

FOREIGN DIRECT INVESTMENTS – A WAY OF REDUCTION SOCIAL EXCLUSION FROM THE RURAL AREAS OF THE REPUBLIC OF MOLDOVA

Alexandru GORGOS

The State Agrarian University of Moldova, 42 Mircești Street, Chișinău, Republic of Moldova,
Email: alexandru.gorgos@gmail.com

Corresponding author: alexandru.gorgos@gmail.com

Abstract

The rural areas represent a very complex concept which determined lots of opinions regarding its definition and its components. The analyze of the rural areas presume the estimation of the changes which take place within it, both in terms of quantity and in terms of quality. Nowadays rural areas face many problems, namely: low developed infrastructure, lack of acceptable living conditions in rural areas (lack of aqueducts, sewerage, road infrastructure, low quality of medical services, etc.) in this context intensifying the phenomenon of social exclusion. Thus, this scientific research has the main objective to analyze the reduction of the social exclusion from the rural areas of the Republic of Moldova using the Foreign Direct Investments and to show how FDI influence the modernization of the country, in this context reducing the social exclusion.

Key words: Foreign Direct Investments, rural area, social exclusion

INTRODUCTION

The agri-food sector of the Republic of Moldova plays an important role for the economic development of the country, but which faces with many risks which slow down the development of this sector.

In this context, the poverty and the social exclusion, represent major problems the rural areas are facing, being necessary specific measures to be taken at the state level.

Therefore, appears the necessity to manage more efficiently the social exclusion risk, in order to intensify the process of social inclusion, by development policies and strategies, in order to ensure the economical and social cohesion.

The first definitions regarding the social exclusion, have their origins in France, where Rene Lenoir in 1974 published the research „Les exclus”, which considered that „the excluded” represent persons which are not included in the social insurance system of France, namely: disabled persons, veterans, abused children, families with divorced parents and other persons who were marginalized and not found their place in society [6].

At the international level, the term – “exclusion”, appeared in Europe at the end of the 80’s, beginning of the 90’s, when the terms of exclusion and inclusion were introduced in many international treaties at the level of the EU policy, namely: The Maastricht Treaty and its annexed Protocols, in many documents of the EU Parliament and Commission Social Action Programs [5]. Thus, the term of social exclusion, with its introduction in several European policies, has acquired a particular importance and use by several specialists. Some specialists affirm that exclusion is a result of poverty, others affirm that exclusion represent the insufficient participation of the population from the rural areas at the economic and social life of the country.

In this context, at the EU level, was elaborated by Eurostat, the definition of the social exclusion, which represents: “a dynamic process, which is reflected on decreasing levels: some of the disadvantages lead to exclusion, which in its turn, leads to a more unfavorable situation [...] and ends with several multiple and persistent disadvantages. The individuals, the households or other spatial units can be excluded from the access

to resources such as: jobs, health care, education and social or political life.”

Thus, social exclusion is a consequence of poverty, which is constituted from material and relative parameters. In a society, the individuals live in poverty when their incomes are insufficient and do not give them possibility to ensure a standard of living considered acceptable in the society where they live. The lack of financial resources from the rural areas, determine the persons which live and activate in this medium to face with numerous problems, namely: poorly developed infrastructure, barriers to achieve knowledge, to practice sports, barriers in culture, poor quality of medical care [7].

Nowadays, to reduce the social exclusion are necessary financial resources in order to modernize the rural areas.

The main purpose of this scientific research consists in highlighting the advantages of Foreign Direct Investments (FDI) application in order to reduce poverty and social exclusion from the rural areas.

Foreign direct investments influence positively at the macroeconomic and at microeconomic level, contributing at the economic growth, the creation of new jobs, of new production facilities [4].

In this conditions, the application of FDI represents a solution of modernization the rural area, rural infrastructure development and improving quality of life in rural areas

MATERIALS AND METHODS

In this scientific research, the investigation methods used were the following: quantitative and qualitative analysis; induction and deduction, the tables and charts method; the time series method, the comparison method.

The informational base of this investigation is represented by the scientific literature dedicated to the agrarian economy, social exclusion, FDI; reports offered by the National Bureau of Statistics of Moldova.

RESULTS AND DISCUSSIONS

The agricultural sector of the Republic of Moldova plays an important role for the

economy of the country, contributing in the last years to the GDP by 14-15 %.

