

PRZEGLĄD EUROPEJSKI

Political and economic aspects
of security in the EU –
theory and practice

Baltic Sea Region –
a challenge for EU policies

Economic and Monetary Union –
inclinations and consequences
of reforms

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Edycja papierowa jest wersją pierwotną czasopisma

ISSN 1641-2478
e-ISSN 2657-6023



**Ministerstwo Nauki
i Szkolnictwa Wyższego**

Czasopismo dofinansowane ze środków Ministerstwa Nauki i Szkolnictwa Wyższego:
1) na podstawie umowy nr 423/WCN/2019/1 z dnia 12.07.2019 w ramach programu „Wsparcie dla czasopism naukowych”;
2) w ramach umowy 598/P-DUN/2019 ze środków Ministra Nauki i Szkolnictwa Wyższego przeznaczonych na działalność upowszechniającą naukę, zadanie 4: Zwiększenie znaczenia i międzynarodowego zasięgu czasopisma naukowego „Przegląd Europejski”.

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THEORIES AND METHODS IN EUROPEAN STUDIES

Methodological framework for the assessment and comparison of various models of regional economic integration

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Abstract

The author proposes in this article an updated methodological framework for the assessment and comparison of various models of regional economic integration in terms of assessing their advantages, strengths, weaknesses and effects. Set of criteria has been developed for this purpose (type, form, methods, mechanism, factors, terms). The proposed methodological approach also creates a framework, which allows comparing the scale, depth and dynamics of different models of integration.

Keywords: methodology, regional economic integration, regional economic groupings, models of economic integration.

Metodologiczne zasady analizy i porównywania różnych modeli regionalnej integracji gospodarczej

Streszczenie

Autor przedstawia w tym artykule znowelizowane metodologiczne podejście do badań regionalnej integracji gospodarczej, które pozwala dokonywać wszechstronnej analizy tego zjawiska z różnych perspektyw w oparciu o opracowany zestaw kryteriów: typ integracji, forma integracji, metoda integracji, mechanizm integracji, czynniki integracji, warunki integracji. Zaproponowane podejście ma służyć jako narzędzie umożliwiające porównywanie zalet, mocnych i słabych stron oraz skutków poszczególnych modeli regionalnej integracji gospodarczej.

Słowa kluczowe: metodologia, regionalna integracja gospodarcza, regionalne ugrupowania gospodarcze, modele integracji gospodarczej.

Nowadays assessment and comparison of different models of regional economic integration is not only a scientific problem, but also has a basic practical significance. The rapid dynamics of integration processes throughout the world, the emergence of new models of regional economic integration and the complication of existing ones are the key reasons that have drawn attention to this topic.

A wide variety of regional economic organisations have emerged over the last several decades, ranging from the simplest free trade areas to such complex political and economic organisations such as the European Union. Study of these processes often comes down to a detailed description of certain integration models or an analysis of their selected aspects. Such approaches allow scientists to study every model thoroughly and in detail, but they are insufficient in terms of comparing important parameters of various integration models, which is essential in assessing their advantages, strengths, weaknesses and effects.

The methodological gap and lack of applicable research tools, in turn, reduces the value of discussion on political decision-making regarding the best choice for a regional economic integration model, reducing it to slogan speculations rather than fact. Discussions about the model of future relations between the EU and the United Kingdom is the most notorious recent example of such a problem that one might notice. The difficult and frustrating negotiations about optimal models of integration between the EU and the countries belonging to the European Neighbourhood Policy is an illuminating case as well.

There is no commonly accepted methodology that would provide participants of similar discussions with facts and arguments rather than political slogans and irrational emotional judgments. Finding a way of filling this gap is the ambitious goal of this article. In this context, the aim of the article is to develop a methodological framework that would enable experts not only to analyse various models of regional economic integration, but compare them as well.

The hypothesis and research methodology

The author has the hypothesis that the research methodology of regional economic groupings should be based on analysing of a set of developed criteria that reflect the key parameters and characteristics of regional economic organisations. This would help to compare different integration models in terms of their strengths and weaknesses, which, in turn, might provide valuable knowledge for the members of regional economic organisations to make better choices.

In order to confirm the hypothesis, the following research tasks were formulated:

- a) deconstruction of the phenomena of regional economic integration,
- b) identification of the most important functional parameters of regional economic integration,
- c) development of a set of criteria that might enable the assessment and comparison of various models of regional economic integration.

The author operates according to theoretical research methods, including descriptive evaluation methods, content analysis of key sources of information, literature on the subject¹, international agreements and other official documents. Of particular importance for this research is the case study method, which has been used for analysing various regional economic groupings in detail.

Regional economic integration as a complex phenomenon

Regional economic integration is an extremely complicated phenomenon in the history of humanity and quite a thorny topic for academic research. Contrary to the fact that the definition itself indicates that it concerns the regional actors of the international arena that strive to strengthen economic cooperation, academic thought still does not even have a strict and universally accepted definition of the concept in question. Some schools treat it as a process, others as a state, and others still as a combined phenomenon (both a process and a state). In fact, every school uses its own definition, which is sometimes not suitable for academic consideration within other schools.

The common basis for all definitions is the general statement that the integration process involves merging the economies of individual countries into one whole (integration grouping). This is a compromise term, which (despite the fact that it does not fully satisfy all academic schools) does not, however, evoke any serious controversy or opposition. It is worth emphasising that the integration grouping formed is not a simple summation of national economies, but – due to the extent of the internal economic connections achieved – it stands out from other entities of the worldwide economy (Barcz et al. 2012).

Regional economic integration as a highly complex phenomenon involving many different strands permeating different levels. Describing each integration grouping does not present a problem, but comparing two or more integration groups is a more complicated task. This requires the development of a methodological tool.

In this context we are recommended to use the term 'regional economic integration model', which can be described by using a set of criteria. It is worth noting that in the literature on the subject this term is used fairly readily. For example, J. Rosiek understands it as an overview of the integration system, encompassing a set of its basic features, including in particular the division of jurisdiction between international or supranational bodies and the offices of Member States, and between central economic power centres in individual countries and enterprises (Rosiek 2003; p. 32).

On this basis, three models of international economic integration are usually distinguished, in particular:

¹ For example: Balassa 1961; Barcz et al. 2012; Bożyk 2002, 2008; El-Agraa 1999; Ładyka 2001; Molle 2006; Pelkmans 2006; Proniewski, Niedźwiecki 2004; Rosiek 2003; Sannwald, Stohler 1959; Tinbergen 1954; Zielińska-Głębocka 1999; Żołądkiewicz, Orłowska 2012; Czarczyńska, Śledziwska 2007; Wojtaszczyk, Nadolska 2015; Howarth, Verdun 2020; and others.

- d) **International integration**, which assumes that all decisions should be taken by the member countries, with integration centres playing a very limited role restricted to coordinating the actions of the member states.
- e) **Transnational integration**, where both the transnational centre and the national centres have the right to influence the integration processes within a given grouping. The scope of competence manifested by a supranational integration centre depends on the consent of the member countries, which usually delegate some of their decision-making powers to it.
- f) **A 'mixed' model of economic integration**, which, on the one hand, consists of elements typical of the model of international integration while, and on the other hand – featuring elements characteristic of transnational integration.

While agreeing that this approach is consistent with the definition of the term 'model', we nonetheless believe, that models of international integration must be analysed on the basis of wider set of criteria.

Criteria for the analysis and comparison of various models of regional economic integration

Analysis of regional economic groupings and their comparison with each other requires the researcher to identify several relevant criteria regarding integration, including: type, form, method, mechanism, factors and terms.

1. Type of integration. The literature on the subject contains several approaches to typologising regional economic integration. According to the most general one, there are four types of integration:

- contractual integration of sovereign states (equal partners),
- supranational contractual integration of states voluntarily limiting their own sovereignty in favour of integration institutions (equal partners),
- politically unequal integration (political subordination of politically unequal partners),
- economically unequal integration (economic subordination of economically unequal partners) (Proniewski, Niedźwiecki 2004: p. 13).

The above classification opens a new research perspective, pointing to an important detail of regional economic integration, namely the differences in the 'starting positions' of the countries that participate. This is extremely relevant because different types of integration will yield completely different effects for their participants.

In this context, one ought to depart from the position of the major mainstream schools of economics, which often disregard the specifics of integration participants, assuming that the process of regional integration involves the participation of several equal players in the international arena who co-create the "rules of the game". However, it is often the case that there are some countries participating in regional economic integration that are able to independently influence the processes of integration and the functioning of the entire grouping. There are also those that do not have any major impact, which is why they adapt passively to the rules of this process. This creates a certain asymmetry in the processes of regional economic integration.

2. Form (stage) of integration. When it comes to the classification of forms of economic integration, special attention should be paid to several key issues. Most scholars see regional economic integration as an evolutionary process, involving a shift from less to more advanced stages of integration. For example, according to W. Molle, regional economic integration means the gradual elimination of economic boundaries between countries, consisting of three stages. The first is the liberalisation of trade in commodities. The second concerns the removal of obstacles blocking the flow of production factors (i.e. capital, labour resources and technology), while the third involves coordination between partners in various aspects of economic policy (Molle 2006: p. 9). Molle's approach indicates that, in addition to the legal form of economic integration, real processes should be included too. After all, entering the term 'free trade zone' in an international agreement does not mean that an actual free trade zone will indeed be organised between countries.

The classical approach to the classification of forms of economic integration is systematisation, as presented by B. Balassa. This economist identified five forms of integration that reflect the various levels (or degrees) of integrated economies of the participating countries. Here the criterion of division is the scope of elimination of barriers to cooperation as well as the level of institutional cooperation of the grouping's members. These forms are as follows:

- 1) Free trade area.
- 2) Customs union.
- 3) Common market.
- 4) Economic union.
- 5) Total economic integration (Balassa 1961).

In addition to this extremely elegant classification, which was accepted by the academic community as classical, B. Balassa also introduced a hypothesis that integration proceeds along an upward trend, i.e. from a free trade zone to full economic integration.

Although the above classification is highly practical and adequately describes the majority of integration groups in the world, it is not universal. There are some cases that cannot be included in this concept. For example, the European Union cooperates – within the scope of the European Economic Area – with Iceland, Liechtenstein and Norway, which provides for the launch of a free trade zone between these countries and the Union and their entry into the EU single market along with the lifting of barriers against the flow of people, goods and capital. However, this model of cooperation actually bypasses one of the stages that, according to B. Balassa, would precede the common market – a customs union.

Other theorists have also pointed out the same problem. J. Pelkmans indicates that the stages of integration have tended to be established along the principle of succession for analytical purposes. According to him, there is no necessary reason to follow the adopted sequence strictly (Pelkmans 2006: p. 42).

In concurrence with this statement, S. Ładyka claims that individual stages of the integration process follow each other, but also overlap, co-participating in time. In addition,

the implemented integration processes interact, complement each other and become the causative agent of successive, new phenomena and conditions (Ładyka 2001: p. 27).

In general, despite some disadvantages, Balassa's classification and all others based upon it have tremendous academic value and allow some important conclusions to be drawn. In a situation, where one or more participants of the grouping strive for the maximum level of integration, determining the current form (stage) of integration according to the cited classification helps to signal their coordinates along this route.

3. Method of integration. J. Tinbergen introduced the concepts of positive and negative integration. By negative integration, he understands the removal of obstacles to trade between member states, and above all the elimination of mutual barriers and restrictions in the process of implementing exchange (Tinbergen 1954).

Positive integration, in turn, means creating instruments in the sphere of economic policy (and more importantly, implementing new instruments and institutions) that would facilitate the proper and effective functioning of the market in the integrated area. It requires the creation of new institutional forms that condition effective public interventions, which in many cases means the need to transfer the jurisdiction of national governments to supranational institutions, or the construction of new institutions with special powers.

In other words, negative integration means the elimination of discrimination in terms of regulations and economic policy implemented under joint supervision, while positive integration is a kind of transfer of joint institutions or joint execution of power, at least to some extent (Tinbergen 1954).

The literature on the subject mentions another approach to the classification of integration methods, according to which there exist two methods:

- functional,
- institutional (Sannwald, Stohler 1959).

Proponents of the former of these methods indicate that the main role in the process of economic integration should be played by the market mechanism, and the role of states and joint institutions should be limited to removing barriers in international trade and ensuring the free movement of goods and services as well as production factors (labour and capital).

According to the proponents of the institutional method, economic integration is possible provided that the states act in concert. Significant approximation (harmonisation) of policy is required, or even better – full harmonisation. Such an approach implies the need to set up joint institutions with supranational powers that are able to implement joint operations at the expense of limiting the jurisdiction of national authorities.

According to the approach currently prevailing in science, these methods are not contradictory, but complementary. At the initial stages of economic integration, functional integration is a more effective method, but as the integration deepens, the institutional method should be aimed for.

However, unresolved issues include how to determine exactly at what stages the functional method is sufficient and when to apply to the institutional method. Usually, there is unanimous agreement on one point only – the initial stage of international

economic integration (free trade area), in the absence of any ambition to deepen it further, the functional method will suffice for the participants in this process, but full economic integration brings the necessity for political union, i.e. deep institutional integration, expressed in a unified approach of all integrating countries towards policy in its strictest meaning – both internal and foreign.

For example, J. Pelkmans believes that at the stages of a free trade zone, customs union and a common market, effective economic integration can take place without using the positive method (Pelkmans 2006). Another scholar, P. Bożyk analysed the issue and concludes that the creation of a free trade zone and customs union does not require transnational forms of integration, but without these forms the proper functioning of a common market, monetary union, political union, economic union and full economic union is difficult, and is often not possible (Bożyk 2002: p. 27).

In general, the attempt to combine the stages of integration with the method of integration is quite a significant shift, indicating that the political and institutional factor is an essential component of the economic integration process, which at some stages begins to play a vital role.

4. Mechanism of integration. In this context, one should peruse the methodological assumptions of P. Bożyk, J. Rosiek, K. Żołądkiewicz and R. Orłowska. By mechanism of integration, Bożyk understands the principles of market functioning in an integration process determined by the functions of its parameters, i.e. domestic and international prices, exchange rates, interest rates, etc. (Bożyk 2002: p. 25–26). There are two basic integration mechanisms: the mechanism of a free market and free trade and the mechanism of a regulated market (protectionism). The 'invisible hand of the market' plays a key role in a free market and free trade mechanism. National integration centres are first and foremost the guardians of order in individual countries. They maintain the rule of law and public order, and counteract disruptions to the mechanism of perfect competition.

In the mechanism of a regulated market, the importance of national and supranational (possibly international) centres increases compared to the mechanism of a free market and free trade. Their task is not only to support the liberalisation of flows of goods, services and production factors, but also to coordinate and unify the goals, means and tools of the internal and external economic policy of the integrating countries (Rosiek 2003: p. 35).

P. Bożyk attempts to find the optimal application of individual mechanisms of integration in various types of regional economic groupings. Based on the assumptions of the school of classical economics, he proves that the free market and free trade mechanism are the best solutions for an integration grouping whereby member states represent similar levels of economic development, complementary economic structures, and competitive economic entities.

Nevertheless, in Bożyk's view, the mechanism of a regulated market is ineffective when some member states of an integration grouping do not meet certain conditions for economic integration. This is especially true when countries with lower levels of economic development, uncompetitive economic structures, and weaker entities participating in the integration process are admitted to the grouping.

According to K. Żołądkiewicz and R. Orłowska, in types of economic integration groupings such as organisations consisting of sovereign, equal partners, as well as supranational organisations, created by states voluntarily limiting sovereignty in favour of integration institutions, the mechanism of free market and free trade enables optimal economic decisions to be taken, and the benefits of integrations are divided equally among the participants in the integration process. In contrast, the regulated market mechanism is suitable for economic integration models (Żołądkiewicz, Orłowska 2012: p. 36)

5. Factors of integration. One of the most difficult tasks in the context of formulating the methodological assumptions of this research is to determine the factors of regional economic integration. The identification of such factors enables the assessment and prognosis of the dynamics and quality of integration processes. The literature on the subject contains many studies devoted to individual factors determining the course, dynamics and nature of regional economic integration. Together with this, it is difficult to find a systemic approach in this matter. To meet the objectives of this study, the factors need to be systematised and ordered.

Based on a deep analysis of regional economic integration, it was established that key factors may be categorised into three main groups: economic, legal and political. The economic factors of regional economic integration include the following:

- a) internationalisation of business activity;
- b) liberalisation of the movement of goods, services, capital and people;
- c) economic and technological development;
- d) complementarity of economies;
- e) developed infrastructure.

Economic factors naturally affect regional economic integration processes in a highly significant fashion. The accelerated internationalisation of economic activity, the positive dynamics of liberalising the flow of goods, services, capital and people, the extreme complementarity of economies and developed infrastructure are all important factors that will have a positive impact on the dynamics and quality of this process.

Nonetheless, it should be emphasised that economic factors are not the only ones that determine the process of regional economic integration; sometimes they do not even play a dominant role. Legal and political factors are also relevant in this process.

As far as legal factors are concerned, in this case it seems obvious that any law created on a community basis within a certain integration grouping translates into strictly economic processes, including the conditions underlying the conduct of business activity, and thus on the state of the enterprise sector.

In fact, legal factors are specific legal mechanisms that affect the conditions for running a business or, in a broader context, the business climate in a certain integration grouping. These include regulations, the tax system, business support system, public procurement system, etc.

Legal acts and regulations are the result of political decisions taken at an international level, and so political factors are no less important in this study. In this situation, it is difficult to determine the causal relationship between the political and economic aspects

of regional integration. As S. Ładyka rightly puts it, while analysing the integration process on the European continent, 'the processes of political and economic integration within the borders of the current EU have been closely connected since the very beginning' (Ładyka 2001: p. 19).

Some scholars hold the view that economic factors are what determine institutional and political integration. For example, A. Zielińska-Głębocka claims that "the deepening of economic integration is, in effect, a justification for the development of supranational structures and an impulse to create community political systems" (Zielińska-Głębocka 1999: p. 23). There are also scholars, who hold the opposite view. For example, A. M. El-Agraa makes a justified case that all known cases of integration result from political motivations, even when they were argued along the lines of achievable economic benefits (El-Agraa 1999: p. 32).

In this article, the resolution of the above-mentioned dispute is not a matter of priority. The main thesis is that political factors play an important role, which cannot be underestimated in the context of this research. Political discussions, positions and decisions are the object of interest in this study, primarily because they affect the institutional shape of regional economic groupings, and therefore the business climate along with the economic and financial condition of the enterprise sector.

6. Terms of integration. This is understood as a range of criteria, whose fulfilment guarantees a greater chance that the integration of several countries will be more effective than when these criteria are not met. In other words, the stability and effectiveness of regional economic groupings depend on meeting such terms.

This topic has received copious coverage in the literature on the subject. For example, P. Bożyk identifies and describes in detail the conditions that he believes necessary for the stability and effectiveness of regional economic groupings. These include:

- close geographical location,
- adequate infrastructure,
- similar level of economic development,
- complementarity of economic structures,
- state systemic compliance,
- compliance of internal economic policy,
- similarity of foreign policy (Bożyk 2008: p. 19).

The fulfilment of the above terms is undoubtedly a most relevant factor for successful economic integration. However, it should be underlined that in this research P. Bożyk was thinking about the most advanced forms of integration. For the efficiency of the functioning of less-deep forms of integration (free trade area, customs union), meeting all of the above-mentioned conditions is desirable, but not always an absolute necessity. Nevertheless, in the context of this study, the terms of economic integration described by P. Bożyk are a highly effective methodological tool.

However, it is necessary to supplement the cited classification of factors. One might suggest introducing an additional condition, referred to as the "convergence of interests of foreign economic policy". This category is borrowed from a realistic trend in

international relations theory. One of its fundamental assumptions is that each country in international relations primarily seeks to satisfy its own interests, including pragmatic economic concerns. In this context, regional economic integration is not an end in itself, but an instrument for the development of a specific country that may use it to complete higher-level operations. These include:

- achieving the highest possible pace of economic development,
- boosting exports of goods and services,
- direct investment flow from abroad,
- inflow of currencies to ensure balance of payment stability,
- price stability within the state,
- access to cheap raw materials and other production factors,
- achieving the highest possible employment rate,
- striving to achieve balance in foreign economic exchange.

