal of the nation and the local community as noted by Porter (2004) and Brakman et al. (2006). If the value of socio-economic performance can be directly related to the measured entrepreneurial environment and level of entrepreneurship, numerous studies are showing the effect of prosperity index variables on Enterprise Conditions. The results of Mervar study (1999, 22) showed that economic growth in the early 1960s to the late 1980s was stronger in countries with higher investment and lower public spending, with fewer price distortions, less premium on the "black" foreign exchange market, lower inflation rate, stronger involvement in international flows, higher human capital, stable socio-political conditions. According to Mervar (1999, 23), the same is confirmed by the analyzes of the International Monetary Fund conducted in 1993 and 1994 in developing countries. The subject of discussion is always which of the combinations of these instruments is the best, but in general, the above relations have not changed to date. Mervar (1999: 31) cites the distinction between the "tangible gap" of countries with a lack of capital or natural resources and the "gap of ideas" of countries suffering from a lack of knowledge needed to create value in a modern economy, as Romer wrote (1993).

Grootaert (1998, 13) states that at the macro level, social capital becomes the fourth category of capital in the production function along with physical, natural, and human capital. Sobel (2002) believes that the analysis of economic performance should also take into account social capital, which significantly determines the efficiency of the use of natural, financial and human capital. The research of Putnam et al. Fukuyama (2000), Radman-Funarić (2013), Borozan and Radman-Funarić (2016), Radman-Funarić (2018) showed that social capital or at least parts of it have a favourable effect on economic performance. The results of Peiró-Palomino and Forte Deltell (2013: 16-17) suggest that higher levels of trust and respect for social norms may lead to more intense economic growth, but they show little support for the view that higher levels of active participation in associations have a positive impact on economic growth. According to Radman-Funarić (2013), the perception of respect for the norms of Croatian citizens is

positively related to economic effects, but it has not been established for social trust. According to Hardin (1982) and Knack and Keefer (1997) where state institutions can curb arbitrary behaviour by state leaders, government policies, for example, are more likely to be more credible or reliable and if formal institutions enforce laws more effectively and protect private contracts, trust and adherence to civic norms among citizens can strengthen.

Klitgaard and Fedderke (1995) point out that ethnic conflict is one of the biggest causes of social disintegration; it destroys the economy, physical and human capital and leads to the disappearance of social capital.

3. Prosperity Index position of The Republic of Croatia in EU-27

Table 1 shows average values of total Prosperity Index (PI) in Croatia for a period from 2007 until 2020 for all belonging pillars, average ranks in the same period and Croatian rank in EU-27 and World for 2020. By 2020 PI Croatia ranked 25th in the EU and 43rd in the World frame.