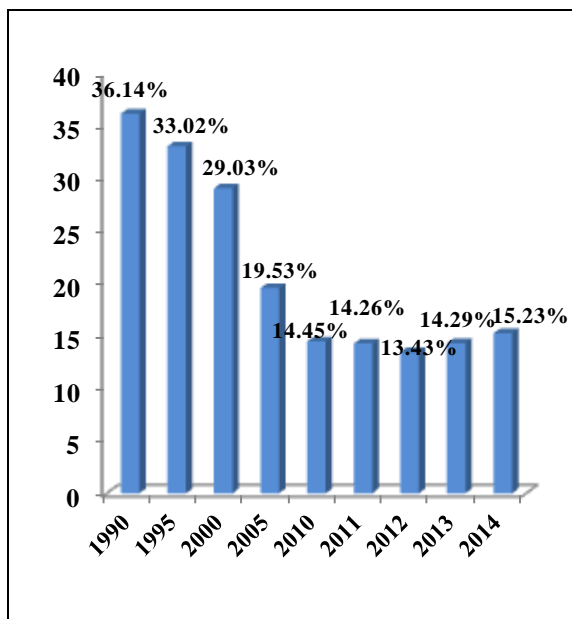


Fig. 1. Contribution of agriculture to GDP during the period 1990-2014 (%)

Source: Elaborated by the author based on the data from NBS.

The analyze of the Fig. 1 reveals that during 1990-2014, the share of agriculture in GDP decreased by 20.91%, from 36.14% in 1990 to 15.23% in 2014. This significant decrease of the share of agriculture in GDP was determined by the decrease of the number of the occupied population from agriculture, caused by the migration outside the country of a high number of citizens, other citizens changed their domain of activity, thus causing the decreasing of the share of agriculture in GDP. According to the data from the Fig. 2, it is revealed that the share of the occupied population from agriculture during 2007-2012 decreased by 6.4%, from 32.8% to 26.4%. In 2013 and 2014 was registered an increase of the share of the occupied population from agriculture from 26.4% in 2012 to 28.8% in 2013, and respectively to 30.5% in 2014.

However, analyzing a longer period of time (2001-2014) the dynamics of the employed population in agriculture, based on the data from the National Bureau of Statistics, it is revealed that in 2014 the share of the employed population in agriculture constituted 30.5%, which represent a

decrease by 20.4% compared to 2001, when this indicator constituted 50.9% [2].

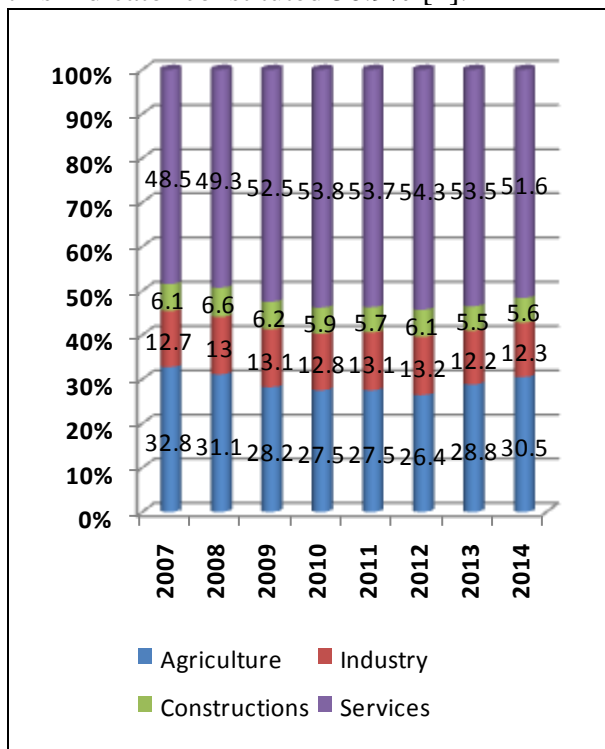


Fig. 2. Distribution of employed population by sectors of economy (%)

Source: Elaborated by the author based on the data from NBS.

Thus, because of the low developed infrastructure (sewage, water supply, roads, medical insurance, education, sports, etc.) as well as because of the low incomes from the agricultural sector, a lot of active population left the village, either migrating outside the country or orienting towards other areas of activity, such as services, which registered an increase of the employed population: from 48.5% in 2007 to 51.6% in 2014.