It cannot be questioned that the effective implementation of these operations will encourage international actors to deepen regional economic integration, and on the contrary – disruption of these interests will weaken the motivation of some or all participants in the regional grouping to strive for deeper integration.

Conclusions

While rounding off the study, it should be highlighted that regional economic integration is a highly complex and multidimensional process. It leads to the creation of various forms of regional economic groupings that are difficult to compare without the appropriate research tool.

Research involving the description of specific integration models or specific groupings faces no major methodological problems. The situation becomes more complicated when the purpose of the study is a systemic analysis of such groupings with a concurrent need to compare the parameters of several groupings. The lack of developed criteria, on which the research of a similar nature can be based, means that academic and political discussions on the effectiveness of these or other forms of regional integration are not based on empirical facts, but political slogans. In order to fill this research gap, this paper proposes, as one possible option, a revised methodological approach to research on international regional economic integration. In this regard, the process of regional integration can be analysed according to the following integration criteria: type, form (stage), method, mechanism, factors and terms.

Analysis of integration along the lines of the developed criteria may serve to explain the purpose, nature, essence and perspective of individual groupings, as well as compare them with each other in order to choose the optimal model for each specific case. The proposed methodological approach to research on regional economic integration aims to equip researchers in this field with universal scientific tools that would analysis and comparison of the scale, scope and developmental dynamics of various regional economic groupings.

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Aleksy Motdowan – doktor ekonomii, tytuł naukowy doktora uzyskał w Narodowym Instytucie Badań Strategicznych w Kijowie na kierunku *Bezpieczeństwo ekonomiczne państwa*. Obecnie doktorant w Kolegium Nauk o Przedsiębiorstwie Szkoły Głównej Handlowej w Warszawie. Od wielu lat pracuje jako ekspert dla instytucji analitycznych i badawczych. Jest autorem ponad 50 prac naukowych w językach angielskim, polskim, rosyjskim, ukraińskim i słowackim. Zainteresowania naukowe: 1) Problemy makroekonomiczne (bezpieczeństwo gospodarcze państwa, finanse publiczne, polityka fiskalna, klimat inwestycyjny); 2) Studia Europejskie (integracja europejska, polityka zagraniczna Unii Europejskiej, europejska polityka sąsiedztwa, reformy gospodarcze w Europie Środkowej i Wschodniej); 3) Realny sektor gospodarki (energetyka, przemysł wydobywczy i hutniczy).

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***European Union Strategy for the Baltic Sea Region* and EU macro-regional approach – the analysis of ten years of the strategy implementation**

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Abstract

In 2009, the *European Union Strategy for the Baltic Sea Region* was created in the Baltic Sea Region. This strategy is based on the concept of a macro-regional approach that was initiated in it. The theory supporting the concept is the theory of multi-level governance (MLG). The article analyses the process of implementation of this strategy and the macro-regional approach created in it. The analysis is related to 2019's 10th anniversary of the creation of the strategy and the macro-regional approach, which was transformed into a concept implemented also in other macro-regions of the European Union.

Keywords: EU Strategy for the Baltic Sea Region, macro-regional approach, theory of the multi-level governance (MLG), implementation process, macro-regions of the EU, European Union

Strategia Unii Europejskiej dla Regionu Morza Bałtyckiego i podejście makroregionalne Unii Europejskiej - analiza 10 lat wdrażania strategii

Streszczenie

W 2009 roku opracowano *Strategię Unii Europejskiej dla Regionu Morza Bałtyckiego*. Strategia ta opiera się na koncepcji podejścia makroregionalnego, która została w niej zainicjowana. Teorią wspierającą tę koncepcję jest teoria wielopoziomowego zarządzania (MLG). W artykule przeanalizowano proces wdrażania tej strategii i stworzone w niej podejście makroregionalne. Analiza związana jest z 10. rocznicą powstania strategii i podejścia makroregionalnego, które zostało przekształcone w koncepcję wdrożoną również w innych makroregionach Unii Europejskiej.

Słowa kluczowe: Strategia Unii Europejskiej dla Regionu Morza Bałtyckiego, podejście makroregionalne, teoria wielopoziomowego zarządzania (MLG), proces wdrażania, makroregiony UE, Unia Europejska

The year 2019 marks the 10th anniversary of the establishment of the *European Union Strategy for the Baltic Sea Region* (EUSBSR).¹ This strategy was preceded by unique consultations at local, regional, national and transnational level as well as interlevel consultations, with Baltic non-governmental, governmental and interregional organisations. Such broad consultations allowed the creation of the first macro-regional strategy, which, at the same time, was based on a system of multi-level governance. EUSBSR's unique product was the creation of the concept of a macro-regional approach, which became a model also implemented in other macro-regions of the European Union.

The main objective of this article is to examine the process of EUSBSR implementation, including the development of the macro-regional concept. EUSBSR, as the first macro-regional strategy, became a space for testing many solutions aimed at improving cooperation in macro-regions of the European Union and developing a new model of the EU governance.

The following research questions were posed at the beginning of the research:

- Is the EU macro-regional approach a developing concept?
- Is the EUSBSR an added value?
- Is the implementation of the EUSBSR so far effective?

Asking such key questions is extremely important, especially after 10 years of implementing a concept that had aspirations to be a new way of organising the European Union.

The article is based on the examination of the thematic scholar literature and on the analysis of documents of EU institutions and actors of the BSR's macro-regional policy. The most attention was devoted to the analysis of documents, which affected the limited number of literature cited. Analysis of EU documents, in particular the analysis of reports on the implementation process, is aimed at evaluating the process and answering research questions. The review and analysis of the current scholar literature and the analysis of its content is extremely important for the presentation of comprehensive conclusions. It is worth noting, that despite 10 years of implementation of the EUSBSR it is not yet possible to measure the quantitative results.

The dual role of the multi-level governance in Baltic Sea Region research is also worth mentioning. On the one hand, it is a theoretical concept that provides a basis for research, and on the other hand, it is a management method that has been established in the EUSBSR. This article refers to the considerations of Krzysztof Tomaszewski (2013) in this area and follows the author's interpretation of the issue and the coexistence of these two approaches to multi-level governance.

Macro-regional approach

An attempt to define the concept of macro-region was made in 2009 in "Nordregio" publication (Dubois et al. 2009: p.17–20) by Alexandre Dubois, Sigrid Hedin, Peter Schmitt and Jose Sterling. In their research, they started from the definition of the word "region",

¹ See more: <https://www.balticsea-region-strategy.eu>; https://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/baltic-sea/library/

noting that the concept of region is now used both in relation to administrative units and functional areas. The paper notes that since it is so difficult to grasp the definition of a region, there are some similar difficulties in the definition of a region with the following prepositions: macro, micro, meso, sub-regional (Dubois et al. 2009; p.17).

The researcher Björn Hettne (1996) noted that regions may be more or less regionalised. The same parameters may also be applied to the macro-region. The level of regionalisation, according to Hettne, is determined by following parameters:

- geographical closure – regions may be more or less geographically limited;
- social relations in the region – these are the evidence of the stability of the region;
- structured cooperation in any field, e.g. culture, economy, politics and membership of an organisation;
- common values and public communication facilitating the creation of civil society;
- regional identity and actors' capacity, legitimacy and structure to take decisions (Hettne 1996; Dubois et al. 2009; p.17).

It has been noted that macro-regions need to negotiate new institutional arrangements as they offer a new scale of territorial governance. The introduction of new management methods is necessary to fill the organisational vacuum that emerges when a new macro-region is created, as was the case with the BSR. Erik Swyngedouw (1997; p.156) noted that the introduction of such a new scale in a multi-level political system could be highly contested not only in terms of the content of the new scale, but also in terms of the struggle between existing weights and different scales. It is appropriate to consider a macro-region as a specific interface between existing scales (i.e. in the case of the BSR, between regions, countries and the EU). Jürgen Ossenbrügge (2003) pointed out that a viable macro-region can be used as a channel for policy implementation, but its maintenance and functioning can consume a lot of resources (Dubois et al. 2009; p.17-20).

In its *Communication COM(2009) 248/3* concerning the *European Union Strategy for the Baltic Sea Region*, the European Commission defined a macro-region as "an area covering a number of administrative regions but with sufficient issues in common to justify a single strategic approach. Other areas in the European Union are beginning to self-identify as macro-regions and the approach adopted in this strategy will offer important lessons as to the potential of a macro-regional approach" (European Commission 2009). The document implies that macro-regional approach "provides the EU with an innovative policy instrument, which could serve as a good example of efforts to achieve common EU objectives and a more effective coordination of territorial and sectoral policies based on shared territorial challenges" (European Commission 2009).

The European Committee of Regions (CoR), drawing conclusions from the Forum *Europe's macro-regions: Integration through territorial co-operation* (Brussels, 13.04.2010), noted that a macro-region can be an innovative form of territorial cooperation at interregional and supranational level that enhances the coherence and coordination of policies in different sectors, rationalising the use of financial resources and giving greater weight to local and regional authorities based on the principles of multi-level governance, and broadly involving civil society organisations. In the same document, the CoR also

stated that the macro-region is not another institutional level at multi-level governance (MLG) of the EU, but a network, an operational method or rather a joint action involving different European, national, regional and local actors as well as different policies and funding programmes (European Committee of the Regions 2011).

The 2012 European Commission statement² implied that "the macro-regional approach offers an integrated framework for challenges too broad for the national level but too specific for the EU-27" (European Commission 2012: p. 3). The same document also stated that innovative approaches to make better use of available resources and procedures are crucial in a situation of tight public budgets.

The document, in which attempts were made to formalise the concept of the macro-region and macro-regional approach is the *Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the added value of macro-regional strategies of 27 June 2013*. It states that the macro-regional concept arose from a wish to develop a common response to the phenomenon of degradation of the Baltic Sea environment, as well as a desire to undertake coordinated actions in response to the challenges and opportunities created by this region. This document suggests that the objective of the macro-regional approach is to respond in a coordinated way to problems that are easier to solve jointly than separately. This approach removes barriers for development and unlocks the potential of the regions concerned. The objective of the macro-regional strategies is to place problems in the context of multilateral cooperation and to go beyond the current borders of the EU in order to work on an equal footing with neighbours. Such an approach encourages participants not only to go beyond national borders, but also to overcome barriers to more strategic and creative thinking about available opportunities (European Commission 2013).

MLG in macro-regional approach

The Multi-Level Governance theory has been the theory supporting the macro-regional approach from the very beginning. It has been present in the research discourse for many years (see, for example: Hooghe 1996; Marks, Hooghe 2001; Marks, Hooghe, Blank 1996). The reflections of researchers focused on countries in creating the European Union (Marks, Hooghe, Blank 1996: p.342) have led to the research on MLG. The concept of including entities from many levels of governance (subnational, national, and supranational) in the process of creating policy (Marks, Hooghe 2001: p. 2) gave rise to the creation of a macro-regional approach.

It also appears in documents concerning the governance of the European Union.³ Such interpenetration of the theory of multi-level governance with its practical application is undoubtedly a research challenge. Researchers are already dealing with the

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the European Union Strategy for the Baltic Sea Region, COM(2012) 128 final, Brussels.

³ For example: *European Governance – A white paper*, COM (2001) 428, 12.10.2001, Brussels.

critical analysis of this theoretical model (e.g. Tomaszewski 2013). Janusz Ruskowski (e.g. Ruskowski 2010: p. 262–278) devotes a great attention to this issue. Thanks to the EU macro-regions, the subject of multi-level governance in the EU is still essential, and its analysis enters the next levels of research and methodological advancement.

Janusz Ruskowski's statement (Ruskowski 2012: p. 36; 2013: p. 29) that MLG theory explains the construction of multi-level governance in the European Union is an appropriate one. He also notes that apart from conventional levels (local, regional, national, supra-national, supra-supranational), MLG also noticed fuzzy levels (e.g. subnational-supranational or national-supranational) (Ruskowski 2013: p. 29–30, 41). During the analysis of the EUSBSR creation process, this multi-level character of the macro-regional approach is particularly visible, and MLG gains a practical dimension in this process (see more broadly: Szulc 2013).

When analysing the application of MLG in a macro-regional approach, the research by Stefan Gänzle, who often draws attention to the importance of entities from different levels of management, cannot be omitted (e.g. Gänzle 2018: p. 339). In one of his articles (Gänzle 2017: p. 407–420), he considers the dependence on increase between multi-level governance and the rank of Baltic cooperation. In his article, he stated that the use of MLG in a macro-regional approach created a new quality (new scales of intervention, new actor constellations, and variable geometries of governance).⁴ Gänzle also pointed out that the macro-regional approach supported by the MLG allows both institutional and non-institutional actors to achieve common political objectives.

As it was previously noted, the MLG theory has also been critically analysed. One of the MLG critics is Krzysztof Tomaszewski. In his in-depth critical analysis (Tomaszewski 2013) of the MLG theoretical model, however, he does not criticise the MLG concept as a whole. His criticism touches upon MLG as a theory too detailed to apply it to study processes other than those occurring in the EU. The author of this article is convinced that this is a challenge for other researchers to try to respond to this criticism by presenting the possibilities of its application in other geographical areas and in other political conditions. It is worth noting, however, that Tomaszewski sees the positive sides of MLG as a way of governing the EU and the fact that using it will make it easier to meet the challenges facing the EU. The analysis of MLG in macro-regions is worth comparing with the considerations on the role of the EU as an international actor. For example, Beata Piskorska noticed that "it is assumed that the European Union certainly lost its attractiveness and prestige as a result of recent transformations that affected it within the system, but also due to the dynamics of the international environment" (Piskorska 2019: p. 31). It is worth considering whether macro-regions, through the effective cooperation, can strengthen the EU's global role. The research on macro-regional strategies may be an attempt at polemics with Tomaszewski and show the application of the MLG in practice. This analysis is another level of research on a multi-level approach. The involvement, competences and scope of tasks at particular levels (EU, Member States, macro-regional and regional-local) of governance are presented in *Table 1. Distribution of competences and scope of tasks in the EUSBSR governance*. The table identifies the specific

⁴ The author of this article agrees with this thesis (more broadly: Szulc 2019).

units and institutions responsible for the EUSBSR at each level. Thanks to the analysis of the EU documents, their tasks, competences and activities are presented concisely. Information in the table clearly indicates that all these levels work together to achieve common benefits. Similar observations are also made by M. Witkowska, who, when analysing the levels of cooperation in the EU, aptly pointed out that, for example, the European Commission does not have a purely auxiliary function towards the states (Witkowska 2013; p.122–138).

Table 1: Distribution of competences and scope of tasks in the EUSBSR governance.

	Management level	Responsible unit/insitution	Scope of tasks, competences, activities
1	The EU	Directorate-General for Regional and Urban Policy (European Commission)	- general coordination, - monitoring and reporting to the Council in close cooperation with other EC services on issues falling within their remit.
		Interministerial working group	- ensuring consistent, broad support for the strategy, - ensuring link between strategy, policies and funding sources
		Commission delegations in the region	- communication with the EUSBSR activities
		European Commission	- facilitates work on aligning funding with the strategy, - communication on the strategy through a website and a bimonthly newsletter with the latest information, -drawing up reports on the implementation process.
		The EUSBSR expert group within the INTER-ACT programme	- seeking operational solutions to identify challenges that have implications for the practical management of the programme, - support programmes to identify their role in implementing the strategy and identify operational responsibilities, challenges and management capacities.
		Annual forum	- presenting the strategy and its achievements to a bigger community of the interested parties. The input from the annual forum takes the Commission's annual reports on implementation into account.
		The Council of the European Union	- is responsible for broader policy development
2	The EU Member State level	Experts in the EUSBSR group	- experts from each of the BSR States actively participating in the EC expert group

3	BSR level	National Contact Points	- helping to implement the strategy at the national level. Within this process, the strategy has contributed to strengthening the cooperation mechanisms for the Baltic Sea Region in the participating countries.
		Priority area coordinators	- facilitating the achievement of the objectives set out in the action plan; - coordinating and monitoring the development of the activities and flagship initiatives; - facilitating the involvement and cooperation of the interested parties from across the macro-region and leading political discussions and policy development in the region, - project leaders should strive to achieve measurable results and identify opportunities for policy development.
		Leaders of horizontal activities	- playing a key role in ensuring the cross-cutting and cross-sectoral linkages of the strategy as a whole; - should be in constant contact with the priority area coordinators as well as other interested parties.
		Programme managers in the member states	- modifying their national and regional programmes to include references to the strategy; - adopting additional selection criteria to insert the EUSBSR into their intervention logic.
4	Regional and local level	Group of experts of CBSS–Baltic 21, BDF, HELCOM–VASAB	- is responsible for implementing the various projects and activities listed in the action plan.
		International institutions such as the Nordic Council of Ministers and the Council of Baltic Sea States	- highlighting the strategy in their political agendas, organising joint events and participating in flagship initiatives.
		Euroregions, regions, cities, communes/provinces	- showing a strong commitment; - are leaders in priority areas, horizontal activities and/or flagship initiatives

Source: Szulc 2019; p. 169–171; European Commission 2011.

Analysing the table, we can observe a broad inclusion of the Baltic, regional and local levels in the work on implementing the EUSBSR. The number and the nature of tasks entrusted for the implementation at levels other than EU and national indicates a governance gap that this activity has filled. The data presented in this way indicate that the use of MLG in macro-regional strategies is feasible and that the governance of macro-regions by means of this model is an added value for them.

Analysis of the EUSBSR implementation

In the original *European Union Strategy for the Baltic Sea Region* (EUSBSR, version of 2009) it was stated that in the absence of new institutions to coordinate and monitor the implementation of the EUSBSR, this role should be performed by the European Commission. In practice, this solution has proved to be quite interesting and effective.

The first review of the implementation of the EUSBSR, and consequently the creation of a macro-regional approach in the BSR, has been included in the following documents:

- European Commission's Interim Report on the *Implementation of the EU Strategy for the Baltic Sea Region* of 2010 (hereinafter: Interim Report);
- Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *on the Implementation of the European Union Strategy for the Baltic Sea Region (EUSBSR)*, COM(2011) 381 final, of 22 June 2011 (hereinafter: *Commission Report on the implementation of the Strategy*);
- Commission Staff Working Paper *on the implementation of the European Union Strategy for the Baltic Sea Region*, 13.09.2011, SEC(2011) 1071 final.

The basis for the review was the Commission's Report on the implementation of the Strategy. It was the result of the Council's invitation of 26 October 2009 to present this document to the Council.

Demonstrating progress in achieving the EUSBSR's objectives in this report is quite difficult. The main reason is the lack of a single financial tool and the multiplicity of actors implementing the strategy. There is no quantitative assessment in the report. Only some information on the beginning of the EUSBSR's functioning is provided. The report on the implementation of the strategy is based, inter alia, on the Interim Report. It consisted of the main document and five annexes: summary of implementation, alignment of funding, organisation of work, cooperation with partners outside the EU, implementation of the Integrated Maritime Policy in the Baltic (see: European Commission 2010).

In this document, the summary of the 15 priority areas noted that the workflow within the priorities differed significantly. In some areas, the cooperation was easy. It was agreed that: "The ease with which the Priority Area Coordinators have been able to identify the relevant networks and Flagship Project Leaders seems to a large extent to have depended on the maturity of regional cooperation within the area." (European Commission 2010). In the Priority Areas 11, 12 (tourism) and 13, new cooperation networks were established quite quickly. However, many coordinators, including the ones from Priority Areas 1, 8 and 12 (education), noted in their implementation reports that building networks was hard work. "This challenge has been most strongly felt in Priority Area 14 on Maritime Accident Response Capacity, where the process of involving participants for meetings and leads for Flagship Projects has been more difficult than expected." (European Commission 2010). Therefore, attention was drawn to the need to develop support for practical networking tools.

The most important element of the Interim Report was the recognition of the creation of new macro-regional networks in areas previously dominated by national approaches. As an example, the work done in Priority Area 13 on Sea Surveillance was described in the report. In addition to the new macro-regional steering group, which included national authorities for the first time, the individual flagship initiatives also contribute to the better regional integration. "Flagship Project 13.5 on promoting maritime training, for instance, has already established wider cooperation between universities and maritime authorities in the region." (European Commission 2010). Other identified areas, where cooperation was previously limited, are tourism, education and the single market.