Table 1: The PI placement for Croatia in EU-27 and World

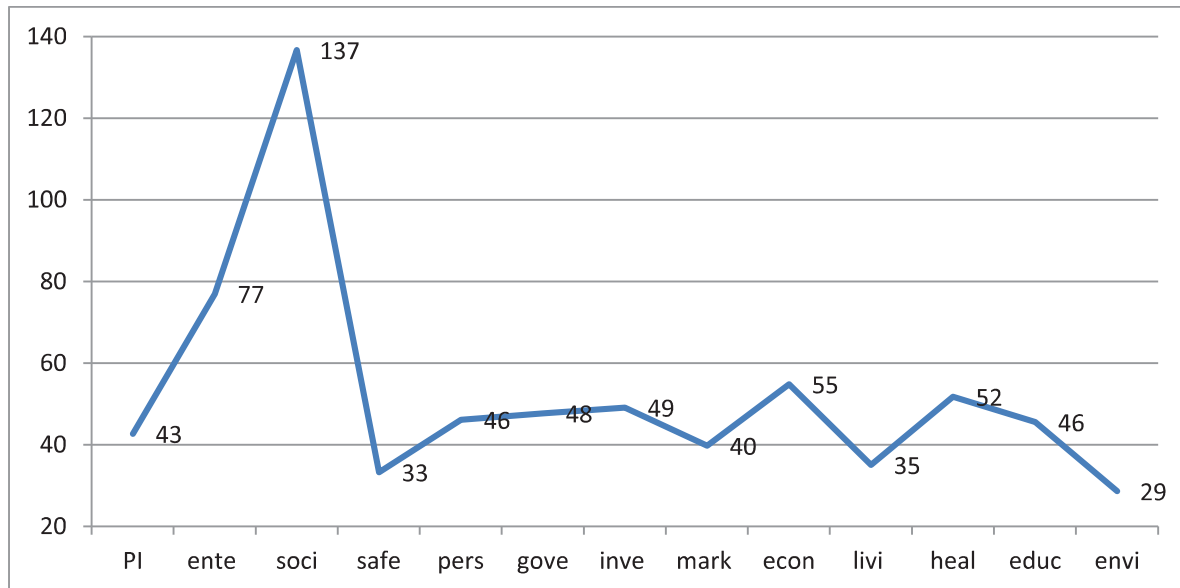
PI pillars	Average value 2007-2020 Croatia in World	Average rank 2007-2020 Croatia in World	Rang 2020	
			EU-27	World
Overall Prosperity Index	65,2	43	25	43
Inclusive societies				
		66	22,5	67,8
Social Capital	43,0	137	26	142
Safety & Security	81,9	33	16	28
Personal Freedoms	65,5	46	24	54
Governance	57,9	48	24	47
Open economies				
		55,2	23,5	53,8
Enterprise Conditions	52,5	77	27	84
Investment Environment	60,6	49	25	51
Market Access and Infrastructure	66,0	40	18	32
Economic Quality	56,8	55	24	48
Empowered people				
		40,3	21,8	43,3
Living Conditions	87,3	35	24	39
Health	75,3	52	23	56
Education	71,8	46	25	47
Natural Environment	64,1	29	15	31

Source: authors according to The Legatum Prosperity Index (2020b)

In regards to Enterprise Conditions pillar Croatia ranks 84th world country but is placed last EU-27 country in 2020. The average Enterprise Conditions rank in a period from 2007 until 2020 is 77. In a period from 2007 until 2020 quantitative indicators of conditions of entrepreneurship survival and development have not increased in regards to the year 2007. Data also show how results for the year 2020 (54.1) still rank Croatia below the 2007 level (55.2). The same result is found in the Social Capital pillar ranked 46.3 in 2007 and 44.4 in 2020. The results presented show Social Capital value is decreasing.

Overlooking Croatian world ranks position does not cause concern, especially in regards to the overall number of 167 countries participating in the PI. Differently, placing Croatia's ranks in an EU-27 frame its position is at the bottom of the scale, aside from Safety and Security, Market Access and Infrastructure and Natural Environment although even these pillars are not placed in the first half group of the countries listed. Data shows the same result in comparison to Eastern European countries (38 countries in total). By these results, Croatia ranks second half and bottom of the scale, aside for Safety and Security, Market Access and Infrastructure and Natural Environment pillars.

Chart 1: Croatia average PI pillars rank 2007-2020 in World



Source: authors according to *The Legatum Institute (2020b)*

Chart 1 data show average PI ranks for Croatia in the period 2007-2020 are at their worst performance in Enterprise conditions and Social Capital, where Social Capital is ranked almost at the end of the world ranking scale taking 137th out of 140 countries ranked. Enterprise conditions take the second-worst place in overall PI ranking 77th and placing this Croatia's result in the second half of the world scale.

Chart 2 shows the top-rated country in overall PI of EU-27 Denmark, lowest-ranked Bulgaria and Croatia. The significant difference is shown between Croatia and Denmark in all pillars but Safety and Security, Natural Environment and Market Access and Infrastructure. The same pillars differ between Croatia and Bulgaria, but unlike Croatia's distance from Denmark in other indicators, Croatia and Bulgaria are very close.