The massive emigration of the active population from rural areas has determined the aging of the population, its marginalization and respectively, the intensification of the phenomenon of social exclusion, which influences in a negative way the development of the rural areas, the population from rural areas (the vast majority represented by elderly population) being pushed to the margins of society, having no opportunities to fully participate to the social life because of poverty, lack of basic skills and lack of opportunities to long-term learn, or as a result of discrimination.

The social exclusion represents a multidimensional process, which implies and combines multiple factors. The scientific research from this domain tried to synthesize multiple factors of exclusion through the following important dimensions:

- Exclusion from economic life, resulting *in* and *from* the inequality on possession of assets and incomes, as well as reducing the employment opportunities.

- Exclusion from social services, resulting *in* and *from* the inequality of access to a large number of services – education, health, social protection, etc. – generating pronounced effects on the results with human nature (education, health, nutrition)

- Exclusion from politics participation, resulting *in* and *from* the inequality of distribution within the group of the political opportunities and power and the unequal access to justice, liberties and institutions;

- Cultural exclusion, resulting *in* and *from* the differences of recognition (*de facto*) of the status hierarchy of cultural norms, customs and traditions of different groups.

In this context, from the analyze of the population structure by participation in economic activity by age groups in 2014 (Fig. 3), it is revealed that in the rural areas predominates the population aged between 35-49 years – 57.7%; being followed by the population aged between 50-64 years – 49.8% and respectively the population aged between 25-34 years – 41.0%. Analyzing these data, regarding the population from the rural area, compared to the population from the urban area, it is revealed that on the second position by importance in the urban area predominates the population aged between 25-34 years (56%), while in the rural areas prevails the population aged between 50-64 years (49.8%), thus being noticed that in the rural area is registered an increase of the population aged over 50 years old, this fact being influenced by the low developed infrastructure from the rural areas, lack of acceptable living conditions in rural areas (lack of aqueducts, sewerage, road infrastructure, low quality of medical services, etc.), in this context intensifying the phenomenon of social exclusion in rural areas.

Also, from the analyze of the Fig. 3 it is revealed tha in 2014, in the rural areas the number of population aged over 65 years old, constituted 5.7%, or about 2.01 times higher compared to the urban area, where this indicator constituted 11.5%. At the same time, in the rural areas, in 2014, the number of the population aged between 15-24 years constituted 17.3%, which represents a decrease by 5.4%, compared to the urban area.

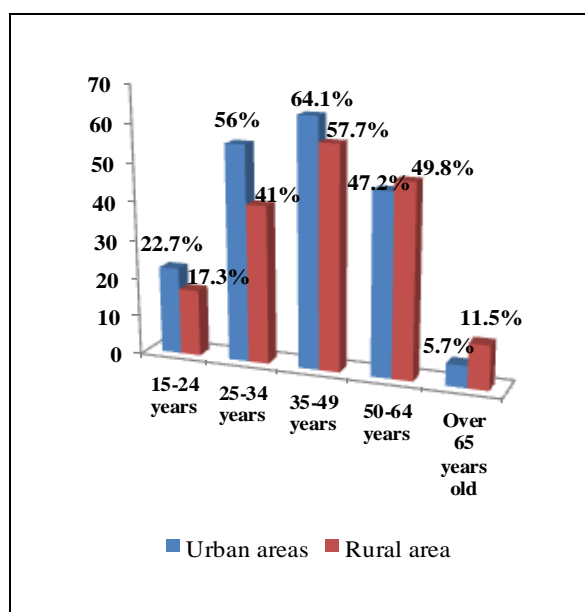


Fig. 3. The population structure by participation in economic activity by age groups in 2014 (%)
 Source: Elaborated by the author based on the data from NBS.

In this sense, from the above analyzed data, it is revealed that in rural areas there is a diminution of the number of young population and an increase of the aging population, intensifying the phenomenon of social exclusion. The young population migrates from rural areas either outside the country or in urban areas, changing area of activity from agriculture, to services, trade, industry. An important factor that determines the migration of population from rural to urban areas is the highest salary, which may be obtained in other fields than agriculture.