The first EUSBSR review was concluded with an update of the strategy's objectives. An important element of the update was the addition of indicators and their targets to each of the priority objectives. By adding indicators, it will be possible to make a more measurable evaluation of the EUSBSR. Most of them are expected to be achieved by the end of 2020 (European Commission 2012).

The first EUSBSR review in its assumptions was to be the first attempt to summarise the functioning of the strategy. It was also an attempt to identify problems related to implementation of EUSBSR and to notice the possibility of solving these problems. In the first review, only a partial qualitative assessment of the implementation of the strategy was possible. Full assessment of the Baltic Sea's function as the macro-region is possible if there are deep links between the markets of individual states in this region and there will be full coordination of activities related to the environment, and its inhabitants will clearly identify with it. Nevertheless, despite the increasing coordination, the 2011 review is the most thorough and detailed EUSBSR review to date.

The macro-regional concept has also attracted interest from other areas of the EU, which have started to identify themselves as macro-regions and implement macro-regional strategies for their territories. To date, four EU macro-regional strategies have been developed: 2010 – *European Union Strategy for the Danube Region* (EUSDR), 2014 – *European Union Strategy for the Adriatic–Ionian Region* (EUSAIR), 2015 – *European Union Strategy for the Alpine Region* (EUSAR). Subsequent analyses of the implementation of the strategy contain analyses of all macro-regional strategies and compare them with each other.

In December 2016, the European Commission published the *Report on the implementation of EU macro-regional strategies, COM (2016) 805*. This document presents the results of the implementation process and challenges facing the four macro-regional strategies. There was noted that the EUSBSR created new cooperation networks in the BSR and strengthened cooperation between existing networks. Multi-level governance and closer cooperation between regional actors resulted in synergies. The report points out that the update of the 2015 action plan has also had a positive effect (see: European Commission 2016).

Another document under analysis is the *Council Conclusions on the implementation of EU Macro-Regional Strategies* of 25 April 2017. In this document, the Council of the European Union confirmed that the EU macro-regional strategies constitute

a unique, integrated framework, which supports meeting common challenges facing macro-regions and contributes to the achievement of economic, social and territorial cohesion. It also pointed out that all strategies face many challenges and can be further developed in terms of governance, results, financing, communication and deepening cooperation. At the same time, it called on the regions and countries covered by the strategies to establish, together with the EC, appropriate indicators that will allow better monitoring of macro-regional strategies. It also asked for better public visibility of the results of macro-regional strategies. It also asked the European Commission to present another report on the implementation of the strategy by the end of 2018 (Council of the European Union 2017).

The aforementioned report was published in January 2019. It analyses all macro-regional strategies of the EU and devotes relatively little attention to EUSBSR. The report is complemented by the *Commission Staff Working Document* accompanying the Commission's report. It is more extensive than the report, and describes in more detailed way the state of the EUSBSR implementation. It discusses the results of the most important macro-regional projects and the state of the individual priority areas. An important element of the draft are the identified challenges that the EUSBSR is facing. Among the challenges there are: strengthening political commitment and leadership, in particular the greater involvement of the ministerial level of the states participating in the strategy; refining the scope of the strategy by narrowing it down to areas that bring the best results; simplifying the management, because the existing model was considered too time-consuming; further work on ways of financing the strategy, including those outside the EU; strengthening the communication on the strategy, especially in national languages.

The abovementioned reports describe the process and the progress in implementing the strategy. Unfortunately, despite 10 years of the implementation the quantitative analyzes have not been presented. Knowledge of the quantitative effects of the strategy will allow for a complete assessment of the implementation process.

Conclusions

For many researchers, the *European Union Strategy for the Baltic Sea Region* seemed to be too artificial, theoretical and unrealistic to be put into practice. Many have criticised such elements as: lack of a defined financing of the strategy or multi-level management. Nevertheless, for 10 years, in subsequent analyses and reviews, concerning exclusively the EUSBSR, as well as in joint reviews of EU macro-regional strategies, new projects are discussed and the synergy effect in many fields is visible. The EUSBSR, despite much criticism, is still developing and in the BSR, there is an enormous commitment to its implementation. Moreover, the macro-regional approach developed alongside the EUSBSR is also developing in next macro-regions.

The challenge, which the EUSBSR has been facing since 2009, is to improve the condition of the Baltic environment. In addition, a number of challenges have been clarified in policy-making through operational measures. As in the case of the EUSAIR

and the EUSDR, the BSR will have to face an increase in the number of migrants, which requires intensified cooperation with all the countries of the region (Council of the European Union 2017).

An undoubted advantage of macro-regional policy, in the case of the EUSBSR, is the updating of the action plan. Thanks to its updates, the EUSBSR is not a "dead" document, detached from the changing reality. The changes in the action plan make it possible for the EUSBSR to adapt to the unstable European reality.

EU macro-regional strategies provide a unique, integrated framework that helps to address common challenges faced by macro-regions and contributes to economic, social and territorial cohesion. The Council of the European Union also noted that all strategies face many challenges and can be further developed in terms of governance, performance, funding, communication and deepening cooperation. At the same time, it called on the regions and countries covered by the strategies to establish, together with the EC, appropriate indicators that will allow better monitoring of macro-regional strategies. It also asked for better public visibility of the results of macro-regional strategies (Council of the European Union 2017).

For example, Slovenia is an interesting case demonstrating the benefits for the EU related to the development of the macro-regional approach. It participates in three macro-regional strategies: the EUSDR, the EUSAIR and the EUSAR. Thanks to its experience and knowledge, Slovenia creates a synergy effect between these strategies. Andreja Jerina, the national coordinator at the Ministry of Foreign Affairs in Slovenia, in the article *Added-value of the inter-macro-regional strategy cooperation and coordination* stated that "joint efforts require appropriate resources [...] This is why the national parliaments should also be involved. They have political strength in setting up a system supporting implementation of jointly (inter-governmentally) agreed (macro-) regional projects. National parliaments play significant role in clarifying added value of such initiatives. They can ensure that (macro-) regional projects are recognised by financial institutions/instruments and thus be treated favourably when allocating funding. By the establishment of such a system they would pave needed preconditions for implementing collective (macro-) regional answers to common challenges of larger territories, be it infrastructure, increasing migration and demographic pressure, climate change or any other issue that cannot be addressed by a single state or region." (Jerina 2016: p. 20–22). These words once again demonstrate the importance of every element of multi-level cooperation. At the same time, the Slovenian experience shows another possibility to develop the macro-regional concept – the concept of the *Europe of macro-regions*.

As the above analyses demonstrate, the macro-regional approach developed in the EUSBSR has become an effective tool of the EU to influence the BSR. At the same time, some general features and theoretical elements of the concept have been identified, so that it can also be applied to other European macro-regions. The analysis of the strategies implemented demonstrates that in each case, a macro-regional approach adds value and supports the achievement of the EU objectives.

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Theoretical aspects in multi-level security management of the European Union in the framework of Security Sector Reform (SSR)

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Abstract

Governance is a way for society to get organised, take and implement decisions by means of mutual understanding, reaching agreements and taking actions. It works at every level and is visible in social, political and economic dimensions. It includes a range of instruments, principles, institutions and practical action. States, governmental and non-governmental entities with some competences in governance aim to boost development level and provide security to their citizens. The concept of multi-level governance (MLG) is a characteristic of the European Union (EU) and its areas, where it is capable of exercising its governance at many levels using sectorial internal and external policies. This article focuses on multi-level security management by the European Union within the concept of Security Sector Reform (SSR), dedicated to two sectorial external policies, i.e. the *Common Foreign and Security Policy* (CFSP), and the *Common Security and Defence Policy* (CSDP). In this article, the author will attempt to explain what Security Sector Reform actually means for the European Union. For better understanding this analysis author adopted the multi-level governance theory to demonstrate how the SSR concept can be combined with MLG. The author put forward a thesis that, due to many similarities, i.e. in the EU approach to security management in external relations.

Keywords: European Union, the concept of multi-level governance (MLG), security, Common Foreign and Security Policy (CFSP), Common Security and Defence Policy (CSDP), Security Sector Reform (SSR)

Teoretyczne aspekty wielopoziomowego zarządzania bezpieczeństwem Unii Europejskiej w ramach reformy sektora bezpieczeństwa

Streszczenie

Zarządzanie jest sposobem na zorganizowanie się społeczeństwa, podejmowanie i wdrażanie decyzji poprzez wzajemne zrozumienie, zawieranie porozumień i podejmowanie działań. Działają to na każdym poziomie, i widoczne jest w wymiarze społecznym, politycznym i ekonomicznym. Obejmuje szereg instrumentów, zasad, instytucji i praktycznych działań. Państwa, jednostki rządowe i pozarząd-

dowe posiadające pewne kompetencje w zakresie zarządzania mają na celu zwiększenie poziomu rozwoju i zapewnienie bezpieczeństwa obywatelom. Koncepcja wielopoziomowego zarządzania (MLG) jest charakterystyczna dla Unii Europejskiej (UE) i tych obszarów, w których jest ona zdolna do sprawowania władzy na wielu poziomach przy użyciu sektorowych polityk wewnętrznych i zewnętrznych. Niniejszy artykuł koncentruje się na wielopoziomowym zarządzaniu bezpieczeństwem przez Unię Europejską w ramach reformy sektora bezpieczeństwa, dedykowanej zewnętrznej polityce, tj. *Wspólnej Polityce Zagranicznej i Bezpieczeństwa oraz Wspólnej Polityce Bezpieczeństwa i Obrony*. W artykule autorka spróbuje wyjaśnić, co tak naprawdę oznacza reforma sektora bezpieczeństwa dla Unii Europejskiej. Aby lepiej zrozumieć tę analizę, autorka przyjęła teorię wielopoziomowego zarządzania, żeby pokazać, w jaki sposób można połączyć koncepcję reformy sektora bezpieczeństwa z wielopoziomowym zarządzaniem. Autorka wysunęła tezę, że koncepcja SSR jest realizowana w ramach wielopoziomowego zarządzania bezpieczeństwem, z uwagi na wiele podobieństw, np. w podejściu do zarządzania bezpieczeństwem przez UE w jej relacjach zewnętrznych.

Słowa kluczowe: Unia Europejska, koncepcja wielopoziomowego zarządzania (MLG), bezpieczeństwo, Wspólna Polityka Zagraniczna i Bezpieczeństwa, Wspólna Polityka Bezpieczeństwa i Obrony, reforma sektora bezpieczeństwa (SSR)

Conflicts, uncertainty and instability are among the most serious problems the world is facing. Both local and international conflicts lead to deaths and devastation. They also have both a direct and indirect impact on development. In many cases, conflicts and instability are linked to security problems in non-European Union (EU) countries. Failure to respect law and order and fundamental rights exacerbates the issue. Unfortunately, this often happens when entities from the security sector are not subject to civilian oversight or they intervene in political life participating in abuses and violation of human rights, or when they are unable to provide security services to the population and prevent threats such as terrorism and organised crime (European Commission 2015).

These are precisely the above-mentioned international threats and the complexity of the processes taking place in the international arena that make it impossible for a state, who is simultaneously a subject and a player, to individually face all the challenges and threats it is facing. The state does not have sufficient financial and logistic instruments, including human resources, to effectively prevent and fight global threats, especially beyond its own territory. Thus, it depends on multilateral systems, based on international institutions and international law. Having understood this, we notice that without cooperation with other countries and entities, the state is not able to function properly. This is where joint governance processes, involving different levels of decision-making and actions, enter the scene. Governance is a way for society to get organised, take and implement decisions by means of mutual understanding, reaching agreements and taking actions. It works at every level and is visible in social, political as well as economic dimensions. It includes a range of instruments, principles, institutions and practical actions. States, government and non-government entities with some competences in governance aim to boost development level and provide security to their citizens (Van Langenhove et. al.

2009: p. 22-23). Note that governance is most often identified with state-internal activities. Next, it can be associated with an organisation (Justaert, Keukeleire 2010: p. 9). What is increasingly used for organisation-related governance is the concept of multi-level governance (MLG), which is characteristic of the European Union and its areas, where it is capable of exercising its governance at many levels using sectorial internal and external policies. Janusz Ruskowski believes that classical multi-level governance in the European Union is based on three conventional crisp levels: the supra-national, the national and the regional. This means that the multi-level governance system in the EU is based on a combination of supranational and intergovernmental institutions with a certain degree of both centralisation and decentralisation (Ruskowski 2013: p. 23). The MLG theory can be applied in any field that requires cooperation between multiple actors at different levels.

This paper focuses on multi-level security governance by the European Union within the concept of Security Sector Reform (SSR), dedicated *Common Foreign and Security Policy* (CFSP), and *Common Security and Defence Policy* (CSDP) (TEU 2012: art. 42.1)¹. Special CSDP is about projecting security outside of the EU area in order to contribute to the stabilisation of states or regions that may potentially be the source of further destabilisation or more directly threaten EU societies. Such a security culture has been developed by design as much as by default; it results both from the difficulty to embrace a broader spectrum and from the desire to act at a particular level and through EU-specific tools or methods (Sperling, Webber 2019: p. 237; see also: Lucarelli et al. 2019).

The author attempts to explain what Security Sector Reform actually means for the European Union. Then, the author will examine how the SSR concept can be combined with MLG. The research question is actually about understanding why the development of SSR is not possible without MLG and what consequences it has for the EU security management in its external dimension.

The author put forward a thesis that, due to many similarities between the SSR concept and the application of the MLG in practice, i.e. in the EU approach to security management in external relations, the SSR concept seems to be implemented within the framework of multi-level security management.

For analysis of the Security Sector Reform concept, the author adopted the multi-level governance theory. Due to its inherent features such as its detachment from a specific territory, taking into account formal and informal mechanisms, its comprehensive nature, or long-term actions, supported by the shared responsibility of all EU actors, this theory should be an excellent tool for exploring the SSR concept dedicated to the EU external

¹ CSDP is the part of the CFSP. According to the Lisbon Treaty CSDP shall provide the Union with an "operational capacity drawing on civilian and military assets" that can be used on "missions outside the Union for peace-keeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter." CSDP operations are further defined in Article 43.1 of the TEU (2012), which proposes a list of tasks to be carried out that includes "joint disarmament operations, humanitarian and rescue tasks, military advice and assistance tasks, conflict prevention and peace-keeping tasks, tasks of combat forces in crisis management, including peace-making and post-conflict stabilisation." The article adds that all these tasks "may contribute to the fight against terrorism, including by supporting third countries in combating terrorism in their territories".

actions. This theory will work well within the framework of the SSR concept developed by the EU, as it requires coherent policies, integrated cooperation and comprehensive actions at many levels and, thus, fits perfectly into the multi-level governance model and comprehensive approach to security in the European Union. The author used the MLG theory in a comparative perspective, indicating the relationship between the developed SSR concept and the EU multi-level security governance.

Security Sector Reform in the European Union

The process of European integration has led to the creation of a polycentric political configuration characterised by a decentralised political structure, in which several actors are involved in different areas. Security governance allows multiple types of actors, but the EU is a complex and unique one. The actorness of the EU is also bound up with the relationship it enjoys with its Member States, all of which are security actors in their own right (Sperling, Webber 2019; p. 8; see also: Bergmann 2019). Area of foreign policy, security and defence being no exception to this rule. The evolution of the *Common Foreign and Security Policy* (CFSP) and the *Common Security and Defence Policy* (CSDP)², demonstrate increasing synergies between the national, international and supranational levels, where a wide range of actors cooperate. Based on the analyses of social networks, empirical studies in CFSP and CSDP confirm that whereas security management has actually been transferred to the EU level, it still remains controlled by the state actors. Two complementary trends have been observed over the last decade. On the one hand, these included continuous shaping of both sectorial policies (CFSP and CSDP) and the externalisation of these tasks through the intermediary of state representatives, European officials and the Brussels-based political-military structures. On the other hand, we observed a never-ending emphasis on ubiquitous EU discourse on a comprehensive approach to security, civil and military aspects, and on combining both internal and external dimensions of security (Giumelli, Lavallée 2013; p. 366). Such an approach is clearly visible in the concept of Security Sector Reform (Justaert, Keukeleire 2010; p. 3). Furthermore, empirical security governance engages in extended analyses of particular policies, with measurable consequences, both in the general (the incidence of peace, political stability, and economic and social well-being) and in the particular (the outcome of sector-specific action, for instance, an arms control treaty, a peace agreement and so on) (Sperling, Webber 2019; p. 8).

While there is no agreed definition of Security Sector Reform, for policy-makers and practitioners, SSR typically refers to the reform, construction or reconstruction of security and justice sector institutions, including oversight and management bodies. Underpinning SSR is the importance of improving Security Sector Governance (SSG), ensuring security responsive to the needs of the people. Disarmament, demobilisation

² With the establishment of the Common Security and Defense Policy (CSDP) in 1999, the toolbox of instruments available for peacebuilding activities has expanded considerably, turning the EU into a veritable comprehensive peacebuilding actor. (Ejdus, Juncos 2017; p. 4).

and reintegration (DDR) of former combatants is often interrelated with Security Sector Reform³.

According to the annex to the conclusions of the European Council of 14 November 2016, *Elements of an EU-wide strategic framework for the support of Security Sector Reform* (European Commission 2016), the SSR is the basis to enable the European Union to implement effective democratic control measures and increase the accountability level of this sector. Therefore, it remains relevant in all the contexts, including the stable ones, in order to improve governance and security for the whole duration of a conflict. Because it addresses potential crisis triggers, reform of the security sector remains one of the key elements of conflict prevention. It is also one of the most important elements of crisis management and conflict resolution, post-conflict stabilisation, peace-building and building statehood, as it restores accountable security institutions and effective security services to the society and, thus, creates pre-conditions for sustainable development and peace. The support offered under the SSR must be tailored to security-related needs of the partner countries, which can be identified with an effective and inclusive political dialogue and must be based on clear and sustainable national responsibility. EU support under SSR can contribute to this effort with its proposal of an integrated and systematic approach applicable to all EU instruments, including the CSDP, and this aiming at effectively linking and coordinating short, medium and long-term SSR activities. Such activities may include institutional support, training, providing equipment, support of community supervision and security mechanisms. They may also draw on the expertise of Freedom, Security and Justice (FSJ) actors if only can they add any more value (Council of the European Union 2016: p. 1–4). For all these instruments to work efficiently, it is not only necessary to understand the very specific character of security in non-EU countries, but also to engage in multi-level cooperation at EU level, the results of which would allow the implementation of effective mechanisms in the third countries.

A pan-European approach to Security Sector Reform emerged in numerous debates on security and development just after the end of the Cold War. The trend to combine security with development was so strong that it led to the so-called "securitisation of development", where developmental insufficiency was rather seen as the cause of insecurity than problems of inequality and justice. Security Sector Reform at first was implemented as an instrument of development policy by the British government, as part of the British involvement in Sierra Leone and Uganda. Subsequently, the SSR concept emerged in the *Development Assistance Committee of the Organisation for Economic Co-operation and Development* (OECD) and was subsequently developed within the framework of mul-

³ DDR is fundamentally a process through which armaments are removed from former combatants, who are also removed from military structures and assisted in reintegrating into civilian life, and sometimes into state security institutions. Both DDR and SSR are highly political exercises with normative implications, involving the redistribution of power and generally aiming to re-establish the state's monopoly of the legitimate use of force. DDR and SSR can also be mutually reinforcing with, for instance, former non-state armed actors being integrated into state security institutions, which can help rebuild trust between formerly warring parties as well as disincentivise potential spoilers by providing a stake in the state security structures and the prospects of long-term employment. Conversely, where DDR falters, due to resistance, distrust or non-compliance, the prospects for successful SSR are inevitably compromised (see: Ansorg, Gordon 2019: p. 2).

tilateral cooperation between the European Union and the United Nations (UN) (Albrecht et al. 2010: p. 74). Thus, the Security Sector Reform has quite rapidly become not only an important concept covering numerous development-related slogans in frame of the *North Atlantic Treaty Organisation* (NATO) and *Partnership for Peace* (PfP), *Organisation for Security and Co-operation in Europe* (OSCE), *Council of Europe* (COE), and also, as already mentioned, the EU and UN (Vidalis 2006: p. 2; see also: Kirchner 2006).