Chart 2: PI pillars rankings for Croatia, Denmark and Bulgaria

Source: authors according to *The Legatum Institute (2020b)*

Looking into the domains Croatia scores 2020 highest in Empowered People (average rank in EU-27 is 21,8 and World 43,3) in Inclusive Society (average rank in EU-27 is 22,5 and World 67,8) and lowest in Open Economies domain (average rank EU-27 is 23,5 and World 53,8). Within Inclusive Societies Croatia is top positioned in Safety & Security (16th in EU-27 and 28th in World), within Open Economies at Market Access and Infrastructure (18th in EU-27 and 32nd in World) and within Empowered People in Natural Environment (15th in EU-27 and 31st in World) Those variables of PI are the ones lifting Croatia's rank in the overall position. For example, Croatia's World rank in Social capital is 142nd and Safety & Security 28th lifting Croatia up the scale of Inclusive Societies domain (see: Table 1).

4. Research Methodology

4.1. Data and variables

The panel sample included EU-27 countries in the last 14 years for a period between 2007 and 2020. All data have been taken from The Legatum Prosperity Index (The Legatum Institute, 2020b). Table 2 shows 12 pillars and elements included in research showing quantitative value to the pillars. The data for each element is the result of several indicators. The value of the individual elements and indicators contained in the overall prosperity is the result of the data specified in (The Legatum Institute, 2020a).

Table 2: Variables used in the analysis

Abbreviation	Variables – PI components	Elements	Number of indicators*
ente	Enterprise Conditions	Domestic Market Contestability	3
		Environment for Business Creation	5
		Burden of Regulation	6
		Labour Market Flexibility	5
		Price Distortions	2
soci	Social Capital	Personal and Family Relationships	2
		Social Networks	3
		Interpersonal Trust	2
		Institutional Trust	6
		Civic and Social Participation	4
safe	Safety and Security	War and Civil Conflict	4
		Terrorism	4
		Politically Related Terror and Violence	6
		Violent Crime	4
		Property Crime	3
pers	Personal Freedom	Agency	8
		Freedom of Assembly and Association	3
		Freedom of Speech and Access to Information	6
		Absence of Legal Discrimination	7
		Social Tolerance	3
gove	Governance	Executive Constraints	5
		Political Accountability	4
		Rule of Law	4
		Government Integrity	6
		Government Effectiveness	7
		Regulatory Quality	4
inve	Investment Environment	Property Rights	6
		Investor Protection	5
		Contract Enforcement	4
		Financing Ecosystem	7
		Restrictions on International Investment	6
mark	Market Access and Infrastructure	Communications	4
		Resources	6
		Transport	7
		Border Administration	3
		Open Market Scale	4
		Import Tariff Barriers	3
		Market Distortions	3
econ	Economic Quality	Fiscal Sustainability	5
		Macroeconomic Stability	2
		Productivity and Competitiveness	4
		Dynamism	3
		Labour Force Engagement	5
livi	Living Conditions	Material Resources	7
		Nutrition	4
		Basic Services	5
		Shelter	4

Abbreviation	Variables – PI components	Elements	Number of indicators*
		Connectedness	6
		Protection from Harm	4
heal	Health	Behavioural Risk Factors	3
		Preventative Interventions	6
		Care Systems	7
		Mental Health	3
		Physical Health	5
		Longevity	5
educ	Education	Pre-Primary Education	1
		Primary Education	3
		Secondary Education	4
		Tertiary Education	5
		Adult Skills	5
envi	Natural Environment	Emissions	5
		Exposure to Air Pollution	3
		Forest, Land and Soil	3
		Freshwater	4
		Preservation Efforts	5

Note: *Individual value and rank see The Legatum Institute (2020b)

Source: authors by The Legatum Institute (2020b)

In the frame of dependent variable Enterprise Conditions, the following pillars have been researched: Domestic Market Contestability, Environment for Business Creation, Burden of Regulation, Labour Market Flexibility and Price Distortions. The value of Social Capital was affected by the rankings of Personal and Family Relationships, Social Networks, Interpersonal Trust, Institutional Trust and Civic and Social Participation.