Thus from analyze of the Fig. 4, it is revealed that the average monthly salary of an employee from agriculture, forestry, fishing in 2014 constituted about 193 USD, which represents the lowest average monthly salary per national economy compared to other

fields of activity such as: industry, where the average monthly salary of an employee in 2014 constituted about 312.6 USD; production and supply of electricity - 516.4 USD; water supply, sewerage, waste management - 309.8 USD; construction - 296.7 USD; trade - 239.9 USD; financial and insurance activities - 534.6 USD [2].

In these conditions, when the salary in agriculture, forestry, fishing is the lowest from economy, it is observed a stagnation of processes from rural area, increasing of the aging population and the lack of desire of young people to work in rural areas.

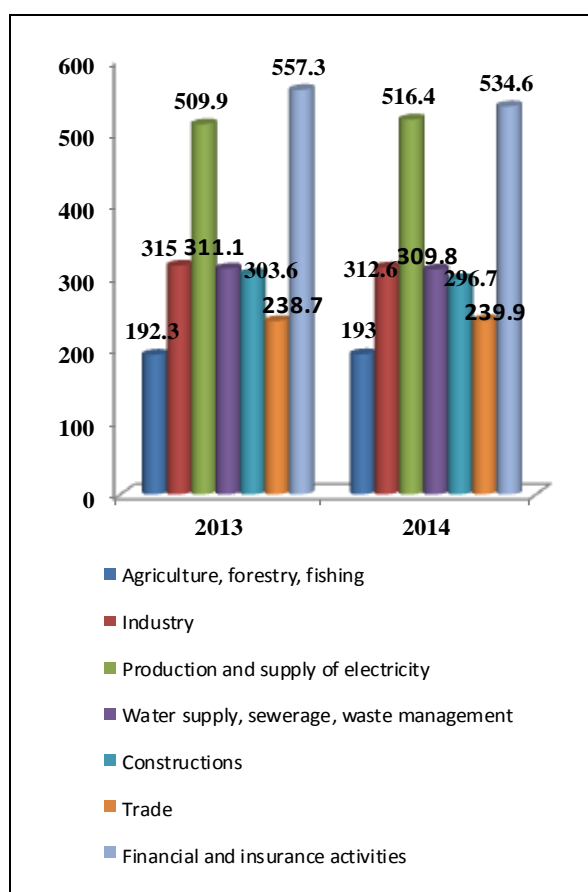


Fig. 4. The average monthly nominal wage earning of an employee in economy by types of activities during 2013-2014, USD

Source: Elaborated by the author based on the data from NBS.

In the context of the above mentioned, in order to increase the attractiveness of the rural areas in front of young people and to reduce the social exclusion an important factor could serve the application of the Foreign Direct Investments.