Security Sector Reform constitutes a broad concept that goes far beyond classical military actors and traditional actions. The SSR concept is often associated with capacity-building measures and knowledge transfer, enabling domestic actors to assume responsibilities for reform processes (Eickhoff 2020: p. 43). It is a multidimensional policy that involves various actors, including civil society and non-state actors. Implementation of the Security Sector Reform in the European Union centres around two cooperation levels: the intergovernmental level and the community level (Justaert, Keukeleire 2010: p. 3). As Quentin Weiler notes, the SSR is a pillar structure (taking into account the former EU pillars), characterised by varied decision-making procedures. The goal of SSR is to transform the security system, encompassing all the possible actors, their tasks and responsibilities, into a well-functioning governance system following the principles of democracy. He stresses that the European Union strongly emphasises the need to promote conflict prevention and, thus, construed its identity on this very premise. However, a cultural revolution in the EU is necessary for the SSR concept to be enforced. It must cover the *radicalisation of development* and *securitisation of underdevelopment* (Weiler 2009: p. 810). Therefore, in order for the SSR to be fully operational, it is necessary to engage in multi-pillar, multi-level cooperation that would take into account the different trajectories of such cooperation, starting from situation analysis and political dialogue, through democratic and multi-level security management combined with theoretical and practical support (operational back-up), especially in conflict prevention. Combining EU instruments dealing with freedom, security and justice with sectorial CFSP and CSDP policies constitutes an excellent example of multi-level security governance within the Security Sector Reform.

Multi-level governance and Security Sector Reform

It is worth stressing that multi-level management has become very trendy over the recent years. Research based on MLG allows examining the complexity of decision-making processes within the European Union, focusing on the relationships between multiple European actions at various levels, i.e. supranational, national and sub-national. Together with the evolution of the CFSP and the CSDP, and broad formulation and implementation ranges for both policies, MLG approach was also extended to emphasise the role of the actors involved in the EU foreign policy, security and defence, and the way these actors cooperate (Bagayoko-Penone 2010a: p.1; 2010b: p. 9). Multi-level governance primarily relates to the decision-making processes between institutions and states. Therefore, the multi-level governmental approach to security and defence

policies focuses predominantly on the formulation stage. MLG involves a wide range of institutional actors with relevant programmes and objectives, both at the EU and national level (Bagayoko-Penone 2010a: p. 1–2; 2010b: p. 9). James Sperling and Mark Webber notice that the normative perspective, first, considers policy as framed by shared normative frameworks that reside at three levels: system (agreement on the rules of the game), state (an acceptance that those rules constrain state behaviour) and domestic society (expectations of political reciprocity, democratic governance and the rule of law). Substantive governance, second, is concerned with governance-as-getting-things-done. This line of enquiry treats security governance as a mechanism for generating solutions to specific problems and for 'providing coherent direction' to national or international society. Third, empirical security governance engages in extended analyses of particular policies, with measurable consequences, both in the general (the incidence of peace, political stability, and economic and social well-being) and in the particular (the outcome of sector-specific action – for instance, an arms control treaty, a peace agreement and so on) (Sperling, Webber 2019: p. 8).

Security Sector Reform constitutes a good example of multi-level governance, as it allows examining processes that cover administrative procedures and legal standards (formal arrangements), as well as the dynamics of informal processes (social bonds, ideas), all of which affect the process in question from the moment it is formulated to its implementation (Bagayoko-Penone 2010a: p. 1–2; 2010b: p. 9). The European Security Strategy (ESS) of 2003, called the Solana Strategy, started promoting this type of approach. It promotes a holistic approach to EU foreign policy with security, economic development and democracy being seen as important contributions to political stability in the EU's international environment (European Council 2003; see also: Kirchner 2007; Quille 2004). The European approach to the SSR constitutes one of the most operational applications of the multifunctional approach promoted at the strategic level (Bagayoko-Penone 2010b: p. 20). Apart from counter-terrorism actions and disarmament missions, the ESS identified support for the security sector reform in partner countries as a new area for EU intervention. This, in turn, contributes to increasing the scope of the Petersberg Tasks, integrating missions in security sector reform into Community policies.

There are three key documents evidencing the fact that the European Union is indeed pursuing an approach concept to support SSR. They define the EU's role in the field of SSR and at the same time provide a political framework for EU's commitment to security sector reforms. The first one includes the 2005 EU Concept on support for Common Security and Defence Policy to the SSR (Council of the European Union 2005) and the second one, includes the concept of European Community support to SSR, which defines the framework for Community support (European Commission 2006). The third one is the Policy Framework for Security Sector Reform (SSR) (Council of the European Union 2006). The Council document focuses on the role of CSDP and it recognises its policy to provide advice, monitoring, support to third-country authorities in building democratic institutions in the field of security that would not only be based on their internal laws but would also stay in accordance with international law. The document prioritises security

management over human security. From the point of view of the CFSP/CSDP policies, the stability of state structures is more important than citizen's feeling of security. This does not mean that human rights and democracy issues are not addressed and it can be inferred from the document that these are the guiding principles of SSR support. Here, the approach to the SSR is just more functional, directly focusing on stabilisation and state security by helping to reorganise the security forces. To the contrary, the European Commission's document presents an opposite approach to the Security Sector Reform. Human security is the key to this approach. Security management only comes second (Council of the European Union 2006; see also: Weiler 2009; p. 15). Therefore, the very approach to the SSR concept and its development reveals differences between the two EU institutions. The European Commission emphasises a far-reaching approach, focused on good governance, human rights and democracy. Due to its supranational nature, the European Commission has experience in promoting democracy and human rights, where this would be impossible for other actors. In a way the European Union's global reach empowers the Commission to act in almost every region of the world. Due to the long-term presence of its agencies, the EU is able to provide long-term support both for national dialogue within the SSR and for other aspects of the security sector reform process. Moreover, the EU's cohesion policy is an important element of a coherent approach within the SSR. The wide range of instruments for SSR is part of the EU's regular external aid and promotes political dialogue. When reforming the security system, the potential of the political and financial instruments is a key asset (European Commission 2006). Please note that the Commission's approach to the SSR derives from traditional Community experience in different political areas, i.e. development, enlargement, neighbourhood policy, conflict prevention, democracy, human rights, security and justice (Bagayoko-Penone 2010a: p. 6; 2010b: p. 20; compare: Babaud, Kets 2008). This demonstrates that its approach to security sector reforms exhibits a much broader scope than that of the Council of the European Union. Although both institutions focus on security issues, each of them prioritises a different aspect. Note that CSDP civilian missions and military operations are mostly based on a very narrow mandate, they are often implemented only for a short period, which stands in a kind of contrast with the European Commission's long-term approach. Despite the difficulties, the two institutions experience with their relations, and the efforts of the Council of the European Union to create a holistic and coherent approach to SSR, both institutions do cooperate, involving in this cooperation both EU Member States and other international actors (Bloching 2011: p. 3). What is certainly not without significance, it is the position presented in the European Commission's document, where it points out that Community actions in the area of CSDP SSR missions can complement each other, especially in countries affected by crises (European Commission 2006; see also: Britz 2013).

As noted earlier, the Security Sector Reform goes well beyond the narrow, more traditional aid in the areas of security, defence, intelligence and order (i.e. it goes beyond this classical model dedicated to internal security). This is because the security sector reform takes adapts a broader perspective taking into account global objectives reflecting

the challenges that the European Union has always been facing. Today, the EU's objectives are more comprehensive, integrated and responsive to global challenges. It does not matter what approach to security issues do individual institutions present, as multi-level solutions are aimed at facilitating security management, coordinating decision making and indicating the best methods for solving problems and achieving objectives. Thus, the following should be listed as common to two approaches to the SSR concept:

- security enforcement, including human security (depending on whether it is a Council or Commission approach),
- promoting democratic principles in the security sector, based on accountability, transparency and respect for human rights,
- improvement in the efficiency of the armed forces and strengthening their position,
- supporting institutions responsible for supervising security bodies (parliaments, non-government institutions, ombudsman, media),
- developing a holistic and comprehensive approach to security sector reform, both at the national and international level (Bagayoko-Penone 2010a: p. 34; 2010b; see also: Riddervold 2016).

It seems logical that the Security Sector Reform under the CSDP is more oriented towards crisis management, whereas the Community SSR programmes provide a broader approach as they focus on a long-term strategy to improve good governance and sustainable development mechanisms. Actually, despite these differences, specific areas of intervention at both intergovernmental and Community level are very similar.

In line with the global concept for crisis prevention and management, EU CSDP missions within the SSR frameworks can be of military, civilian or mixed character. Despite their diversity, if only they are Security Sector Reform missions, they have specific goals determined by SSR concept. In such a perspective, these missions take into account support for the defence sector reform, i.e. assistance in determining defence policy, armed forces training with respect for human rights, reorganisation of security structures, including the promotion of civilian supervision structures, assistance in implementing new staff policies based on pluri-ethnism. Support for civilian institutions involved in providing protection and surveillance services for the security sector, i.e. police, justice and customs, is of utmost importance for missions based on the SSR concept. Training and police reorganisation are organised to support reforms in the police sector. Support for the judiciary includes a review of the existing legislation, identification of the needs of the criminal and penitentiary systems, support for the judiciary institutions and employee training. Support for the reform of customs service includes actions in training and definition of customs policy. The Security Sector Reform concept also includes support for supervision over institutions, such as parliamentary control, supervision of budgeting processes and others (Bagayoko-Penone 2010a: p. 4; 2010b). EU assistance for the SSR focuses especially on concentrating efforts in the area of democratic armed forces management, budgeting processes (transparency and accountability), judiciary institutions, and institutions responsible for law enforcement. In general, we can state that the mandate of the two teams of actors (CSDP and EU) overlap to a large extent. Both the CSDP

and the EU are entitled to engage in similar missions. As the division of work between the Council of the European Union and the European Commission remains unclear (although there are some differences in their approach to the security issue itself), SSR missions operate under the dual auspices of the Council of the European Union and the European Commission. As foreign policy, including security and defence, is identified with the former second pillar, this dual institutional framework provides a sense of a great role that the European Union plays in external politics with the Council of the European Union also having a key influence (Bagayoko-Penone 2010a: p. 5; see also: Hill 2001).

In further analysis of Security Sector Reform governance at two levels (EU and CSDP), stakeholders other than the Council of the European Union and the European Commission should also be considered. At the level of the Council of the European Union, it is primarily the European External Action Service (EEAS) with its policy instruments and institutional system responsible for crisis management. The following entities also play key roles: General Affairs and External Relations Council (GAERC), and COREPER (Committee of Permanent Representatives). For CSDP and military missions these are national actors, relevant for military crisis management, i.e. primarily ministries of defence and other military structures of the Member States. At EU level these are High Representative of the Union for Foreign Affairs and Security Policy (HR), Political and Security Committee (PSC), The European Union Military Committee (EUMC), The European Union Military Staff (EUMS). Moreover, for CSDP, the MLG approach should not focus solely on the structures established to coordinate these policies. The MLG approach for seeing a wide range of actors, civilian and military, who participate in the implementation of this policy, but who not always are part of, or are visible within the main structures established for the CSDP (Justaert, Keukeleire, 2010: p. 6). Those entities less visible in the whole process of planning and preparing missions include CFSP working groups: The Committee for Civilian Aspects of Crisis Management (CIVCOM), Politico-Military Group (PMG), specific directorates of the General Secretariat of the Council Crisis Management Planning Directorate (CMPD), Civilian Planning and Conduct Capability (CPCC). Crisis Management Concept (CMC) defines general strategic goals from the civilian and military perspectives. Strategic objectives for typically civilian missions are defined by the CPCC, with the so-called Concept of Operation (CONOPS). CPCC also supports Heads of Mission (HoM) in developing an *operation plan* (OPLAN). CPCC can be said to act as operational headquarters for civilian missions. When it comes to the military, the EUMS is involved in early warning, situation assessment and strategic planning activities for peacekeeping and humanitarian missions. It also deals with crisis management for all military operations (Bloching 2011: p. 4; see also: Juncos, Pomorska²⁰⁰⁷; Diedrichs, Jopp 2003).

Actors involved in civil aspects of crisis management are more complex and dispersed. At the national level, these are primarily ministries of the interior, finance, development, police structures, customs and border guards. Each of these structures is required to be involved in the decision-making process, both at domestic and at EU level. This applies in particular to the persons from different operational institutions who are able to prepare, implement and ensure the continuation of security and defence policy. This applies to

qualified police officers, judges and other professionals who transfer their authority from national level to EU/Community level to manage operations in different regions of the world (Justaert, Keukeleire 2010: p. 6).

At Community level, the European Commission and its delegations are involved in the development and implementation of the SSR concept. Moreover, the Directorates-General also remain active: e. DG External Relation (RELEX), which has an important role in coordinating the European Commission's overall policy on conflict prevention and peace-building, the Directorate General for Development and Cooperation (DEVCO), EuropeAid, which defines EU development priorities, and the Directorate General for Enlargement (DGENL), which can be involved in supporting reforms in candidate countries, e.g. in security and justice reform.

Moreover, the EU presidency also plays an important role. It was exactly thanks to the UK presidency, in the second half of 2005, that the already mentioned concept of SSR support by the CSDP was adopted. Further, a document on Community support to the SSR concept was adopted in the first half of 2006 by the Austrian presidency. The Finnish presidency, in the second half of 2006, proposed an operational approach within the SSR. The presidencies actively participate in raising SSR awareness by organising seminars and training sessions (Spence, Fluri 2005: p. 12).

Key actors for both the CSDP and the EU include numerous international organisations and fora, such as the UN, NATO, OSCE, World Bank, International Monetary Fund and many sub-regional organisations. This is because most security challenges require the involvement and cooperation of multiple actors. This translates into different or more diverse methods of operation and using complementary measures. The EU policies focus on various locations and, therefore, require political coordination with other organisations and third countries, both at the general level (objectives and strategies) and at the so-called *nitty-gritty*, i.e. detailed level. Note that the civil crisis management sector, including SSR and know-how, is largely addressed to non-governmental entities, including research centres, think tanks, counselling in private and multinational corporations that provide technical knowledge and workforce. When implementing security sector reforms, these are not only international actors, such as the European Commission, that benefit from the advice of NGOs, but also states also do. Security Sector Reform is a policy, in which two levels of cooperation meet, the intergovernmental and the community level. Therefore, in foreign policy, security and defence there are three major terms that can be used to describe them: multi-level, multi-pillar and multi-location governance system, requiring the use of informal negotiation practices, cooperation and coordination (Justaert, Keukeleire 2010: p. 8–9; see also: Born et al. 2003).

Moreover, the security sector reform is supported by numerous financial instruments of the European Union focusing on external aid. These instruments include:

- The Instrument for Stability (IfS), which can be used in crisis situations as part of an intervention. Financial support can be both short-term and long-term. The IfS flexibility allows for supporting CSDP missions in early warning and reforms of the judiciary. In the Horn of Africa, IfS funding was used to support justice, police and

penitentiary services (transfer of captured pirates within the framework of the ATALANTA military anti-piracy operation);

- The European Development Fund (FED), is the main instrument for the distribution of developmental aid in Africa, Caribbean and Pacific (ACP) and EU overseas countries and territories (OCT);
- The Development Cooperation Instrument (DCI), which includes programmes covering a wide range of developmental activities, some of which being relevant to the SSR, e.g. governance, democracy, human rights and support for institutional reforms;
- The European Instrument for Democracy and Human Rights (EIDHR) supports democracy and human rights activities in non-EU countries, and contributes to strengthening international standards of justice, democracy, law and order, human rights, thus fitting into the canon of SSR support;
- The CSDP budget covers a range of SSR-related activities i.e. crisis management operations, conflict prevention and resolution, stabilisation and monitoring activities, peace implementation. The costs of civilian and military missions are covered by the participating Member States;
- The Athena mechanism is responsible for managing the common costs of military operations. These may include transport, infrastructure, medical services. The participating states shall assume responsibility for their contributions according to the “*costs lie where they fall*” (European Parliament 2013: p. 9; also: Derks, More 2009: p. 11–13; compare: Spence, Fluri 2008: p. 12–14) principle;
- *Pre-Accession Instrument* (PAI) is intended to support EU candidates in the transition period. With this instrument, support is directed towards institutional development and cross-border cooperation. The instrument can be adapted to the needs of the SSR (European Parliament 2013: p. 1214; Derks, More 2009: p. 10);
- *European Neighbourhood and Partnership Instrument* (ENPI) is used for supporting countries from Eastern Europe and the Mediterranean area (Saferworld 2006: p. 8; compare: Middlebrook, Peake 2008).

Security Sector Reform has been defined as a new concept overlapping of security, development and civil-military relations. Extensive character and application of SSR are both its asset and a disadvantage. On one hand, they extend the reform prospects, but on the one hand, they make the definition of strategic plans and resource sharing more complex due to two different approaches. The SSR concept has become one of the priorities of EU external policy, which indeed provides a major advantage in its implementation, as the political instruments at the EU's disposal cover the whole spectrum of opportunities corresponding to the needs of the SSR (Weiler 2009: p. 24).

The EU actions for the support of Security Sector Reforms correspond to the so-called framework of soft power, which still remains an effective EU tool. However, it should be noted that the EU's soft power is increasingly at odds with security issues, and above all, it contrasts strongly with the recently emerging threats, which are difficult to fight with soft measures. On the other hand, the EU treats the SSR as innovative support for civil-military activities that combines security and development. Support for the SSR

concept takes place on two levels: community and intergovernmental. Thus, within the framework of SSR EU offers a number of instruments, in the form of legal acts, structures as well as financial and operational resources, shaping the approach to the SSR, which can be deemed multifunctional and pillar-based at the same time, i.e. multi-pillar because of the two levels from which support for the SSR is implemented. In this rich palette of instruments and mechanisms, we should not omit the shortcomings in the SSR approach. First of all, this approach is often different, presented from the Community level by the European Commission and from the intergovernmental level, which is rarely noticed and valued as it should be, as the SSR is usually identified as an internal domain of EU policies, in which Community methods dominate. In the Community approach, the EU supports the SSR through a number of thematic and geographical projects and programmes using various instruments and policies (neighbourhood policy, development of cooperation, democracy, human rights or stabilisation processes). However, it should be noted that this approach is very much imbued with cultural discourse and the development of cooperation (Babaud 2009: p. 4). On the other hand, the intergovernmental level is characterised by a far too narrow approach to the SSR concept. CSDP missions usually focus on a specific issue, e.g. police reform, judiciary reform, etc. In the civilian domain, EU crisis management focuses on the rule of law, good governance, and security sector reform; it proceeds through capacity-building and advisory tasks, often in cooperation with other crisis management actors (Sperling, Webber 2019: p. 235). Mary Martin and Stefanie Moser has pointed out that the problem is also an aggregation of what different EU Member States interests are in order to arrive at the international priorities for their intervention (Martin, Moser 2012: p. 22). Therefore, the Council activities, including in the framework of CSDP missions, should take a broader, more comprehensive perspective, which is actually what the Council of the European Union is aiming at. It is worth noting that the number of CSDP missions for SSR is gradually increasing. Until 2010, there were thirteen such missions, including those in Bosnia and Herzegovina, Afghanistan, Palestine, Somalia, Iraq or the Democratic Republic of Congo. Sixteen missions are currently⁴ being carried out within the framework of CSDP and managed CSDP structures, including five military and eleven civilian missions. It seems that there is one institution missing from that this pillar approach to the SSR concept i.e. a major institution that would coordinate activities at various levels and create a more multifunctional and harmonious support system for the SSR. For the time being, this cooperation seems to be non-uniform, still not very consistent, despite the fact that both the European Commission and the Council of the European Union declare that they cooperate and complement one another in security sector reform. Another disadvantage includes the lack of a consolidated budget and a large number of financial instruments. It would be enough to create a single common mechanism, which would only support the SSR. However, this still remains impossible in the multi-pillar configuration, thus a single common concept would have to be established first.

⁴ As of January 2020.

