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**Oleksiy Aristov**

National University of “Kyiv-Mohyla Academy” Kyiv, Ukraine

## INNOVATIVE INVESTMENTS TO ENSURE SUSTAINABLE DEVELOPMENT OF THE EUROPEAN UNION COUNTRIES AND UKRAINE

At the current stage of global economic development, investment in innovation is becoming increasingly important as a key determinant of a nation's national competitiveness and economic growth. Innovation is the source of new and improved products, services and processes that can open up new markets and opportunities. The concept of a Common Innovation Area in Europe emerged as a response to the fragmentation of national innovation systems and the desire to enhance the European Union's global competitiveness. Europe has put innovation at the heart of its efforts for innovative, sustainable and inclusive growth. Europe is actively discussing and implementing policies to strengthen strategic autonomy and resilience. This includes measures such as investment screening, trade defence instruments, and initiatives such as the Net Zero Industry Act to encourage domestic production. The analysis reveals that European innovation spaces are being shaped by global megatrends, including accelerating technological change, climate and energy challenges, significant demographic shifts, and growing geopolitical fragmentation.

Capital and finance are critical to ensuring sustainable development through innovative investments. Access to finance, particularly for startups and high-risk projects (such as deep-tech), remains a persistent challenge for Europe. While public funding (EU programs such as Horizon Europe, EIC, EIB, national agencies) plays a vital role, especially in the early stages of innovation development and supporting strategic directions, mobilising sufficient private capital, especially venture capital, remains a bottleneck compared to competitors such as the US. Research indicates that geopolitical tensions, particularly the war in Ukraine, are causing changes in trade and investment flows, leading to the emergence of concepts such as “de-risking” and “friend-shoring.” Europe faces specific challenges, including an investment gap in deep-tech and strategic sectors, as well as weak links between academia and industry.

A key component of the EU's economic strategy is the European Innovation Area, which aims to strengthen competitiveness through investment in research and development (R&D), patenting and digitalisation. The main assessment tool is the European Innovation Scoreboard (EIS) 2025, which analyses 32 indicators across four dimensions: Framework Conditions, Investments, Innovation Activities and Impacts.

An analysis of the dynamics of Eurostat and EPO data for 2018–2025 was conducted using the time series analysis method (ARIMA model). The dynamics of research and development spending in the EU (R&D spending) are positive. R&D spending increased from 2.08% of GDP in 2013 to 2.22% in 2023 (nominally from €245 billion to €381 billion), with the business sector accounting for 66%. The dynamics of patent applications filed at the EPO are more stable: 199,264 in 2024 (compared to 199,452 in 2023). Of the patent applications filed, the number of applications focused on computer technologies increased by 3.3% in 2024, and on energy by 8.9% compared to 2023. The EU's innovation productivity increased in 2024 by 12.6% compared to 2018, but fell by 0.4% between 2024 and 2025 due to global uncertainties (war in Ukraine, trade frictions). Since 2018, all 27 EU countries have increased their investment in R&D, but the dynamics vary: Estonia by 30.0%, Croatia by 19.4%, and Poland by 18.0%. A drop in 7 indicators (connections -10.1%, innovators -7.5%), an increase in 5 (digitalisation +93.4% in high-speed Internet).

The primary tool for assessing innovation performance is the European Innovation Scoreboard (EIS), which provides a comparative analysis of the national innovation systems (NIS) of the EU member states. According to the Summary Innovation Index (SII), European countries are classified into four groups:

1. innovation leaders (>125% of the EU average): Sweden, Denmark, Netherlands, Finland;
2. strong innovators (100-125%): Ireland, Belgium, Luxembourg, Austria, France, Germany, Estonia;
3. moderate innovators (70-100%): Malta, Slovenia, Italy, Spain, Portugal, Cyprus, Lithuania, Czech Republic, Greece, Croatia;
4. emerging innovators (<70%): Hungary, Poland, Slovakia, Latvia, Bulgaria, Romania, Ukraine.

Innovation is concentrated in Western and Northern Europe, while Eastern and Southern Europe lag. Despite the challenges, there are promising niches where EU countries can be leaders, especially in strategic technologies, as outlined in Horizon Europe 2025 (€7.3 billion investment). These niches include green and digital transformation, as well as specialised sectors, with a focus on AI, biotechnology, clean energy, and defence technologies.

**Khaled Khalaf Abed Raboo Aldrou**  
Jadara University, Irbid, Jordan

## **LEGAL REGULATION OF COMMERCIAL ACTIVITIES AND THE MIDDLE EAST**

The legal regulation of commercial activity in the Middle East is formed in conditions of legal pluralism, when the norms of state legislation, judicial practice and, in many countries, the principles of Islamic law operate side by side. This creates different rules for contracts, corporate relations and methods of protecting rights, depending on the jurisdiction, industry and status of the parties. It is important for an entrepreneur to understand that the legal systems of the region are often mixed, combining elements of continental law, Anglo-American tradition and religious norms. In practice, this means that the same business transaction, for example, the distribution of goods or the creation of a joint venture, may have a different level of formalization, different requirements for registration and a different approach to interpreting the terms of the contract [1]. In addition, commercial regulation is influenced by state economic priorities, the role of strategic sectors, as well as the policy of protecting the domestic market, which is sometimes fixed through licensing, localization requirements or special rules for agency and distribution relationships. At the applied level, the legal regulation of commercial activity covers the rules for the establishment and operation of companies, the admission of foreign capital, the registration of trade activities, customs procedures, taxation, consumer protection, competition, as well as the rules for negotiating and concluding contracts. Commercial agency and distribution agreements are a separate node, since in a number of countries they have an increased level of state control, special requirements for registration and special consequences of termination. For foreign companies, this directly affects the market entry models, the choice between direct sales, work through an agent, franchising or the creation of a local structure. The dispute resolution block is no less important, since the commercial practice of the region widely uses arbitration, but the effectiveness of such an instrument always depends on how a particular jurisdiction recognizes an arbitration agreement, how it treats public order and how it executes arbitration awards. That is why the legal design of contracts usually includes a thoughtful choice of law, arbitration regulations, place of arbitration and enforcement mechanisms.

In today's environment, a key trend is the desire of many countries in the region to simultaneously increase their attractiveness to investors and maintain control over sensitive sectors of the economy. This is stimulating reforms of corporate law, business registration tools, digitalization of government services, updating of agency rules, and development of arbitration infrastructure. At the same time, the challenge of fragmentation remains for businesses, when the