Table 3: Elements and indicators of Enterprise Conditions pillar

1	Domestic Market Contestability	Market-based competition
		Anti-monopoly policy
		Extent of market dominance
2	Environment for Business Creation	Private companies are protected and permitted
		Ease of starting a business
		State of cluster development
		Labour skill a business constraint
		Availability of skilled workers
3	Burden of Regulation	Burden of government regulation
		Time spent complying with regulations
		Number of tax payments
		Time spent filing taxes
		Burden of obtaining a building permit
		Building quality control index
4	Labour Market Flexibility	Cooperation in labour-employer relations
		Flexibility of hiring practices
		Redundancy costs

		Flexibility of employment contracts
		Flexibility of wage determination
5	Price Distortions	Distortive effect of taxes and subsidies
		Energy subsidies

Source: authors according to The Legatum Institute (2020b)

4.2. Methods

The primary goal of bivariate correlation analysis is to check how the set of independent variables correlates with the Enterprise Conditions. The aim is also to determine whether there is an interrelation between Enterprise Conditions and Social Capital pillar or other variables are more and/or significantly more interrelated to Enterprise Conditions pillar variable.

The relationship between independent and Enterprise Conditions are examined using multiple regression.

The formulas for the multiple regressions can be expressed as:

$$ente = a + \beta_1 soci + \beta_2 safe + \beta_3 pers + \beta_4 gove + \beta_5 inve + \beta_6 mark + \beta_7 econ + \beta_8 livi + \beta_9 heal + \beta_{10} educ + \beta_{11} envi + e$$

where Enterprise Conditions dependent variable, and others are independent variables, *e* is the error term involved in using the linear model to predict the value of Y, *a* is the intercept of the slope, and β is the coefficient of the independent variable (Kamki, 2016).

The first multiple regression model in Table 4 includes three independent variables: Economic Quality, Market Access and Infrastructure and Investment Environment, variables most commonly considered directly related to entrepreneurship in the frame of Open Economy domain. Sources and weights of each indicator are contained within The Legatum Institute, (2020a, 24-39). Model 2 in the table adds four new variables: Living Conditions, Health, Education and Natural Environment, compounding the Empowered People domain. Sources and weights of each indicator of the Empowered people domain are contained within The Legatum Institute, (2020a, 40-52). Model 3 adds additional four new variables: Safety and Security, Personal Freedom, Governance and Social Capital, seen as the societal, political and cultural surrounding. Sources and weights of each indicator of the Empowered people domain are contained within The Legatum Institute, (2020a, 11-23).

5. Results and discussion

EU countries are relatively homogenous, standard deviations of all variables are within the boundaries of expected. No one standard deviation is greater than the mean value.

The correlation matrix reveals that all the variables are significant at a 1% level. The correlation coefficient between some variables is greater than 0.8, which might be a sign of multi-collinearity between independent variables. Multi-collinearity is expected in the relation between overall PI and pillars due to individual PI results and is eliminated by investigating the relationship between the independent variables and the dependent variable Enterprise Conditions using multiple regressions. Enterprise Conditions are very strongly related to PI index (*r* = 0.93), Governance (*r* = 0.92), Market Access and Infrastructure (*r* = 0.87), Social

Capital ($r = 0.83$), Living Conditions ($r = 0.83$), Investment Environment ($r = 0.84$), Education ($r = 0.79$) and Economic Quality ($r = 0.64$).

Table 4 presents the result from the multiple regression on the three models outlined above. The overall fit of the models measured by the Adjusted R^2 is very high. It ranges between 0.82 and 0.90. In other words, it seems that the models explain much of the variance in the dependent variable.

Table 4: Results of hierarchical multiple linear regression

	<i>Dependent variable:</i> <i>'Enterprise Conditions'</i>		
	(1)	(2)	(3)
Investment Environment	0.492^{***} (0.060)	0.479^{***} (0.060)	-0.019 (0.061)
Market Access and Infrastructure	0.706^{***} (0.047)	0.342^{***} (0.074)	0.431^{***} (0.060)
Economic Quality	0.019 (0.040)	0.012 (0.039)	0.036 (0.034)
Living Conditions		0.164 (0.110)	-0.158 (0.099)
Health		0.138 (0.091)	0.165^{**} (0.082)
Education		0.440^{***} (0.063)	0.191^{***} (0.054)
Natural Environment		-0.068^{**} (0.031)	-0.049[*] (0.026)
Safety and Security			-0.253^{***} (0.047)
Personal Freedom			-0.057 (0.047)
Governance			0.526^{***} (0.047)
Social Capital			0.100^{***} (0.028)