Conclusions

This paper focused on multi-level security governance by the European Union within the concept of Security Sector Reform, dedicated to *Common Foreign and Security Policy*, and the *Common Security and Defence Policy*. The author attempted to explain what Security Sector Reform actually means for the European Union and then the author demonstrated the validity of placing the SSR concept within the framework of multi-level governance. For analysis of the SSR concept, the author adopted the multi-level governance theory. As the performed analysis has shown, due to its inherent features that the author mentioned in the paper, such as its detachment from a specific territory, taking into account formal and informal mechanisms, its comprehensive nature, or long-term actions, supported by the shared responsibility of all EU actors, this theory proved to be an excellent tool for exploring the SSR concept dedicated to the EU external actions. The theory of multi-level governance proved well useful within the framework of the SSR concept developed by the EU, as the involvement of the EU actors at many levels results in coherent policies, integrated cooperation, and comprehensive actions. Thus, the thesis the author stated in the introduction constitutes both a confirmation and, at the same time, a justification for developing the SSR concept within the framework of multi-level security governance in the EU external relations.

One of the research questions was: why the development of SSR is not possible without MLG and how does it translate into security governance in the EU's external dimension? Security Sector Reform constitutes a mirror image of the integrated EU's approach used in both its internal policies and external actions. The integrated approach in external policy translates into using EU instruments and resources, but it also results in shared responsibility for the actors at the EU and Member State level. This, in turn, translates into cooperation between a wide range of actors, from EU Delegations, through diplomatic activities within the framework of the European External Action Service (EEAS), European Union Special Representatives, to operational capacities within the framework of ESDP civilian missions and military operations. We are, thus, dealing with a situation where decisions and actions are taken at many levels. These are strategic actions, as they pool all the EU resources regardless of their nature (strictly internal or strictly external). By means of an answer to the second part of the question, a simplified conclusion can be drawn that in its external dimension multi-level security management contributes to more effective conflict prevention, peace building and sustainable development in non-EU countries. Multi-level governance provides an opportunity to develop coherent policies, based on understanding the root causes of conflicts, assessment of a given situation and taking appropriate action involving actors at all EU levels.

Despite its drawbacks, support for the Security Sector Reforms remains invaluable for building a system for security management, crisis management, conflict resolution, good governance and human security throughout the conflict. Active involvement of actors in the security sector reform through decision-making, managing missions and finance

also proves the continuous development of multi-level cooperation for the SSR. For the European Union, it is also a question of its image at the international arena and willingness to prove the effectiveness of its soft power. For example, the implementation of Security Sector Reforms is among the EU's priorities in Africa. The EU assumed responsibility for transforming the security and judiciary systems in these unstable countries. The programmes that the EU addresses to the third countries are comprehensive in that they contribute to the formulation of an integrated security and justice policy by establishing national coordination mechanisms, but also in that they provide training and funding. This has become one of the major EU priorities for external activities. Coordination between EU actors (including cooperation with the third countries) in strengthening the Security Sector Reform can contribute to conflict prevention, thereby, minimising threats in the EU's close neighbourhood.

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EU LAW, INSTITUTIONS AND POLICIES

Legislative changes within the Economic and Monetary Union after the 2007

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Abstract

The global economic crisis of 2007 revealed a number of weaknesses in the Economic and Monetary Union (EMU). The Member States, together with the European Union institutions have made an effort to save the euro area by introducing a number of reforms for the functioning of the EMU. This article focuses on the analysis of legislative changes introduced to the euro area after 2007 in the fields of fiscal, economic, banking, and financial assistance. The documents constituting the EMU legislative changes package were a subject of a detailed examination. The main research questions were focused on the essence of weaknesses in the functioning of the EMU and the future of the euro area.

Keywords: Economic and Monetary Union (EMU), EMU reform, Eurozone (euro area), euro currency, economic crisis, legislative changes package

Zmiany legislacyjne w ramach unii gospodarczo-walutowej po 2007 roku

Streszczenie

Ogólnoświatowy kryzys ekonomiczny z 2007 roku ujawnił szereg słabości unii gospodarczo-walutowej (UGW). Państwa członkowskie wraz z instytucjami Unii Europejskiej podjęły wysiłki ratowania strefy euro wprowadzając szereg reform w funkcjonowaniu UGW. Niniejszy artykuł koncentruje się na analizie zmian legislacyjnych wprowadzonych wewnątrz strefy euro po 2007 roku w wymiarach fiskalnym, gospodarczym, bankowym oraz pomocy finansowej. Szczegółowemu badaniu poddane zostały poszczególne dokumenty składające się na pakiet zmian legislacyjnych UGW. Główne pytania badawcze koncentrowały się wokół istoty słabości w funkcjonowaniu unii gospodarczo-walutowej oraz przyszłości strefy euro.

Słowa kluczowe: unia gospodarczo-walutowa (UGW), reforma UGW, strefa euro, waluta euro, kryzys ekonomiczny, pakiet zmian legislacyjnych

The implementation schedule and principles of functioning of the Economic and Monetary Union (EMU)¹ are set out in the report by Jacques Delors (1989) and the Maastricht Treaty (1992) establishing its legal basis. Then, they were supplemented during the European Council meeting in Amsterdam on 16–17 June 1997 with adopted resolutions², regulating – firstly – the cooperation between countries entering the single currency zone and those remaining outside of it (ERM II), and secondly – the issue of compliance with budgetary discipline (Stability and Growth Pact). Issues regarding the name of the single currency and the stages of its circulation were set out in the scenario adopted at the Madrid European Council on 15–16 December 1995. It was then supplemented by two regulations³ of the Council of the European Union (EU), regulating the exchange rate of national currencies to euro and the legal status of euro, from its entry into force. From 1 January 1999, preparations for the adoption of euro and the functioning of the EMU seemed to be finalised and completed.

The global economic crisis of 2007 verified the mechanisms of the functioning of the euro area and unfortunately exposed many weaknesses. It turned out that the coordination of the economic policies of individual EMU Member States, including the maintenance of the budgetary discipline, was not sufficient to protect the euro area from the problem of growing indebtedness of some countries, leading to economic and political instability not only of the EMU, but of the entire European Union. Weaknesses in the banking system and lack of financial assistance mechanism for the EMU Member States in the event of emergency situations also became apparent. The EU institutions and the euro area countries had to react in two directions: on the one hand, solving their own economic problems and, on the other, responding to the challenges for the entire EMU, which arose from the effects of the economic crisis.

The above-mentioned actions define the subject of the research undertaken in this article. The central place is given to the issue of the EMU functioning in its various components, i.e. fiscal, economic, and banking. The importance of this issue increases, being present in both Polish and foreign literature.⁴ The vastness of the issue generates the dominance of scientific articles devoted to the selected aspects, in particular the issues of fiscal policy and creation of a banking union. However, the literature lacks a comprehensive and chronological illustration of the legislative actions taken by the EU institutions and Member States aimed at supporting the euro area in the most difficult period of the economic crisis.

¹ Also called "euro area" in EU regulations and "Eurozone" in various documents and publications.

² The following resolutions are meant:

1) Resolution of the European Council *on the establishment of an exchange-rate mechanism in the third stage of economic and monetary union*, Amsterdam, 16 June 1997, OJ C 236, 2.8.1997

2) Resolution of the European Council *on the Stability and Growth Pact*, Amsterdam, 17 June 1997, OJ C 236, 2.8.1997.

³ The following regulations are meant:

1) Council Regulation (EC) No 1103/97 of 17 June 1997 *on certain provisions relating to the introduction of the euro*, OJ L 162, 19.6.1997.

2) Council Regulation (EC) No 974/98 of 3 May 1998 *on the introduction of the euro*, OJ L 139, 11.5.1998.

⁴ It is worth mentioning the studies, among others: Dyson, Quaglia 2010; Geeroms, Karbownik 2014; Grosse 2018; Kawecka-Wyrzykowska 2015; Darvas, Martin Ragot 2018; Nowak-Far 2011; Polinski 2015; Sawicki 2012; Talani 2009; Wiliński 2019; Woźnicki 2017; Zaleska 2015.

The main research objective is to compile and analyse legislative changes taking place in the EMU in the field of fiscal policy, economic management, strengthening of financial cooperation, including the creation of a banking union. Due to the limited scope of the study, the author's deliberate intention was to subject a detailed examination of individual documents constituting the EMU legislative changes package. The time span of the research was set by the global economic crisis, which in 2008 exposed the structural weaknesses of the euro area, and to this day determines all legislative changes taking place in the EMU, as well as its future development plans.

The basic research method used to achieve the purpose of the research presented in this article was therefore a method of source criticism, used to verify documents introducing legislative changes within the EMU. It made possible not only to determine the course of qualitative transformations taking place within the euro area, but also was helpful in comparing the current legislative changes with the previous state. The research technique of the documents examination was based on a quantitative and qualitative analysis of their content.

The main hypothesis states that the contemporary economic crisis, in contrast to the commodity crisis of the 1970s, during which countries saved their economies more than the condition of the EU economy as a whole, integrated the euro area countries even more. It made people aware of the degree of interdependence within the euro area and the risks associated with its potential breakup. For this reason, during the economic crisis, both Member States and the EU institutions acted jointly to maintain and strengthen the EMU.

In order to verify this hypothesis, the following research questions were posed: what weaknesses in the functioning of the EMU have the economic crisis highlighted? What legislative reforms have Member States implemented to rescue the euro area? Are the introduced legislative changes at various levels of functioning of the EMU sufficient for its future development?

The process of developing and implementing reforms within the EMU is a part of the intergovernmental approach, as one of the theoretical concepts of European integration. The countries constituted the main creative and decision-making center in the scope of the analysed legislative changes. They agreed during negotiations to deepen cooperation (including limiting their autonomy) due to their economic and political interests, but also decided to incur costs in the form of increased control of their broadly understood economic policy and implemented macroeconomic reforms. The EU institutions included in the reformed cooperation within the EMU have to support the Member States in implementing reforms, in accordance with the powers they have received from the Member States.

The question of whether the introduced legislative changes within the EMU are a form of cooperation referred to *new intergovernmentalism*, or whether they are simply a response of the union of states to real threats, may be a debatable issue. It is the fact that the heads of states gathered in the European Council have become more legally active than in the past, assuming an unprecedented leadership role. However, it does not

prejudice, as the supporters of the *new intergovernmentalism* believe, that the mistake of the *old intergovernmentalism* was the assumption that integration processes consist of seeking power and pursuing the national interest in the Council. It seems rather naive for the supporters of the new intergovernmental recognition that the decision-making process in the Council is based on negotiations between Member States seeking agreement (Schmidt 2016). Any negotiation changes made within the EMU prove that they were carried out in the interest not only of the euro area countries, but also of all European Union countries. Their intergovernmental nature results from current political conditions and the inability to carry out effective treaty changes. It is also doubtful that the supporters of the new intergovernmental government will assume that states are integrating, and at the same time oppose the further transfer of power to a supranational level (Czaputowicz 2017: p. 52). The plans to complete the EMU together with one of its elements, i.e. the political union, as well as proposals to establish a budget for the euro area or its finance minister, contradict this. The refugee crisis, Brexit, the radicalisation of the views of individual EU Member States, and the general devaluation of the European integration project, suggest that deepening integration and adopting a new treaty by unanimity seem impossible. For this reason, cooperation between states seems necessary to achieve any progress, and the open question remains whether it weakens the existing EU institutions and seeks to limit transnational trends.

The structure of the article has been subordinated to verification of the hypothesis and the need to find answers to research questions. The content was therefore divided into four parts, where modifications in the field of fiscal discipline are analysed in turn, followed by the transformation of the economic governance of the euro area, and the transformation of the banking system. The last part of the article is devoted to the future of the EMU and possible innovations to exploit the potential of the EMU.

Legislative transformations in the field of the fiscal policy of the EMU countries

Fiscal policy is one of the main macroeconomic policies whose development within the EMU is a competence of the Member States, with two exceptions, i.e. convergence criteria providing for limits for the level of the budget deficit and public debt. The Maastricht Treaty obliged states to comply with the limit values of 3% of GDP in relation to the budget deficit and 60% of GDP in relation to public debt. The EU Commission was granted the right to draw up reports on the budgetary policy if a country did not meet one of the two criteria or even if it met the fiscal criteria, but there was a risk of an excessive deficit. At that time, the Commission forwarded its opinion to the Council, which (after carrying out a comprehensive assessment of the state of the economy of a given country) could determine the existence of an excessive deficit and enact recommendations for a given Member State to change its disadvantage at a certain time. The Treaty even highlighted that if a country did not comply with the Council's recommendations, one or more disciplinary measures could be taken against it. In accordance with art.104c,

paragraph 11 of the Maastricht Treaty, "...Council may decide to apply or, as the case may be, intensify one or more of the following measures:

- to require the Member State concerned to publish additional information, to be specified by the Council, before issuing bonds and securities;
- to invite the European Investment Bank to reconsider its lending policy towards the Member State concerned;
- to require the Member State concerned to make a non-interest-bearing deposit of an appropriate size with the Community until the excessive deficit has, in the view of the Council, been corrected;
- to impose fines of an appropriate size." (Treaty on European Union 1992: art.104c, par. 11).

Moreover, art. 104b of the Treaty stated that the Community is not responsible for the debts of national, regional, local authorities, or any public entities of the Member States. This was to ensure a situation, in which each state was independently responsible for its own fiscal policy and commitments, so that other countries would not have to bear the consequences for the irresponsible policy of another state.

Despite the above-mentioned guarantees, they were insufficient for Germany in case of ensuring the stability of the single currency. The threat arising in the event of an excessive budget deficit was worrying for the German government, as rising inflation would weaken the position of euro, thus forcing the European Central Bank (ECB) to pursue a more restrictive monetary policy. To counteract this situation, German finance minister Theo Waigel proposed to conclude a formal agreement to maintain budgetary discipline in the long term, which was named *The Stability and Growth Pact (SGP)*. The document was adopted as a resolution by the heads of states and governments in Amsterdam during the European Council meeting on 17 June 1997. It obliged the Member States to pursue sound budgetary policy after entering the third stage of the EMU. The Pact included the above-mentioned resolution, containing political guidelines for compliance with principles of a balanced budget, and two Council regulations:

1) No 1466/97 of 7 July 1997 *on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies* (the so-called "preventive part" applicable from 1 July 1998);

2) No 1467/97 of 7 July 1997 *on speeding up and clarifying the implementation of the excessive deficit procedure* (the so-called "corrective part" applicable from 1 January 1999).

The leitmotiv of the above-mentioned documents was close cooperation of states for healthy public finances, contributing to price stability and achieving conditions for economic growth, regardless of whether a given country adopted the common currency or not. The Council Regulation (EC) No 1466, obliged countries to submit macroeconomic programmes, which in the case of the EMU countries were called *stability programmes*, and in the case of countries outside EMU – *convergence programmes*. Based on them, the Commission and the Economic and Financial Committee assessed the economic situation, and then the Council assessed whether the country's economic plans were realistic and whether they guarantee achieving budgetary stability. The Council also

had the power of multilateral surveillance to monitor the implementation of stability and convergence programmes, with particular emphasis on controlling actual or expected mismatches between the budget heading and the medium-term budgetary objective or the adjustment path in this direction (Council Regulation (EC) No 1466/97: art. 6). In the event of significant discrepancies, in accordance with art.103 (4) of the Maastricht Treaty the Council had possibility to make recommendations and take the necessary adaptation measures, including making these recommendations public.

The Council Regulation (EC) No 1467/97 had disciplinary value because its art.13 provided the possibility of applying financial sanctions in a situation of the persistent excessive deficit, which was the result of a policy erroneously pursued by a given state. Their use was only possible for countries participating in the EMU and was an instrument to deter euro area countries from non-compliance with budgetary discipline. Financial sanctions were to be the last stage of the excessive deficit procedure, in a situation where a given country did not implement the Council's recommendations. At that time, such a state could demand an interest-free deposit (within 10 months from the date of the budget deficit report), which could be converted into sanctions after two years if excessive deficit, in the Council's view, had not been corrected. The funds coming from the sanctions were to be part of the EU budget (part of "other revenue") and be allocated among countries not reporting excessive deficits. The minimum amount of the sanction could be 0.2%, increasing by 0.1% for each percentage point above the 3% limit. The maximum rate of financial sanctions could not exceed 0.5% of the country's GDP (Council Regulation (EC) No 1466/97: art. 12). Sanctions were not to be imposed on the countries, where the average GDP dropped by 2% or more and in situations deemed exceptional (due to an unusual event beyond the control of the country concerned).

The provisions formulated in this way were to guarantee that individual countries would conduct responsible fiscal policy. Their first real test became the period from 2001, when the general deterioration of the economic situation translated into economic indicators, including convergence criteria, began to be felt. Portugal was the first country to exceed its budget deficit reference value in 2001, followed by Germany and France in 2002, the Netherlands, and Greece in 2003. Germany and France were in the most difficult situation, when it came to the budget deficit, with a deficit in 2002 of successively 3.5% (compared to 2.8% in 2001) and 3.1% (compared to 1.5% in 2001). It soon became clear that the full application of the rules of the Stability and Growth Pact was also associated with political considerations. It was difficult to make decisions about sanctions in relation to the two largest EU economies and the two largest payers of the EU budget.

Consequently, in November 2003 the Council of the EU (acting by qualified majority) did not adopt the Commission's recommendations (their consequence would be sanctions), but accepted the commitment of both countries to reduce the budget deficit to an acceptable level by 2005. This led to a dispute between the Commission and the Council, which had to be decided by the European Court of Justice, which further undermined confidence in the Pact. Many analysts felt that in its current form its principles were exhausted, explaining that it was too strict. The Pact was more positively assessed

by Romano Prodi – then President of the European Commission – calling it “stupid, like all inflexible decisions” (*Prodi disowns...* 2002).

In this situation, the reform of the rules of the Stability and Growth Pact was obvious, approved at the European Council meeting in Brussels on 22 and 23 March 2005. Its legislative framework was specified in two Council regulations: 1055/2005 and 1056/2005⁵ amending previously existing regulations, 1466/97 and 1467/97 respectively. The new pact, in the conditions of economic and budgetary diversification of individual countries, introduced various medium-term goals, while the old principles were limited to stating that in the medium-term the states should achieve a balance or surplus in the budget. It was about maintaining the 3% of GDP limit, however, taking into account the economic characteristics of each country, in particular the debt-to-GDP ratio, potential economic growth, demographic problems, and pension reforms.

Key changes from the point of view of the applicability of the pact's principles, including sanctions, occurred in the corrective part. First of all, the concept of exceptional exceeding of the reference value has been redefined. From then on, exceeding the 3% of GDP of the budget deficit was not perceived restrictively, as states could refer to exceptional circumstances, which included, among others implementation of pension reforms, severe economic downturn, implementation of the Lisbon Agenda, high financial contribution to supporting international solidarity and achieving European policy goals, in particular the unification of Europe (Council Regulation (EC) No 1056/2005: art. 1). This meant, *de facto*, that from now on states could justify their excessive expenses with a variety of circumstances that should be included by the Commission in its report. In addition, it was considered that when taking the steps leading to the decision on the existence of an excessive deficit, the general government deficit should be taken into account. This meant that countries with a public debt ceiling of 60% of GDP, a budget deficit above 3% of GDP was not considered excessive.

The reform of the Stability and Growth Pact led to a paralysis of its key rules, i.e. financial sanctions. The possibility of their application was a key instrument to deter countries from carrying out irresponsible fiscal policy having a negative impact on the economic growth and stability of the entire euro area. From 2005, its role was reduced to a document coordinating and supervising the budgetary policy of states with an emphasis on the large economic diversification of states and their great freedom in shaping and conducting national budgetary policy.

The global economic crisis has exposed the weaknesses of fiscal policy coordination within the European Union, and basically the lack thereof. Multilateral violations of the pact's rules by the euro area countries (Greece, Portugal, Italy, Germany, France, the Netherlands, and Austria) testified to the ignorance of the EU institutions and the

⁵ The following documents are meant:

1) Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies;

2) Council Regulation (EC) No 1056/2005 of 27 June 2005 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, OJ L 174 of 7 July 2005.

Member States. Therefore, in the face of the deepening debt crisis of many euro area countries, it was paradoxical that European decision-makers recognised that the principles of the pact should be strengthened in order not to allow financial destabilisation in the future. Thus, the idea of tightening budgetary discipline, which at the end of the 1990s was originally proposed by German Finance Minister Theo Waigel, returned. The rules of the *Stability and Growth Pact* have been modernised by adopting of the so-called "six-pack" (entered into force in December 2011), the *Treaty on Stability, Coordination and Governance* (entered into force in January 2013) and the "two-pack" (entered into force in May 2013).