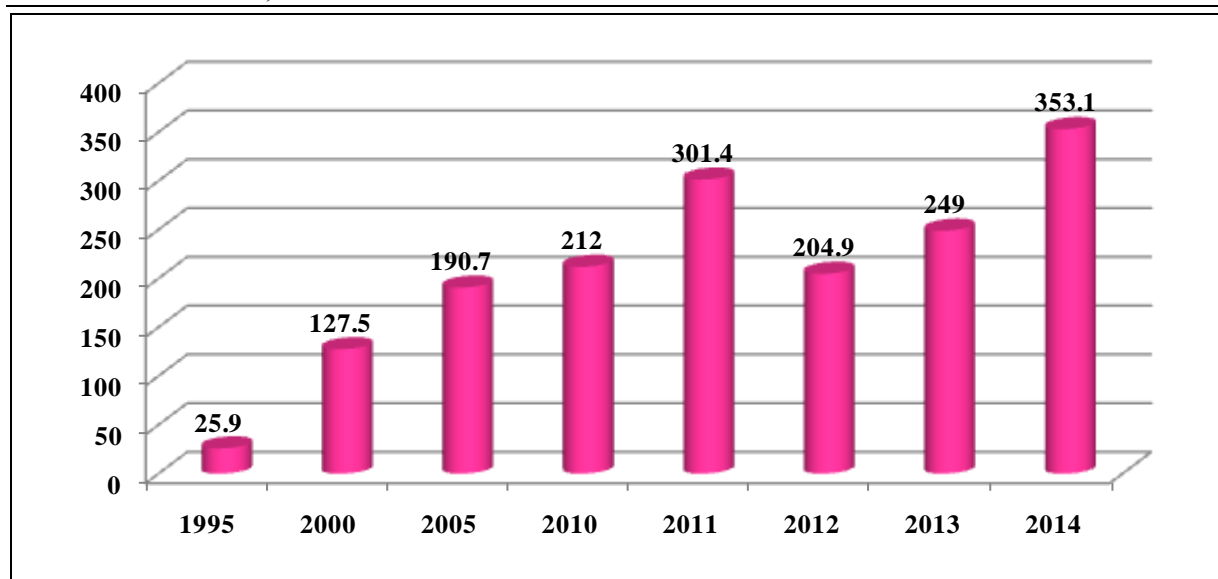


Fig. 5. The dynamics of FDI in Republic of Moldova during 1995-2014, mln. USD
 Source: Elaborated by the author based on the data from NBM.

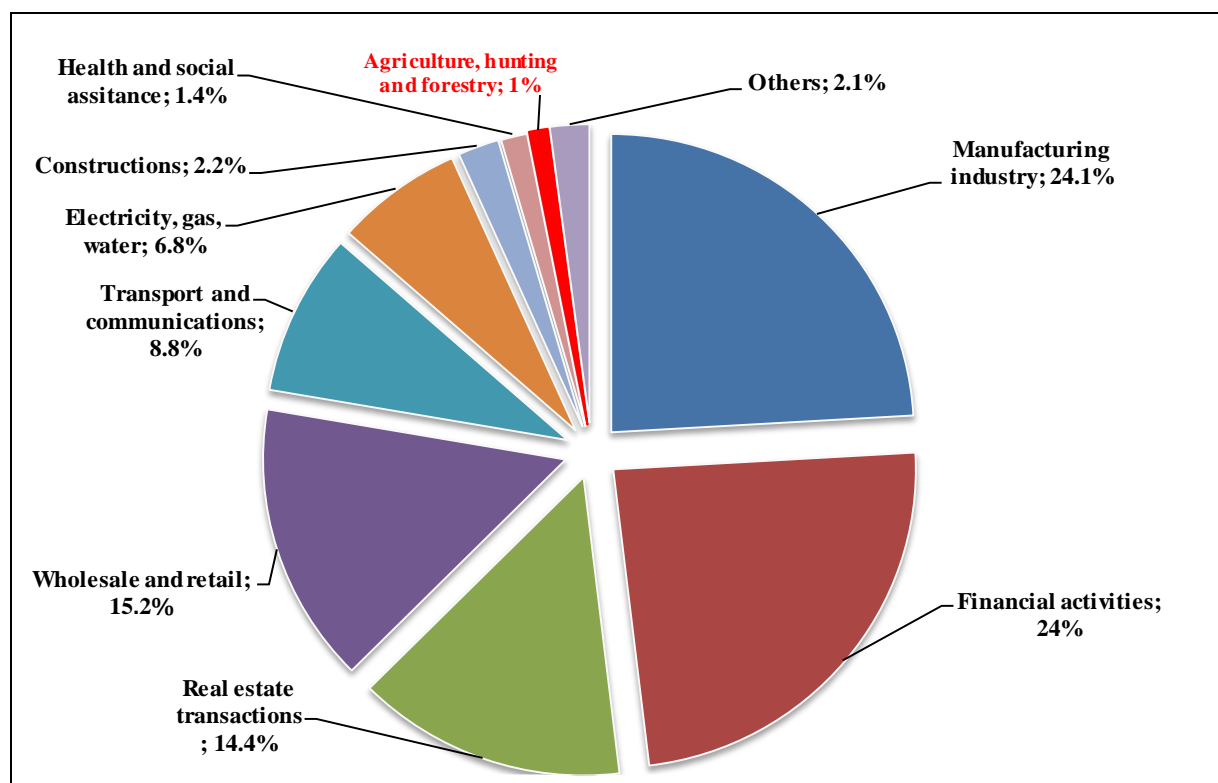


Fig. 6. Foreign Direct Investments distribution by economic activities as of 30.06.2016
 Source: Elaborated by the author based on the data from NBM.