	<i>Dependent variable:</i> 'Enterprise Conditions'		
Constant	-17.245*** (2.129)	-45.289*** (5.080)	8.668 (6.057)
Observations	378	378	378
R ²	0.822	0.849	0.902
Adjusted R ²	0.821	0.846	0.900
<i>Note:</i>	*p<0.1, **p<0.05, ***p<0.01		

Source: Authors

The results from the first model suggest that Market Access and Infrastructure, 0.706, strong and positively affect Enterprise Conditions ($p < 0.01$). This result is expected because market access and infrastructure is considered highly related to the Investments Environment. Investment Environment influence is statistically relevant ($p < 0.01$) with a slightly lower influence towards Enterprise Conditions 0.492. Both results are following Mervar (1999) survey results. Surprisingly, Economic Quality is insignificant and does not affect the Enterprise Conditions in the EU-27.

The results in Model 2, which includes Living Conditions, Health, Education and Natural Environment, show that the effect of independent variables from the first model is slightly smaller, and Economic Quality remains without statistical significance. Out of four newly added variables, only two are statistically significant ($p < 0.01$), Natural Environment (-0.068) and Education (0.440). As expected the level of education significantly improves Enterprise Conditions, following Romer (1993) and Mervar (1999).

The third model is the strongest model in regard to Adjusted *R* squared. It comprises additional four new variables grouped under the Inclusive Societies domain. Out of newly added variables, Safety and Security, Governance and Social Capital are statistically significant ($p < 0.01$). Interestingly, Safety and Security is negatively related (-0.253) to the Enterprise Conditions in accordance to Pinazo-Dallenbach, P., Roig-Tierno, N. & Mas-TurAre, A. (2015) Moreover, and Social Capital (0.100) is positively related to the Enterprise Conditions, partially in accordance to Putnam et al. (1993), Fukuyama (1995), Peiró-Palomino and Tortosa-Ausina (2012), Radman-Funarić (2013), Borožan and Radman-Funarić (2016), Radman-Funarić (2018), as the majority of research is based solely on social trust or the results differ in individual elements (variables) of social capital.

Governance are positively related to the Enterprise Conditions (0.526) in accordance Hardin (1982) and Knack & Keefer (1997) proving more reliable and efficient state institutions leads to greater mutual trust and respect for norms which creates a more favourable entrepreneurial environment.

Market Access and Infrastructure variable remains statistically significant and positively related (0.431) to the Enterprise Conditions. Adding a third group of independent variables Investment Environment loses its influence towards Enterprise Conditions taken over by the added variables showing how Governance contributes positively while Safety and Security contribute negatively towards Enterprise conditions. Suddenly, Health becomes statistically significant at 5% level and it is positively related to Enterprise Conditions, although this relation is not strong.

6. Conclusion

Prosperity goes beyond material pleasures and transcends material concerns. It resides in the quality of our lives and the health and happiness of our families. It is present in the strength of our relationships and our trust in the community. It is evidenced by our satisfaction at work and our sense of shared meaning and purpose. It hangs on our potential to participate fully in the life of society. Prosperity consists in our ability to flourish as human beings – within the ecological limits of our finite planet. The challenge for our society is to create the conditions under which this is possible. It is the most urgent task of our times and our generation.

The results of the study presented show Croatia scores lowest on Enterprise Conditions and Social Capital in LPI. Further analysis through three model approach has shown that Market Access and Infrastructure strong and positively affect Enterprise Conditions. Living Conditions, Health, Education and Natural Environment, show that the effect of independent variables from the first model is slightly smaller, and Economic Quality remains without statistical significance. Out of four newly added variables, only two are statistically significant Natural Environment and Education. The level of education significantly improves while Safety and Security are negatively related to the Enterprise Conditions. Social Capital and Governance, as well as Market Access and Infrastructure, are positively related while Safety and Security contribute negatively towards Enterprise Conditions.

Study limitations oblige us to declare how results show no interconnection between Enterprise conditions and Economic quality including GDP growth. Future research call upon research towards the relationship between Enterprise Conditions and all elements of Economic quality to discover which of the specific element is not interrelated to Enterprise conditions and which one has got the strongest connection. Furthermore, the analysis would improve due to the separate elements and indicator analysis in social capital towards Enterprise Conditions influence, a task for future research.