Legislative changes commonly referred to as the six-pack create a package of six legal acts strengthening the coordination not only of fiscal policy, but more broadly the coordination of economic policy of the European Union, which will be discussed in the next part of the article. Table 1 illustrates the content of the adopted documents and their application in relation to the reformed Stability and Growth Pact for the second time and economic governance in the EMU.

Table 1. Six-pack and its application

Title of the document	Stability and Growth Pact	Economic management
Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area	V	
Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area		V
Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies		V
Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances		V
Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure	V	
Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States	V	

Source: own investigation, based on the <https://eur-lex.europa.eu>.

The introduced changes emphasise greater control over the financial stability of countries, not only as before through the budget deficit below 3% of GDP, but also public debt up to 60% of GDP (Council Regulation (EU) No 1177/2011: art. 1). This means that the public debt criterion has been included in the content of the Stability and Growth Pact and that the excessive deficit procedure may also apply to countries whose public debt has exceeded 60% of GDP, even when the deficit level is at the required level. The new rules of the pact also applied to public expenditure, which could not grow faster (growth above the set threshold) than the potential medium-term GDP growth, unless they were covered from other sources.

The main purpose of the newly introduced control element was to ensure that extraordinary budget revenues (resulting from cyclical economic recovery) were allocated to debt reduction (*Reforma zarządzania...* 2011: p. 3). One of the most important elements of the reform was the introduction of financial sanctions in the preventive part of the pact (only for countries with euro), in the form of an interest-bearing deposit of 0.2% of GDP, if the country concerned did not comply with the Council's recommendations. In order to streamline the decision-making process regarding the imposition of sanctions (both in the preventive and corrective part), the principle was set, so that the decision to apply sanctions is adopted if, within 10 days of the adoption of the recommendations by the Commission, the Council does not reject it by a qualified majority. An additional novelty was the introduction of sanctions for manipulation of statistical data regarding fiscal criteria not exceeding 0.2% of a given country's GDP (Regulation (EU) No 1173/2011: art. 4, 5, 6, 8). Finally, the six-pack provisions envisaged strengthening the national budgetary framework, including obligation of the Member States to ensure appropriate accounting and statistical standards, and to conduct multi-annual budgetary planning.

The above package of legal regulations in the field of fiscal policy has been additionally supplemented by the *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union*. The first ideas to conclude such a treaty appeared in 2011, when in the statement of 9 December 2011 the heads of state or government of the euro area, bearing in mind the need to face the challenges of the EMU in the face of the ongoing crisis, proposed a new fiscal agreement and enhanced coordination in the economic policy area. Ultimately, the treaty was signed on March 2, 2012, by all then Member States except Great Britain and Czech Republic, and it entered into force on 1 January 2013.⁶

The so-called fiscal pact, in the part entitled "Fiscal Compact" (Title III), increased budgetary control through the adoption of the so-called balanced budget rules (the so-called golden rules).⁷ It means that the general government balance must be balanced or have a surplus. The requirement is considered fulfilled when the annual structural balance of the general government corresponds to the medium-term budgetary objective

⁶ Now the *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union* has ratified by all EU Member States. The United Kingdom withdraws from the European Union and becomes treated as a "third country" (non-EU country) as of 1 February 2020.

⁷ Title III of the Treaty related to the budgetary issues, i.e. "Fiscal Compact", covers all EMU countries as well as Bulgaria, Romania and Denmark on a voluntary basis.

for the country concerned,⁸ where the lower ceiling of the structural deficit can be 0.5% of GDP at market prices. It can be raised to 1% of GDP, but when the value of public debt is lower than 60% of GDP and there is a low risk of losing the long-term sustainability of public finances. In the event of significant deviations from the medium-term objective or the adjustment path leading to its achievement, a corrective mechanism is automatically activated based on the principles, which the European Commission will present regarding the nature, scope and timing of corrective action (Treaty on Stability 2012: art. 3–9).

All elements of the balanced budget rule have been entered into the national law of the signatory countries in accordance with the provisions of the fiscal pact. Furthermore, if the Commission or any Member State considers that another country is not following corrective recommendations, they may independently submit a complaint about that particular country at the Court of Justice, whose judgments are legally binding. If the rulings are not implemented, any state may bring the case to the Court and request a financial penalty. If the Court finds that a country has not complied with its judgment, it may impose a penalty of 0.1% of that country's GDP. Finally, the pact in art. 6, in order to coordinate better the national debt issuance plans, obliged the signatory countries to provide *ex ante* information on their public debt issuance plans to the Council of the EU and the European Commission.

All legislative changes in the field of fiscal policy of the EMU member states are closed by the so-called two-pack, the content of which consists of two regulations in force since May 30, 2013:

1) Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 *on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability*;

2) Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 *on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area*.

Above-mentioned documents generally emphasise coordination and supervision of fiscal policy pursued by the states. The first (regulation) considers that enhanced surveillance should cover euro area countries affected or threatened by serious financial difficulties. The experience of the economic crisis has shown how quickly the economic problems of one country can move to other EMU countries, thus weakening the entire euro area and the European Union. Therefore, in order to avoid a domino effect in the future, Regulation (EU) No 472/2013 introduced special supervision over countries, which due to their problems may be a source of crisis for the entire euro area.

⁸ The value of the medium-term budgetary objective is understood as the value of the structural balance (structural deficit). Medium-term budgetary objectives differ from one Member State to another. Pursuant to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 *amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies*, they are set within a specific range between -1% of GDP and the balance or surplus, in terms of cyclical changes, after adjustment for one-off and temporary measures. They are reviewed every three years.

Its most important element should be extended access to information necessary for close monitoring of the economic, budgetary and financial situation as well as regular reporting to the relevant committee of the European Parliament and the Economic and Financial Committee.

Analogous solutions should be applied to countries seeking financial assistance under the European Financial Stability Mechanism or other international organisations, including the International Monetary Fund. Decisions to include a given country in the enhanced supervision are made by the European Commission, notifying the European Central Bank, European Supervisory Authorities, and the European Systemic Risk Board. The country covered by enhanced supervision is obliged to take all actions and take into account comments addressed to it, in order to eliminate or alleviate financial problems. However, countries benefiting from financial assistance mechanisms (e.g. under the European Stability Mechanism) must submit additional financial data, accept control visits carried out by the Commission and remain under supervision until at least 75% of the financial assistance has been repaid.

The Regulation (EU) No 473/2013, by introducing a common budgetary schedule, included the budgetary policy of the euro area countries in the so-called European Semester, which will be discussed in the part on economic governance. This will ensure greater synergy between the budgetary policies of EMU countries and the economic policy coordination framework in the context of the annual surveillance cycle.

Legislative transformations in the field of economic governance in the EMU

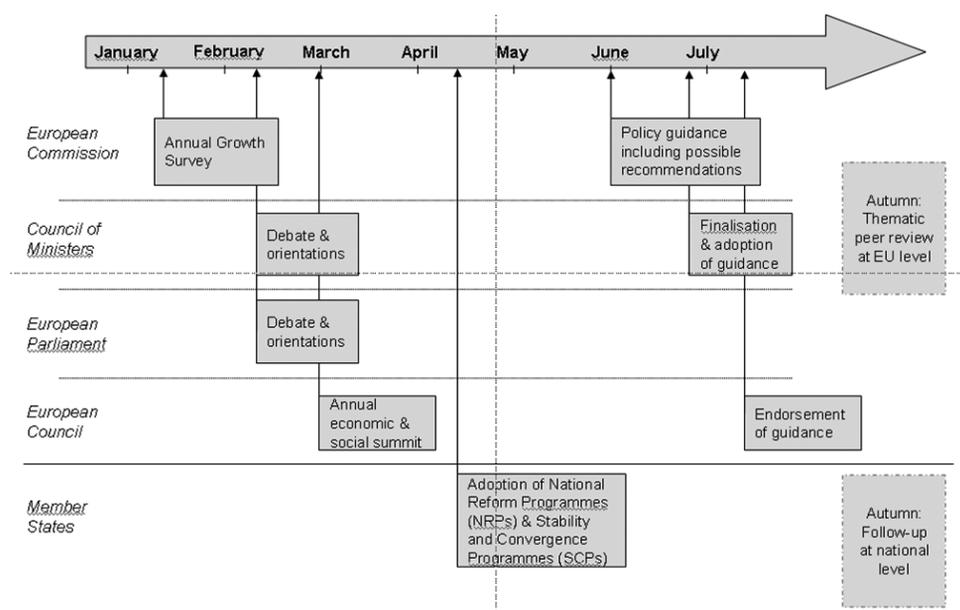
The economic crisis in the euro area has revealed a number of weaknesses. As the European Commission indicates, one of them was the excessive focus on the level of the budget deficit instead of the total amount of public debt. There was also a lack of supervision over competitiveness and macroeconomic imbalances (e.g. increase in lending and overheating on real estate markets). These errors began to be corrected with the adoption of the six-pack, adding to the broadly regulated cooperation in the field of fiscal policy, legal regulations in the field of economic governance. Their center is the European Semester for economic policy coordination established under the Regulation (EU) No 1175/2011, which is an integral part of the package of six legal acts.

The tasks of the European Semester, which has been active since 2011, are primarily: supporting economic growth in line with the objectives of the *Europe 2020* strategy, ensuring the sustainability of public finances (including in-depth control of individual budgets), and preventing excessive macroeconomic imbalances. Works within the European Semester include: development and control of the implementation of the broad economic policy guidelines of the Member States and the EU, development and analysis of the implementation of employment guidelines, submission and evaluation of the stability programme (in the euro area countries) and convergence programmes (in the non-euro area countries), submission and assessment of the Member States' National Reform

Programme in support of the EU strategy for growth and employment, and supervision to prevent macroeconomic imbalances (Regulation (EU) No 1176/2011).

The European system, therefore, ensures that Member States present and discuss their budget plans and economic policies with each other. The European Commission gives the right to produce the annual growth survey starting the European Semester cycle (November), provide guidance before decisions are taken at the national level, observe and finally publish country-specific recommendations. Other EU bodies are also involved in the cycle of the European semester, including the European Council, the Council, and the European Parliament. With appropriate competences, the European Council adopts economic priorities on the basis of Commission recommendations and approves recommendations for the Member States. The Council examines the Annual Growth Survey and discusses recommendations to the Member States. Parliament, on the other hand, conducts economic dialogue on both issues. A detailed schedule of activities under the European Semester was presented in the *Communication from the Commission COM(2010) 367 final* of 30 June 2010, illustrated by Figure 1.

Figure 1. Schedule of activities under the European Semester



Source: *Communication from the Commission COM(2010) 367 final* of 30 June 2010, Annex 2: European semester of policy coordination.

In accordance with the two-pack (Regulation (EU) No 473/2013), enhanced budget cooperation of the euro area countries has been included in the cycle of the European Semester. It means, among others, a common budget schedule and common budgetary

rules covering euro area countries. Their integral part is the obligation to submit mid-term budget plans (stability programmes) annually by 30 April at the latest, together with the priorities of their policies for growth and employment for the following year (national reform programmes) (Regulation (EU) No 473/2013: art. 13). By 15 October, countries using euro currency are required to publish a draft budget for the following year, on which the European Commission issues an opinion, and in case of violation of the rules of budgetary discipline, it can call on the country to amend the budget plan. On the other hand, the countries subject to the excessive deficit procedure must, apart from budgetary projects, also submit economic partnership programmes including plans for detailed budgetary and structural reforms leading to deficit reduction (e.g. pension and tax reforms). Countries benefiting from financial assistance (under e.g. the European Stability Mechanism or the IMF loans) are exempt from the obligation to submit similar plans, as they agree with the Commission, the ECB and possibly with the IMF a macroeconomic adjustment programme, which is, in fact, the sum of economic partnership programmes and plans containing annual budgetary targets. The budgetary schedule ends on 31 December, when the budget is adopted and published.

The experience of the EMU's functioning until the crisis and during its first wave has shown European decision-makers that excessive focus on budgetary discipline has caused a deficit of macroeconomic control mechanisms. After 1999, the countries belonging to the euro area, instead of continuing the process of economic convergence, followed the opposite *de convergence scenario*. They required the candidates for the euro area to comply with the convergence criteria, while they ceased to fulfill them. National governments and European institutions have not responded to the growing problem of the European Union's macroeconomic imbalance, which has led to a serious differentiation in competitiveness that prevents effective single monetary policy. Only as a result of the crisis there was decided to address this issue and to join the multilateral surveillance procedure⁹ under the Regulation (EU) No 1176/2011 (a part of the six-pack) – a mechanism was added to prevent and correct macroeconomic imbalances, which has become part of the European Semester. Its first stage is a warning mechanism aimed at detecting increasing macroeconomic imbalances. To this aim, the Commission prepares an annual *Alert Mechanism Report* (AMR) based on an economic indicator table containing indicative thresholds. According to the *Alert Mechanism Report 2018* (Statistical Annex), the current table includes 14 indicators divided into three parts:

- 1) indicators of external imbalance and competitiveness (e.g. changes in the current account balance, changes in the international investment position, export markets share),
- 2) internal imbalance indicators (e.g. level of private sector debt, changes in the financial market, changes in the housing market),
- 3) employment rates (e.g. long-term unemployment, unemployment of young people aged 15-24, etc.).¹⁰

⁹ referred to the Article 121 of the *Treaty on the Functioning of the EU*.

¹⁰ The appropriate prudential thresholds for macroeconomic indicators are indicated in the document: European Commission (2017), *Alert mechanism report 2018 and statistical annex*, www.ec.europa.eu

The alert mechanism is intended to indicate countries that are exposed to imbalances or which are already affected by such a problem. Exceeding one or several indicative thresholds should not be perceived as a macroeconomic imbalance, because, as indicated in point 14 of Regulation (EU) No 1176/2011: "Conclusions should not be drawn from an automatic reading of the scoreboard: economic judgement should ensure that all pieces of information, whether from the scoreboard or not, are put in perspective and become part of a comprehensive analysis." The added value of the alert mechanism is the fact, that changes in macroeconomic imbalances are considered by the Commission at the level of the entire EU and the euro area, which *de facto* means that the mechanism covers EMU countries and those without the single currency.

The effect of the analysis of economic data is the indication by the Commission of the countries for which a detailed assessment of the situation should be prepared, which is then discussed in the Council (or in the Eurogroup – in case of EMU countries). In the event of serious macroeconomic imbalances, an excessive imbalance procedure should be initiated, which may include: addressing recommendations to the country concerned, additional oversight requirements, and for euro area countries sanctions in the form of an interest-bearing deposit or penalty – 0.1% of GDP in a year previous (pursuant to the Regulation (EU) No 1174/2011). A deposit is required if the Council, acting by a reverse qualified majority, considers that the country has not taken corrective actions. However, the penalty is imposed in two cases, i.e. when two Council recommendations were issued and the country concerned did not provide a sufficient corrective plan, and when two subsequent Council decisions finding non-compliance of the corrective action taken by the given country with the Council's recommendations were adopted.

The fiscal pact, despite the words "coordination and governance in the EMU" in its title, does not contain additional legislative solutions affecting established economic governance in the EU. It only obliged the Member States to take all actions and measures essential for the proper functioning of the euro area. At the same time, this pact confirmed the need to pay attention not only to the balance of public finances, but also to fostering competitiveness, promoting employment and reinforcing financial stability (Treaty on Stability 2012: art. 9). Article 11 of this treaty also obliged Member States to consult the planned economic reforms at the EU level in advance.

The importance of the established EU economic governance is enhanced by its connection with the EU cohesion policy. In the period 2014–2020, support from the *European Structural and Investment Funds* (ESIF) is closely linked to respecting the principles of EU economic governance. Currently, all ESI Funds are subject to compliance with procedures related to economic governance in the EU as set out in Chapter IV of the Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 establishing common provisions for the ESI Funds. On this basis, the Commission may ask a Member State to reprogram a part of its financing, where economic and employment problems justify it.

This kind of change, however, allows the transfer of money within regions, but it can also mean that the money will be transferred to other purposes than planned.

It is different in the second situation, where the Commission has the right to propose to the Council to suspend funding from the ESI Funds in a situation, where the country concerned fails to comply with economic governance procedures. The decision to apply this type of sanction is possible through the so-called reversed qualified majority and will be effective from January 1 of the year following the decision. The current ESIF provisions in force strongly strengthen the implementation of the *European strategy for growth and employment (Europe 2020)*, but at the same time increase control by the EU. Earlier, similar regulations applied only to the Cohesion Fund and only in relation to the excessive deficit procedure, and now they apply to all structural and investment funds and to all indicators included in the assessment of the macroeconomic balance of EU countries.

Legislative transformations in the field of financial stability

An integral part of management reforms in the euro area in response to the challenges of the economic crisis was taking steps to restore and create financial stability through tools such as banking union and financial assistance. The first wave of the crisis made European decision-makers aware of how strong the interdependence of governments and banks is and how much impact banks' liquidity problems have on the financial stability of states. To protect against the collapse of the banking system, European governments provided support at an unprecedented amount of EUR 1.6 trillion, equivalent to 13% of the EU's annual GDP.¹¹

The need to strengthen the supervision of the banking system seemed necessary, as expressed by the leaders of the euro area during the summit of the EMU on 29 June 2012. The banking union is to ensure the creation of a secure banking system throughout the European Union (non-Euro zone countries may also participate in it)¹² and that insolvent banks are liquidated or restructured with minimal economic impact. It consists of several elements. The first is the single supervisory mechanism, which is responsible for controlling banking institutions, thus contributing to their greater stability. It has operational capacity since 4 November 2014, pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Supervision is carried out under the joint cooperation of the European Central Bank (ECB) with national supervisory authorities and on the basis of uniform legal provisions for all countries participating in the banking union. The ECB is responsible for overseeing all major euro area banks (around 85% of bank assets), and the national institutions over smaller banks. The second element of the banking union, operating since January 1, 2016, is a single resolution mechanism created under the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment

¹¹ Data from: www.ec.europa.eu.

¹² Until now, countries from outside the euro area, which have expressed their wish to join the banking union are Bulgaria and Croatia. Both countries are preparing for membership of the EMU, entering earlier the ERM II mechanism and the banking union.

firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund. It watches over, among others, the bankruptcy process of banks, so that in the future it has the least impact on taxpayers and the economies of individual countries. In this case, too, the rules are uniform for all participating states of the banking union.

In the structure of the second element of the discussed union, the main decision-making body operating at the EU level is the Uniform Restructuring and Resolution Board, while the joint resolution fund planned for 2023 is to be financed by the banking sector. The third element complementing the banking union will be the *European Deposit Insurance Scheme* (EDIS) proposed by the European Commission on 24 November 2015 to further integrate the banking system of participating countries. It is to be built on existing national deposit guarantee systems by combining them and is to provide individual depositors with an equal level of protection (EUR 100,000). Its introduction will be gradual, because within 8 years (planned until 2024) it is to take over the functions of guaranteeing deposits in the countries participating in the banking union. The so-called third pillar of the banking union is to be compulsory for euro area Member States and voluntary for the other EU Member States wishing to join the banking union (see: European Commission 2015).

In addition, a number of initiatives have been launched to create a more secure financial sector in the single market. They constitute a "simple rulebook" for all financial market participants in the EU Member States. They fall under the Directives 2013/36/EU and 2014/59/EU, as well as Regulation (EU) No 575/2013. Their task is to ensure greater financial market security through, among others, common conditions for establishing banks, supervision principles, liquidity requirements, or crisis management in the event of bankruptcy or threat of bankruptcy (Jurkowska-Zeidler 2016: p. 5–6).

An important challenge for euro area countries in the context of the economic crisis was the lack of credit mechanisms (analogous to those in the European Monetary System in 1979–1998) established in the event of emergencies. The creators of the EMU did not foresee negative scenarios, and only as a result of the contemporary economic crisis European leaders began to decide on establishing temporary mechanisms of financial assistance for the most indebted countries.