From the analyze of the Fig. 5, it is revealed that during 1995-2014 the dynamics of FDI in Republic of Moldova was not uniform, increasing from 25.9 Million USD in 1995 up to 353.1 Million USD in 2014 [1,3]. Although the volume of FDI increased during 1995-2014, however, compared to Romania, which in 2013 attracted 4.108 million. USD or about

16.5 times much more than in Republic of Moldova, the volume of attracted FDI in Republic of Moldova remains very small. From the analyze of Fig. 6 it is revealed that the biggest volume of FDI as of 30.06.2016 were attracted by the following sectors: manufacturing industry - 24.1%; financial activities - 24%; wholesale and retail - 15.2%;

real estate transactions - 14.4%; transport and communications - 8.8%. In agriculture, hunting and forestry was registered the lowest volume of attracted FDI – 1%.

Thus the sectors which attracted a biggest volume of FDI, registered an increase of the employed population in this sectors (Fig. 2) during 2007-2014, also higher salaries, while because of the low volume of attracted FDI in the agricultural sector – about 1%, the number of the employed population in this sector decreased significantly (from 50% in 2010 to 30.5% in 2014), because of the lack of adequate working conditions in agriculture, the equipments being outdated, requiring urgent investments of capital. In the same time, from the analyze of salaries, it is revealed that the sectors of economy which attracted a higher volume of FDI, registered higher average monthly salaries of the employed persons, while in the agricultural sector were registered the lowest average monthly salaries of the employed persons, which determined the increase of rural poverty, social exclusion, aging population due to migration of young people outside the country or in other areas of activity where they can obtain much higher incomes.

In this sense, in order to reduce the poverty and the social exclusion from the rural areas it is necessary to attract FDI, which will modernize the agricultural sector and will create attractive conditions of work for young people, will develop the infrastructure and will ensure a higher level of life in the rural areas.

CONCLUSIONS

Social exclusion represents a barrier in the development of the agricultural sector.

The lack of acceptable living conditions in the rural areas, namely: low developed infrastructure, lack of adequate medical care, lack of a road infrastructure, low salary from agriculture determine the intensification of the process of social exclusion.

In this context, appears the necessity to modernize the agricultural sector in order to increase the attractiveness of the villages in front of the young people, which massively

migrates from the rural areas to the urban area and other domains of activity, different from agriculture.

The reduction of social exclusion from the rural areas can be realized by the FDI allocation, in order to create the necessary conditions (good infrastructure of roads, aqueducts, sewerage, qualitative medical assistance, etc.) of living in the rural areas.

From the performed analysis was determined that those sectors of economy which received the biggest amount of FDI, registered an increase of the occupied population and highest average monthly nominal wage. For example, financial activities attracted one of the highest volume of FDI – 24% (after the manufacturing industry), this determining highest average monthly nominal wage in financial and insurance activities and increasing of the number of population occupied in the services sector.

Diametrically opposed is in the agricultural sector, which attracted the lowest volume of FDI - 1%, and the occupied population in this sector during 2001-2016 decreased practically twice and the average monthly nominal wage earning of an employee in this sector is the lowest from economy, thus increasing the phenomenon of social exclusion determined by low participation of the population from the rural areas at the social and economic life of the country, in the rural areas being registered a process of the aging population.

In the context of the mentioned above, it is necessary to modernize the rural areas, and FDI represent a way of overcoming the existent problems (low developed infrastructure, outdated working equipment, lack of adequate living conditions, etc.)

Thus there must be taken at the state level measures in order to increase the attractiveness of the agricultural sector in front of the foreign investors by organizing of the workshops, conferences, media spots by which will be promoted a positive image of the Republic of Moldova, and especially of the agricultural sector. In the same time, there must be intensified the role of the economic diplomacy, the ambassadors of the country which must promote the agricultural sector in front of foreign investors far beyond the

country borders. Also, it is not necessary to concentrate the attention, at creation of big agricultural enterprises, which will obtain from the first years of activity, high profits, but it will be better to create sometimes small competitive enterprises in the rural areas, which will produce high quality production in order to achieve good sales results, high net profits and progressively to evolve from small enterprises to large enterprises which will be attractive in front of the young people, determining the increasing of the occupied population in the agricultural sector, thus reducing the social exclusion phenomenon. Therefore, from the performed analysis, the role of FDI in reduction the phenomenon of the social exclusion is very high, being necessary the realization of a high number of actions from the state level, in order to increase the attractiveness of the agricultural sector in front of foreign investors and to ensure the modernization of the rural areas.

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