Since it is expected for all positive results to be closely bonded with conditions of entrepreneurship development it is necessary to select those variables that are not statistically relevant towards Enterprise conditions from the present analysis and closely check which of the variables included in the model disturb the results expected.

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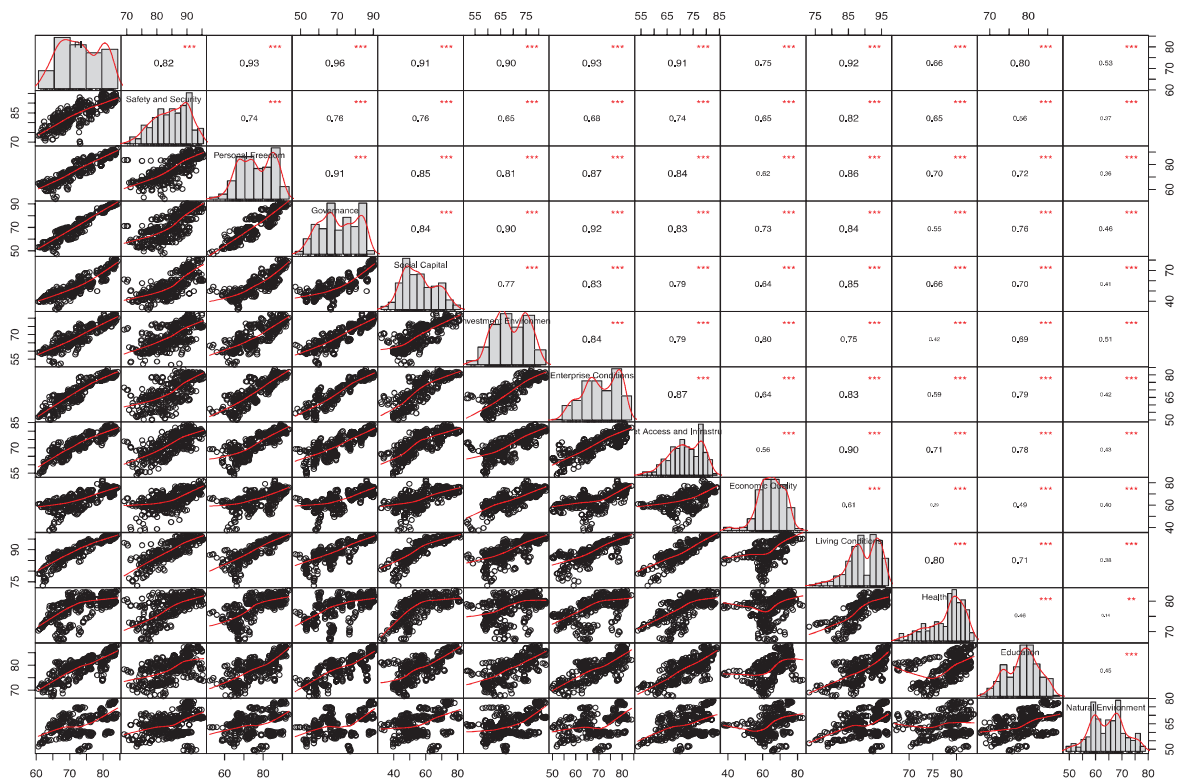
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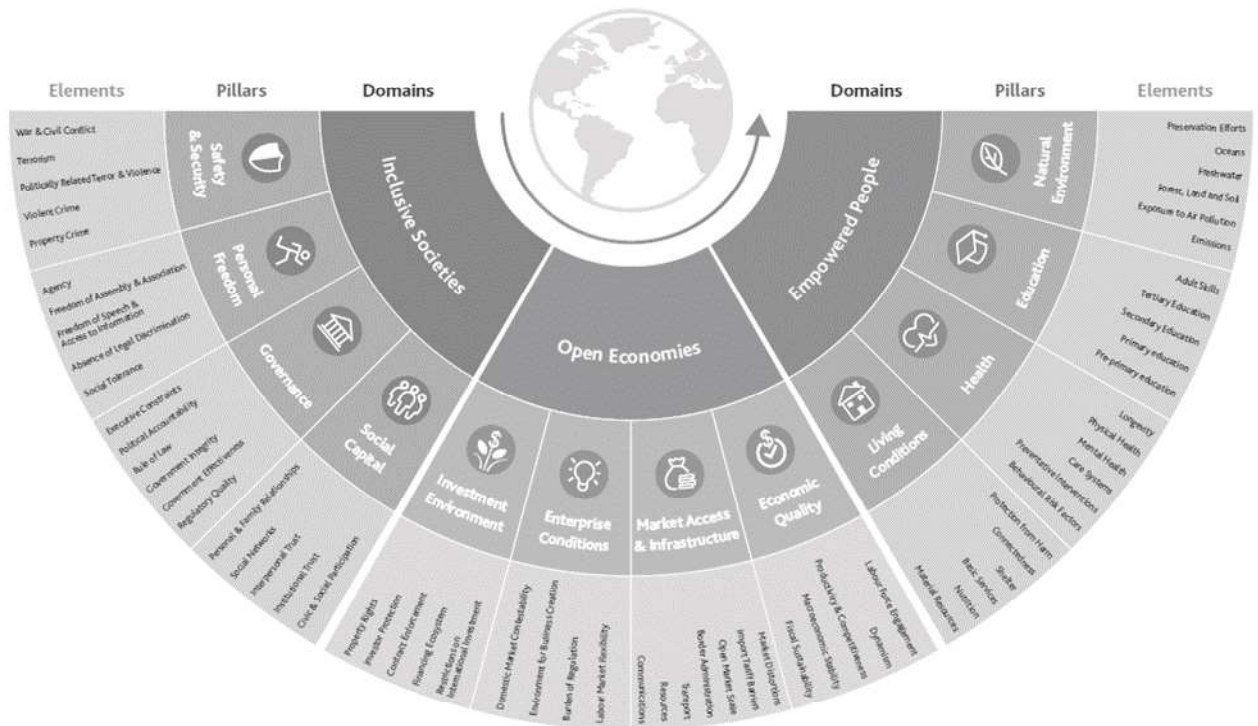
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Appendix 1: Correlation matrix