In 2009 and 2010, the *European Financial Stability Mechanism* (EFSM) and the *European Financial Stability Facility* (EFSF) were created, which ceased to operate in September 2012 following the entry into force of the intergovernmental agreement establishing permanent financial support under the *European Stability Mechanism* (ESM). Euro area countries are its members. The ESM has a capital of EUR 704.8 billion, of which EUR 80 billion comes from contributions from EMU countries, and the remaining funds are demand capital from euro area countries (*Frequently asked questions...* WWW). The ESM provides loans to euro area countries in very difficult economic situations, thus contributing to the stabilisation of the entire euro area. The system includes a diversified aid system, however, two types of aid have been used so far, i.e. loans under the macroeconomic adjustment programme and loans for the indirect recapitalisation of banks.¹³

¹³ Only Spain has so far benefited from the bank recapitalisation program, transferring all the funds granted under the ESM for the restructuring of the banking system.

At the moment (as of January 2020), no country uses ESM credit assistance. Greece, Cyprus and Spain benefited from ESM loans, and their programmes ended in August 2018, March 2016, and December 2013 respectively.¹⁴

Legislative changes in financial stability are complementary to the provisions establishing new European institutions responsible for the supervision of financial markets. They fall within the concept of the *European System of Financial Supervision* comprising three European Supervisory Authorities (ESAs), the *European Systemic Risk Board* (ESRB), and national supervisory authorities. The new offices are to supervise in turn the banking sector (*European Banking Authority*), the insurance sector (*European Insurance and Occupational Pensions Authority*), and the capital sector (*European Securities and Markets Authority*). Their main task is to develop uniform provisions contributing to the creation of a uniform financial supervision system (so-called micro-prudential supervision). The above-mentioned *European Systemic Risk Board* is responsible for macro-prudential supervision, which is responsible for collecting and analysing information enabling the detection of systemic threats. The organisational composition of the ESRB indicates that it cooperates closely with the ECB and the three supervisory authorities. The chairman is the president of the ECB, and the members are representatives of the central banks of the EU countries and the chairman of the three European Supervisory Authorities.

Legislative plans related to the future of the euro area

The European Union is entering a crucial phase in facing the challenges posed by its functioning in the euro area. The mechanisms introduced so far as a response to the crisis have proved sufficient to control the current economic problems of the euro area, but they do not guarantee sufficiently stable conditions for the economic development of euro area countries and the stability of the entire European Union. The debate on the prospects for the development of the EMU since the *Communication from the Commission COM (2012) 777 final/2* has now become the part of a deeper discussion on the future of Europe as a whole, along with topics such as migration, security and defense, the social dimension of integration, and long-term financial framework and the activities of EU institutions. The planned changes in the euro area to the fullest extent are presented in a document entitled *Completing Europe's Economic and Monetary Union*, known as the Five Presidents' Report¹⁵ presented on 22 June 2015. The changes then became the

¹⁴ Ireland and Portugal have benefited from earlier financial support instruments. Ireland applied for financial assistance to the EU and the International Monetary Fund (IMF) in November 2010. In total, it received support in the amount of 67.5 billion euros, of which 17.7 billion came from EISF, 22.5 billion from the European Commission, 22.5 billion from the IMF, 4.8 billion from bilateral loans granted by some EU Member States. In April 2011, Portugal received financial assistance from the European Financial Stability Facility of EUR 26 billion and in addition from the European Commission and the International Monetary Fund for EUR 26 billion (EUR 78 billion in total). They completed their 3-year EFSF programs in December 2013 (Ireland) and in June 2014 (Portugal). Data from: www.esm.europa.eu.

¹⁵ Presidents of the European Commission (Jean-Claude Juncker), the European Council (Donald Tusk), the Eurogroup (Jeroen Dijsselbloem), the European Parliament (Martin Schulz), and European Central Bank (Mario Draghi). (see: Juncker et al. 2015)

basis for the presentation by the European Commission on 6 December 2017 of a communication discussing the action plan for completing the EMU (*Communication from the Commission COM (2017) 821 final*). The continuation of actions taken is also envisaged in the strategy of the new Commission chaired by Ursula von der Leyen for the years 2019–2024 (6 *Commission Priorities...* WWW).

According to the above-mentioned the Five Presidents' Report (Juncker et al. 2015), the general task for the Member States is to complete the construction of the EMU by 2025 at the latest, by the mutual and parallel interpenetration of four unions: economic, financial, fiscal, and political. They must develop each other, and all euro area countries must participate in each of them. The economic union is to serve primarily deeper convergence eliminating existing disparities between countries and creating conditions for economic growth and employment. The financial union is above all the completion of the banking union, mainly through the implementation of the law establishing a uniform deposit guarantee system and accelerating work on the capital markets union. The fiscal union relating to budgetary policy, although it has been heavily modernised with the reforms of the Stability and Growth Pact, should be finalised with the establishment of a single fiscal stabilisation mechanism for the entire euro area that will more effectively protect the EMU against macroeconomic shocks. A political union was not defined in the report, but rather used to illustrate planned activities for democratic accountability, legitimacy, and institutional strengthening.

The key issue is the inclusion of the existing intergovernmental management instruments of the euro area in the EU legal framework. The authors of the report see the need to strengthen the role of the European Parliament and national parliaments, the need to develop rules for the joint representation of the euro area in international financial institutions and to strengthen the role of the Eurogroup, which is beginning to be attributed to the role of central control of key issues for the euro area, including representing the interests of the single currency both inside and outside the EMU. An interesting proposition is the suggestion of creating a euro area tax authority, with the reservation that euro area Member States would continue to decide on taxation and the distribution of budgetary expenditures. Nevertheless, a deeper EMU requires an in-depth discussion on fiscal policy and in the proposed tax authority, the authors of the report see the possibility of playing the role of a platform for joint discussion. The above-mentioned proposals should be implemented in stages, and all activities should be implemented by 2025 at the latest.¹⁶

As indicated by the European Commission, a number of proposals of the five presidents have already been implemented under existing cooperation mechanisms, in accordance with the adopted timetable for the first stage (from 1 July 2015 to 30 June 2017). The role of the European Semester was increased, and greater emphasis was placed on

¹⁶ Specific proposals for action – see *Annex 1: Roadmap Towards a Complete Economic and Monetary Union*, in: Juncker et al. (2015), *Completing Europe's Economic and Monetary Union*, https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf

social aspects. Budgetary cooperation was strengthened through the creation of a *European Fiscal Board*, the *Structural Reform Support Service* was established to assist the EU Member States in developing and implementing structural reforms as part of their policies to create jobs and economic growth, and several steps were taken to deepen the banking union. Currently (the second stage), the euro area countries together with the EU institutions are working on solutions with a much more binding character crowning the modernisation and construction of the EMU, so that they can be fully implemented by 2025 at the latest (the third stage).

The key changes that have been carried out so far include strengthening the European Stability Mechanism, which was originally to be replaced by the planned European Monetary Fund. It is the ESM that will provide the common backstop mechanism for the Single Resolution Fund, the funds of which will be used for the resolution of banks on the verge of bankruptcy, when the previously used methods in the form of debt conversion or cancellation fail.

The discussions around the *Eurozone Budget* ended with the establishment of the *Budgetary Instrument for Competitiveness and Convergence* (BICC), which is a part of the EU's general budget. At the moment, it is temporary because it is planned for 2021–2027, and only after this period it will be possible to determine whether it was the seed of the *Eurozone Budget* or only fulfilling the function of an instrument to support reforms of the EMU. Undoubtedly, however, this issue will be decisive for the political completion of the EMU.

The most difficult challenge in the near future will be the finalisation of the banking union by establishing a *European Deposit Insurance System*. A number of risk-free operational models have been proposed for EDIS. They differ in the degree of centralisation, the scope of protection, and mutual financing. This points to divergent positions of individual countries, although the will to work out a common solution is emphasised at all Euro Summits.

Discussions are still open on the capital markets union, the joint representation of euro area countries in the International Monetary Fund, and the incorporation of the *Treaty on Stability, Coordination and Governance in the EMU* and the *ESM Agreement* into EU law. This means that these issues will be the subject of negotiations in the near future, which will certainly gradually change the EMU.

Conclusions

Legislative changes in the euro area in response to the economic crisis seem appropriate and comprehensive. The EU has contributed to strengthening budgetary, economic, financial and the entire banking system cooperation, which undoubtedly had a calming effect on the euro area. Currently, in the EU there are more stringent regulations regarding the EMU in the broad sense, there is definitely better coordination of individual countries' policies at the EU level and better enforcement of their feasibility.

The actions undertaken so far have lacked the establishment of joint external representation of the euro area in the International Monetary Fund with the president of the Eurogroup as a representative of the euro area. This fact weakens not only the image of the euro area outside but also the crisis management system of the EMU, where IMF's loans are an important element. A joint representation of the euro area at the IMF would also enable the provision of a joint transfer of the euro area at the IMF on issues such as programmes and reviews, economic and fiscal policy, macroeconomic surveillance, exchange rate policy and financial stability (Proposal for a Council decision COM(2015) 603 final).

Plans are needed to complete the EMU. One of its pillars – monetary policy – works well, as demonstrated by European Central Bank functioning. It is organised at a supranational level and perhaps it is a form that should be used for the second pillar of the EMU – economic policy, so that it can fully and effectively fulfill its tasks in the field of, among others economic growth, fighting unemployment or pursuing a fiscal policy. The current form of cooperation under the European Semester, the fiscal pact, the "six-pack" and the "two-pack" is too dispersed, involving too many national and EU institutions, which in consequence deprecate the responsibility for economic policy. Better transparency and simplification of procedures are needed. This will require changes towards centralisation of budgetary policy and deepening of political integration, as already mentioned in the "Werner report" in 1970, and now in the Five Presidents' Report is written, that for the euro area to gradually evolve towards a true economic and monetary union, it will have to move from a system of principles and guidelines for national economic policy-making systems to a system of further sharing of sovereignty within joint institutions, most of which already exist and can gradually take over these tasks. In practice, this will require the Member States to accept increasingly joint decision-making on individual elements of their national economic budgets and policies.

It seems that the proposed direction of changes is necessary. However, whether they can be achieved in the current intra-EU and international conditions remains an open question.

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Eurozone ten years after the crisis. Structural weaknesses, implemented reforms and the future of the reform process

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Abstract

The article discusses the structural weaknesses of the Economic and Monetary Union (EMU), key reforms introduced after the financial crisis and the most important proposals of further EMU reforms present in the public debate. Reforms introduced during the last decade should be deemed to have positive results, however the EMU reform process has not yet been finished. Its successful completion depends on an agreement between Germany and France, which is hindered by conflicting economic interests and by different views on economic policy. The main purpose of this article is to demonstrate how public policy makers attempt to respond to the structural weakness of the Economic and Monetary Union and to identify the key factors, which impede an agreement between France and Germany.

Keywords: Eurozone (euro area), Economic and Monetary Union (EMU), EMU reform, European Union, Eurozone crisis, financial crisis.

Strefa euro dziesięć lat po kryzysie – strukturalne słabości, wdrożone reformy, przyszłość procesu reform

Streszczenie

Artykuł zawiera omówienie słabości strukturalnych Unii Gospodarczej i Walutowej, kluczowych reform wprowadzonych po kryzysie finansowym oraz najważniejszych propozycji dalszych reform UGW obecnych w debacie publicznej. Wprowadzone w ciągu ostatniej dekady reformy należy ocenić pozytywnie, jednakże proces reformy UGW nie został jeszcze zakończony. Jego pomyślnie zakończenie zależy od porozumienia między Niemcami a Francją, które utrudniane jest przez sprzeczność interesów ekonomicznych i różnice poglądów w dziedzinie polityki gospodarczej. Głównym celem niniejszego artykułu jest wskazanie, w jaki sposób twórcy polityk publicznych starają się odpowiedzieć na słabości strukturalne Unii Gospodarczej i Walutowej, oraz zidentyfikowanie kluczowych czynników utrudniających osiągnięcie porozumienia pomiędzy Francją a Niemcami.

Słowa kluczowe: strefa euro, Unia Gospodarcza i Walutowa (UGW), reforma UGW, Unia Europejska, kryzys strefy euro, kryzys finansowy.

The euro was introduced as an accounting currency on 1 January 1999. Coins and banknotes entered into circulation on 1 January 2002. Nowadays the common currency is legal tender in 19 EU member countries inhabited by 340 million people. Sixty other countries and territories inhabited by 175 million people are using euro as their currency or have pegged their currency to the euro. Euro is the second most commonly used currency in the world, responsible for 31.4% of the turnover at the FX currency market (Bank of International Settlements 2016) and 20.15% of currency reserves of central banks (International Monetary Fund 2018). Despite this success the Economic and Monetary Union is still subject to reforms intended to increase its stability, therefore enabling the improvement of quality of life of the inhabitants of its Member States.

The aim of the article is to evaluate reforms of the economic governance in the Economy and Monetary Union (hereinafter: EMU, Eurozone, euro area) implemented after the beginning of financial crisis and to discuss proposals of further reforms as well as probability of their execution. The author is going to verify in this article the following hypotheses:

H1: Reforms implemented in the Economy and Monetary Union after the beginning of the financial crisis partially reduced structural weaknesses of the EMU.

H2: Despite the partial success of the implemented reforms not all structural problems of the EMU have been solved.

H3: Election of the president Macron intensified the debate on further reforms of the Economic and Monetary Union.

The probability of the success of Macron proposal is limited because of the differences in philosophies of economic policymaking dominating in two most important economies of the European Union – France and Germany.

To verify research hypotheses stated above, economic theory and the review of existing scholar literature are used. The following research questions follow the formulated hypotheses:

- Have reforms implemented after the financial crisis reduced structural weakness of the Economic and Monetary Union?
- What are the most important problems of the economic governance in the EMU still awaiting for the solution?
- What are the most important proposals of further reforms? Is their implementation feasible?
- Do different structure of French and German economies as well as important differences in dominating philosophies of economic policymaking in France and Germany limit the probability of success of proposals of further reforms?

The global financial crisis has demonstrated some of the weaknesses of the Economic and Monetary Union. Its structural problems include: lack of stabilisation measures, the vicious circle of co-dependency of public finances with the banking sector, lack of safe European assets, global trade imbalances and inadequate regulation of the financial market. Some also consider the lack of a clearly defined process for leaving the Economic and Monetary Union as a problem, but there are also fears that defining

this process would create a self-fulfilling prophecy, therefore, lowering the stability of the Eurozone.

Since the beginning of the financial crisis an intense process of economic management reform both in the Eurozone and in the entire European Union is underway (Oręziak 2017). Support mechanisms for countries undergoing economic difficulties were created, a series of EU regulations increasing the level of economic policy coordination were passed and fiscal discipline was tightened (Miklaszewicz 2017). Along with implementing of the banking union project and with working on a capital union, significant advancements were made on regulating the financial sector (Sum 2017). The European Structural Reform Support Service was created; a pilot programme of financial support for countries implementing structural reforms was commenced, and the possibility of deducting the costs of reforms from the deficits for fiscal purposes was introduced.

The introduced reforms respond to a significant part of the Eurozone's structural weaknesses, however the Economic and Monetary Union reform process has still far to go. For the past decade not much was done to create stabilisation instruments and to reduce trade imbalances. The lack of European stabilisation instruments is a particularly significant problem nowadays, since the increase of Member State debts (a result of the financial crisis) significantly reduces their ability to conduct counter-cyclical economic policy.

The Eurozone reform debate has significantly heated up with the election of Emmanuel Macron as the president of France. The proposals for further reforms are also presented by the EU institutions, in particular by the European Commission. The economists and policy makers seem to be in agreement that the Eurozone requires further changes. It is clear that ambitious reforms of the Economic and Monetary Union may not be implemented without the approval of Germany and France, and due to conflicting short-term interests and different traditions of economic thought achieving a compromise between Paris and Berlin might be difficult.

Despite many difficulties there are also some factors, which should facilitate reaching an agreement. No parliamentary elections are coming soon in the largest EU countries, which (as demonstrated by recent German experiences) could have an effective chilling effect on the discussion of reforms. Even though the European Union has not yet overcome all the negative consequences of the economic crisis, the economic recovery also increases the chances for successful reforms. One factor, which facilitates further European integration may be the leaving of the European Union by the United Kingdom, which in the last years has been the most significant delayer of European integration.

The first section of the article discusses the construction of the Eurozone in the context of the theory of optimum currency areas (see more: Mundell 1961). The following section debates structural problems of the Eurozone. The third part of the article presents and evaluates reforms of economic governance of the EMU implemented after the financial crisis. The fourth section debates existing proposal of further reforms as well as probability of their implementation.

Eurozone in the context of the theory of optimum currency areas

The main benefit from the creation of the monetary union is the elimination of transaction costs and foreign exchange risk. Adopting a common currency increases the comparability of prices in the countries, which use it, what therefore translates into increased competition and more effective international trade. For a significant number of economies, which form the Economic and Monetary Union the adoption of euro also resulted in decreased inflation and interest rates, which has resulted in decreasing the cost of borrowing. Another advantage of Eurozone participation was the possibility of reducing foreign exchange reserves, and in case of small economies also much lower risk of speculative attacks.

The countries entering the Eurozone have decided to relinquish the possibility of conducting independent monetary policy, which means that in case of an economic crisis their only response may be to use fiscal policy tools. As long as economic cycles in Member State economies demonstrate a high level of correlation, relinquishing autonomic monetary policy is not a significant sacrifice. In a situation of asymmetric economic shocks, interest rate levels may prove too high from the point of view of countries undergoing economic difficulties, and yet too low for economies in the phase of economic recovery.

Entering a currency union also forces membership countries to issue debt in a currency they have no influence over. The issuance of debt in a common currency may have both positive and negative consequences for the member countries. On the one hand a country, which participates in a currency union is not able to reduce its debt by inflation or by changing the currency exchange rate, that is, by transferring the costs of public debt reduction onto the private sector. On the other hand, stripping a country of this ability decreases the risk related to the purchase of government bonds, which translates to lower interest on the bonds and a better budget situation of the country in question.

Economists have been developing the theory of optimum currency areas since the sixties, in order to establish conditions, under which the adoption of a common currency by a group of countries is an optimum economic decision (Mundell 1961). Factors in favour of a currency union include: high synchronisation of economic cycles, high mobility of capital and labour, high elasticity of prices and wages and high level of trade integration. High synchronisation of economic cycles decreases the risk of occurrence of asymmetric demand or supply shocks in the countries participating in the currency union. High mobility of capital and labour, and also high elasticity of prices and wages decrease the costs of adaptation under the conditions of a crisis. The larger the trade flows between countries participating in a monetary union, the larger are the advantages stemming from the elimination of transaction costs and from the elimination of foreign exchange risk.

The operation of a monetary union is also facilitated by political integration, which enables the settlement of disputes between Member States in situations where a different economic situation requires a different (or even opposite) monetary policy. Under

conditions of high political integration, the countries undergoing a crisis may be supported by countries undergoing an economic expansion, and by the redistribution of profits resulting from the operation of a monetary union, which may vary in size in various member countries.

Is the Eurozone an optimum currency area? The answer to this question causes a significant controversy among scientists. Most of them agree that the conditions of synchronisation of economic cycles, mobility of capital and high level of trade integration have been met, whereas the criteria of mobility of labour and elasticity of prices and wages raise significant doubts (de Grauwe 2016: p. 70–97; Jastrzębska et al. 2016: p. 129–157). When considering the economic aspects of a common currency, it should be kept in mind that it is not only an economic project, but also a political initiative, which is a part of the European integration process. Euro is not only a currency, but also a symbol of European identity. When discussing whether the Eurozone is an optimum currency area, it should be kept in mind that it is not clear whether the United States, which have been using a common currency much longer than the Economic and Monetary Union member countries are an optimum currency area (Kouparitsas 2001).

Structural weaknesses of the Eurozone

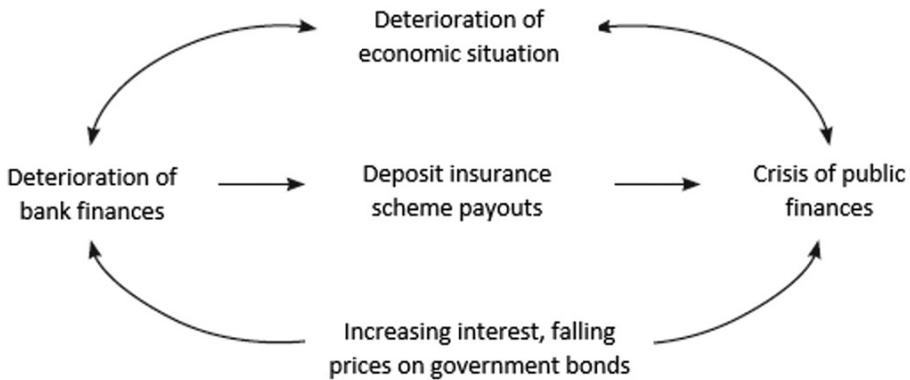
The main structural weakness of the Eurozone is the lack of adequate stabilisation instruments. This issue is especially important due to the high debt levels of some Member States. The increase in public debt occurred after the financial crisis means that when the next crisis occurs, most of the member countries will have a much smaller fiscal space at their disposal, significantly reducing the possibility of conducting countercyclical economic policy. This problem is of central importance due to the high level of economic interconnectedness of the Member States, which means that a crisis that starts in one member country becomes rapidly felt over the entire Eurozone.