Appendix 2: The domains, pillars and elements of The Legatum Prosperity index



Source: *The Legatum prosperity index (2020): Measuring prosperity*, pp. 4
https://docs.prosperity.com/4116/0586/8547/Measuring_Pro Prosperity.pdf (accessed 10 January 2021)

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ETHICS IN INTERNATIONAL MARKETING***ABSTRACT***

Over the past 20 years, ethics as a discipline has become increasingly important for international business organisations. An increasing number of companies build their strategies on ethical principles and corporate social responsibility. Thus, ethics and corporate social responsibility are no longer purely business concepts; moreover, they represent a necessity for companies that need to implement them in policies and strategies if they want to go internationally. This paper emphasises the importance of ethics in companies marketing activities. This paper aims to show the international environment's ethical and unethical practices related to the international marketing mix. This article's scientific methods are the method of description, analysis, synthesis, induction, deduction, classification, and comparison. The paper presents positive and negative examples of ethical business practice. Ethical companies include the environmental issue and human health in their activities. Unethical companies caused material damage not only to their business activities but to human health overall. Ethical and moral values define good and bad behaviour in the business world. Business success and profit-making are in the very essence of any business, but such success can also be achieved through permeated business activities based on ethical values and principles. Ethical behaviour needs to be implemented through company culture and overall business practices.

Keywords: *International Marketing, Ethics, Corporate Social Responsibility.*

1. Introduction

Marketing plays a significant role in the business of any company. Marketing experts create communication and interaction with customers and all other stakeholders, thus creating the preconditions for successful product market placement. Ethics as a discipline is becoming increasingly recognised by the public, and during past decades its importance is growing in business organisations. An increasing number of companies build their business strategies on ethical chiefs and socially responsible business because this is what all stakeholders expect from them. On the other side, there are still business that are criticized because of their negative ethical lines according to product liability, personal selling tactics, false or misleading advertising, product dumping, price gouging, marketing to low-income consumers, foreign