Lack of stabilisation instruments is inherently connected with the issue of the so-called "fiscal union". The Eurozone does not have a separate budget that could be used for the stabilisation of economic cycles and the possible redistribution of surpluses resulting from the operation of a common currency. The budget of the European Union is only approximately 1% of its GDP, and additionally it must be balanced each year, which precludes the possibility of running deficits and compensating for them with surpluses in subsequent years, therefore, significantly restricting the possibility of conducting countercyclical economic policy (Nowak-Far 2009: p. 81–82). It should be also kept in mind that not all European Union Member States belong to the European and Monetary Union, which additionally restricts the possibility of using the EU budget to stabilise the economy of the Eurozone and to counteract its structural weaknesses.

The stability of the Eurozone is also threatened by the vicious circle of co-dependency of public finances with the banking sector (sometimes termed as "diabolic loop" or "sovereign-bank nexus"). The government bonds of the nation, where the bank in question operates usually form a significant part of its assets. When a Member State is

in a crisis, the interest on its bond increases, which means that their price decreases. The falling asset value threatens the solvency of the bank and in critical situations (e.g. a bank run) may entail the need to pay out deposits to depositors, under the national deposit guarantee scheme. Since the deposit guarantee scheme is a part of public finances, the need to pay out compensations results in a further deterioration of the financial situation of the country in question. The high level of financial sector integration in the Eurozone significantly increases the significance of a negative feedback between a financial crisis and a bank crisis.

Figure 1. Vicious circle of co-dependency of public finances with the banking sector



Source: own work (Wroński 2018: p. 6).

A significant problem, which decreases the financial stability of the Eurozone, is the lack of common safe assets for Member States, which could provide a similar role to Treasury bills in the United States. Among the Eurozone countries only the government bonds of the Netherlands, Luxembourg and Germany have the highest rating, and 83% of all bonds with AAA rating are German bonds (Fuest 2017). The lack of European safe assets means that during financial crises capital flees from the countries of the periphery to the countries of the EU core. This results in further degradation of the situation in countries undergoing economic difficulties, and for the safe haven countries this means a lowering of interest rates, which translates to benefits for their budgets, but at the same time meaning a lower return on capital for their citizens. The creation of European safe assets would significantly restrict the capital flight from countries undergoing economic difficulties, which would facilitate the recovery of individual economies and would increase the stability of the Eurozone.

The introduction of euro has increased international trade imbalances between the countries using the common currency and has made them more permanent (Berger,

Nitsch 2010). Were the national currencies still in use, the exchange rates of the core countries would be probably higher than the euro rate, and the exchange rates of the southern countries would be lower, which would decrease the trade surpluses of the core countries and decrease the trade deficits of the southern countries. Some economists also claim that flexible exchange rates facilitate the removal of trade imbalances by faster changes of relative prices (Friedman 1953: p. 196–201). Whether this argument is adequate is still debated, however (Chinn, Wei 2008).

Among the structural problems of the common currency the lack of a clearly defined process for leaving the Eurozone by a member country is also specified (Fahrholz, Wójcik 2013). Whether the EU law even allows such a possibility is disputable, however in accordance with the dominating opinion both unilateral withdrawal from the zone by a member country and an expulsion of one of the member countries are not possible (Athanasiou 2009). The advocates for defining of principles for the withdrawal from the Eurozone by a member country indicate that it would reduce free-riding behaviour and moral hazard by increasing both internal and external macroeconomic discipline. The adversaries claim that defining the principles for abandoning the use of a common currency would result in a significant increase of uncertainty, thus becoming a self-fulfilling prophecy.

At the onset of the financial crisis the issue of financial sector regulations was also an important problem. Allowing banks with their office in one of the member countries to operate in the entire European Union has created the risk of regulatory arbitrage. This decision has also resulted in the increase of bank assets, which meant that in case of countries of residence with relatively small economies the possibility of supporting liquidity or solvency of banks operating within the entire EU has been jeopardised. The increasing importance of international activity of the banks meant that it became controversial, which of the countries should bear the costs of supporting them in a crisis situation. Of all the problems listed herein it was the issue of banking regulations, in which the greatest progress was achieved in the last decade, even though there is still much to be done in this matter.

The issue of financial market regulations is key issue, in line with the trilemma of financial stability, which specifies that it is not possible to achieve at the same time three goals: (1) a stable financial system, (2) an integrated financial system, and (3) financial market regulation at the national level. Over a long period only two of these three goals may be achieved simultaneously, excluding one of them. Moving the financial market regulation to the European level is one of the possible solutions to the trilemma (Schoemaker 2011).

Eurozone reform after the financial crisis

The financial crisis has revealed many weak points of the Eurozone architecture. It became obvious that it lacks sufficient stabilisation instruments, and the financial markets integration is too high to enable their regulation at the national level. Since the

financial crisis commenced a series of actions was undertaken to increase the stability of the Eurozone (Oręziak 2017).

In the year 2010 the Council of the European Union has created the European Financial Stabilisation Facility and the European Financial Stabilisation Mechanism in order to increase the financial stability of the Eurozone and to provide financial support to Eurozone countries facing particular financial difficulties. They were authorised to issue debt instruments in order to obtain funds necessary to provide loans to Eurozone countries in financial troubles and to intervene on primary (in exceptional situations) and secondary debt markets. In 2011 both temporary mechanisms were replaced with a permanent financial aid mechanism for the zone countries – the European Stability Mechanism. The ESM has provided financial support to Cyprus, Portugal, Ireland, Spain and Greece. The financial support programme provided by the ESM to the last of the listed countries has ended in August of 2018.

Although the ESM is useful in crisis situations, it does not have clear strategic objectives based on long-term view and a coherent framework of program monitoring. The ESM programs lack the ownership and transparency (European Stability Mechanism 2017, 2020). The ESM needs a broader preventive mandate for the financial stability in the euro area. Today the ESM early warning mandate only focuses on programme countries and is very limited. The ESM is a fire-fighter and acts, where the crisis occurs. The Eurozone, however, needs not only a fire-fighter, but also preventive macroeconomic mechanisms increasing stability. The ESM helps solve the crisis, but not prevents them.

Since 2008 a series of actions was undertaken in order to increase the level of coordination of economic policy in the Eurozone and in the entire European Union. In 2009 the Eurogroup was institutionalised, acting previously as an informal body since 1997. In 2010 the European Semester procedure was implemented. A year later as a part of so-called "six-pack" legislation a package of regulations was adopted, strengthening the existing instruments for coordinating the budgetary policy of Member States. The "six-pack" has, inter alia, harmonised the rules for drafting of national budgets, required the member countries to implement fiscal rules and to conduct multi-year budgetary planning, countries with a high level of public debt were required to correct their structural balances and to reduce their public debt in relation to the GDP, and a system of financial sanctions for the violation of the Stability and Growth Pact principles was also created. In all European Union member countries with the exception of Poland independent fiscal councils were appointed, assessing the stability of public finances over a long period.

Under the European Semester procedure, the European Commission has been providing recommendations on economic policy to member countries since 2011, in particular on structural reforms, public finances and macroeconomic balance. Implementation of recommendations issued under the European Semester procedure by the Member States is not obligatory. In the period of 2013–2016 between 2% and 7% of the issued recommendations were fully implemented, and 40–50% of them were implemented partially. Only in 2012, when 78% of the issued recommendations were partially implemented a higher degree of implementation of the European Commission recommenda-

tions was achieved (Zoppè 2018). In 2011 the Fiscal Pact was signed. The pact increases fiscal discipline and introduces a debt brake rule. In 2013 as a part of the "two-pack" the process of cyclical monitoring of the Member State budget plans by the European Commission was introduced.

Both of the reforms described above are based on the German interpretation of the Eurozone crisis, which understands it mainly as the result of excessive debt of the member countries (Grosse 2016: p. 37). Increasing fiscal discipline, and in particular establishing a minimum rate of public debt reduction, when it exceeds 60% of the given country's GDP raises concerns about the procyclical character of this regulation, therefore causing some controversies among economists. Since first editions of the European Semester, the European Commission came under critique for limited consideration of social issues, however as part of subsequent editions the social issues were gradually becoming more significant (Zeitlin, Vanhercke 2018).

In 2015 the European Structural Reform Support Service was created. The Service, which is a part of the European Commission provides technical support to Member States implementing structural reforms. Two years later a decision was made to launch a pilot support programme for Member States conducting structural reforms. The number of submitted projects has significantly exceeded the financing abilities.

The process of transferring of regulation and supervision of the banking sector to the European level is also proceeding. It is intended to increase the financial stability of the Eurozone and to reduce the possibility of regulatory arbitrage by banks operating within the Eurozone. All the member countries of the Eurozone belong to the banking union, and countries from outside the Eurozone may decide to enter the union. In addition to uniform regulations controlling the operation of the banks, the banking union includes a uniform supervisory mechanism and a uniform recovery and resolution mechanism. Finally, a European deposit guarantee scheme is also intended as a part of the banking union, enabling the interruption of the negative feedback loop between public finance crises and banking sector crises. The creation of a European deposit guarantee scheme, even though it's of key importance to interrupt the vicious circle of co-dependency of public finances with the banking sector is jeopardised by political difficulties. Countries with stable financial systems are afraid that the European deposit guarantee scheme will result in permanent fiscal transfers to the southern EU countries.

The introduced reforms are a relatively effective response to the structural weaknesses of the Economic and Monetary Union, however the reform process may not be yet deemed closed. The coordination of fiscal policies of Member States has been significantly strengthened, however the strategy of public debt reduction based on excessively indebted countries maintaining structural budget surpluses over a long period raises significant theoretical controversies and it's not clear whether it will prove to be effective. The European and Monetary Union still lack stabilisation instruments, and the issue of European safe assets remains at the stage of theoretical research. The European Commission under the excessive imbalance procedure has identified the issue of excessive German trade imbalances (European Commission 2018), however, no concepts of

implementation-ready solutions for solving the issue of trade imbalances have been yet created. The issue of excessive trade surpluses raises significant theoretical and political controversies, and the adoption of systemic solutions, which would reduce them is not highly probable. The changes to financial sector regulations have increased its stability, however, the issue of a vicious circle of co-dependency of public finances with the banking sector still awaits its solution.

The proposal for further Eurozone reforms

French and German tandem in a blind alley

Germany and France combined are responsible for almost 50% of the Eurozone's GDP and over 35% of the European Union's GDP (Eurostat 2017). After Great Britain left the European Union the share of the both countries in the EU GDP will increase further. The key importance of the economies of the both countries means that further structural reforms of the Eurozone and of the economic management in the European Union require their agreement. There is an intense debate on the future of the Eurozone underway on both sides of the Rhine, however, reaching an agreement is hampered by differing short-term economic interests and a different culture of economic policy thought.

European integration occupies an important place in Emmanuel Macron's agenda. Already during his election campaign, the attitude towards the European Union was a key topic in the French public debate. In September of 2017 Emmanuel Macron has presented his vision of Europe during the speech at Sorbonne, the vision based on increased European integration and solidarity. He has emphasised that the European Union budget must correspond to its ambitions, otherwise their implementation will not be possible. As a potential source of funds, which could increase the EU budget, he has indicated ecological taxes, digital taxes, financial transactions tax or moving the Corporate Income Tax to the EU level. Since a higher budget also means a higher responsibility, he has proposed appointing a European minister of finances and increasing the competencies of the European Parliament concerning the EU finances. In his other speeches during the first months of his presidency Emmanuel Macron has supported the introduction of a European deposit guarantee scheme and the transformation of the European Stability Mechanism into a European Monetary Fund, in accordance with the proposal made by the European Commission. According to the French president, it will not be possible to achieve a true convergence of Member States' economies without supplementing the Economic and Monetary Union with solidarity mechanisms (Macron 2017).

The bold speech of the French president was unfavourably received on the western side of the Rhine. Over the twelve years of holding the chancellor's office Angela Merkel established herself as a specialist in combating crises and a defender of the status quo, rather than a visionary with ambitious proposals of the EU reform. Former German minister of finance, Wolfgang Schäuble, became one of the faces of the austerity policies due to his hard-line stance towards Greece. Even though, the lack of a clear positive reac-

tion on part of Germany was substantially caused by the course of the elections cycle, it has raised accusations on both sides of the Rhine of the German chancellor becoming a delayer of the European integration. Most CDU politicians are critical towards the increasing of the scale of financial transfers within the EU due to the potential burdens it would place on Germany as the largest economy in the Union.

Why the two countries, which have been closely working together for decades, have so different visions of Eurozone and EU reforms? The differing short-term economic interests are clearly an important factor. Both Germany and France are in a group of countries, which are financing the European Union, however the German contribution – due to higher payments made to the EU and lower transfers received from the EU – is significantly higher than the French contribution. Germany is not only the largest economy of the EU, but is also in a group of countries with the best economic situation in the entire EU. Unemployment, deficit and public debt in Germany are significantly lower than in France. If the EU budget and the level of European solidarity would have to be increased, the Germany's contribution would definitely have to increase.

The differences in German and French approaches result not only from a divergence of interests, but also from a different culture of economic thought, resulting from a different economic structure and divergent intellectual traditions (Brunnermeier et al. 2016a). France is a unitary country with a high level of centralisation and strong interventionist traditions. Whereas Germany is a federal country, where ordoliberal thought dominates (emphasising the role of market mechanisms and clearly defined rules for state participation in the economy, with a critical approach to public debt) (Bokajto 2019: p. 89–91). German economy is built on a foundation of medium-sized family enterprises and of the middle class, whereas in France national champions are key economic entities. Even though German GDP is 40% higher than French GDP, the FT500 list of the 500 largest global companies includes 24 French companies and only 18 German companies (Financial Times 2015). Additionally, trade unions to the west of the Rhine are much more confrontational than in Germany.

Table 1. Economic situation of Germany and France

	Germany	France
Population [million]	82.67	66.9
GDP [2018]	3.344 trillion €	2.353 trillion €
GDP per capita [2018]	35,860 €	32,830 €
Public debt/GDP [2018]	60.9%	98.4%
Public sector balance/GDP [2017]	+1.9%	-2.5%
Unemployment rate	3.1%	8.5%
Inequalities [Gini index]	0.289	0.297

Source: own work, based on Eurostat data.

In France economists and politicians are mostly of an opinion that a response to an economic crisis should be highly flexible, whereas their German counterparts emphasise the importance of clear and precise rules establishing the manner of responding to an economic crisis. However, French flexibility has one clear exception – excluding the possibility of withdrawal from the Eurozone. In France the opinion that defining the conditions and process for leaving the Economic and Monetary Union could rapidly turn out to be a self-fulfilling prophecy is quite common. Whereas in Germany there is a widespread opinion that the southern countries should implement large scale structural reform programmes under the threat of expulsion from the Eurozone. To the west of the Rhine the notion of introducing Eurobonds (for which Member States would be jointly responsible) and the concept of European solidarity play a significant role, whereas in Germany anxiety that the sharing of risk would lead to free-riding behaviour and irresponsible budgetary policy of Member States dominate. During economic crises French economists assign key importance to liquidity risk, whereas German politicians and economists consider the default risk to be a key problem then. To the west of the Rhine the increase of aggregated demand is considered to be the best answer to the crisis, whereas German economists emphasise the role of supply tools: savings increases and structural reforms. According to Paris the structural reforms should be conducted during economic recovery, when it's easier to bear their costs, whereas according to Berlin the mobilisation of political support for reforms is much more probable during crises. Differences in the prevailing economic school of thought on both sides of the Rhine hinder achieving an agreement on the future of the Eurozone, since not only proposed reforms, but even the diagnoses are different.

Table 2. Differences in economic thought

Germany	France
Ordoliberalism	Economic interventionism
Clear rules	Flexibility
Supply reaction	Demand reaction
Structural reforms during crises	Structural reforms during economic recovery
Emphasis on solvency	Emphasis on liquidity
Fear of moral hazard	European solidarity

Source: own work based on Brunnermeier et al. (2016a).

Proposals of European institutions

The EU institutions (European Commission in particular) are also active participants in the debate on the Eurozone reform. In June 2015 the Five Presidents' Report *Completing Europe's Economic and Monetary Union* was published (Juncker et al. 2015). The Presidents of the European Commission, the Council of the European Union, the Eurogroup,

the European Central Bank and European Parliament clearly declared for the further development of the single market and for the increased coordination of the Member States' economic policies. They have opted for the finishing of the banking union by establishing a European Deposit Insurance Scheme in order to increase the financial stability of the Eurozone. The presidents of the EU institutions have also opted for the strengthening of European business cycle stabilizers and for the increase of the funds available to the European Union.

In the Five Presidents' Report (Juncker et al. 2015) and in accompanying documents the principles, which should be met by the stabilisation mechanism, were specified. It should minimise the moral hazard and not lead to the creation of permanent monetary transfers. Their use should be conditional on meeting clear criteria and on uninterrupted implementation of responsible fiscal policy. It should be created within the EU legal framework and be open and transparent for all the Member States. It may not duplicate the tasks of the European Stability Mechanism related to crisis management. In 2016 the Economic and Financial Affairs Council during its session in Bratislava has discussed the possible forms of the stabilisation mechanism, which included: European unemployment insurance system (which would supplement the national systems), connecting transfers with the phase of the business cycle, and a common investment fund. In each of the discussed forms the stabilisation mechanisms would be based on the accumulation of Member States' contributions during economic prosperity, and the payments would be activated after economic indicators would reach specified values.

In May 2017, the European Commission published the *Reflection Paper on the deepening of the Economic and Monetary Union* (European Commission 2017), elaborating on the previous Five Presidents' Report. The European Commission has supported its opinion (previously expressed in the public debate) that the existence of European safe assets is necessary for the further development of the Eurozone. It has also announced an analysis of various options for the creation of such financial instruments. Moreover, the EC has supported the idea of transformation of the European Stability Mechanism into a European Monetary Fund in order to further institutionalise it and to increase democratic accountability. The demand for strengthening the coordination of economic policies within the EU was supplemented by a declaration of loosening the overly strict fiscal criteria, should the coordinating mechanisms be strengthened.

Eurobonds – theoretical foundations, political problems

The debt crisis and the problems related to the lack of common Eurozone safe assets have resulted in an active debate on the possibility of the introduction of Eurobonds (Sikora 2017: p. 62–65). Over the last years such proposals were quite varied. There was a proposal of creating of bonds issued by the European Union, for which all the EU countries would be jointly responsible (European Commission 2011). There were also proposals of mutualising a part of the Member States' debt, for example, up to the 60% of GDP amount allowed by the Maastricht Treaty (Delpla, von Weizsäcker 2010; Varoufakis et al. 2015; p. 33).

The proposal of issuance of common debt, and even more, of mutualisation of some of the already existing public debt have caused obvious controversies. Its opponents point out that it leads to an enormous moral hazard, which will cause the Member States to implement irresponsible budgetary policies. This proposal also raises significant political doubts, in particular in the core European Union countries, for which their implementation would constitute a fiscal burden. The idea of the issuance of Eurobonds or mutualisation of some debt are certainly an interesting theoretical problem, but the chances of implementing them in reality are close to zero.

The European Safety Bonds are an instrument, which could finance European assets as safe and which simultaneously have a bigger chance of being implemented. They could be created by packaging bonds of different EU countries, and performing this process in an optimised manner could allow them to obtain a rating at least equal to German bonds (Brunnermeier et al. 2016b). The possibility of creating European Safety Bonds is a subject of active research by economists related to the European Systemic Risk Board (van Riet 2017; ESRB High-Level Task Force on Safe Assets 2018). The creation of European Safety Bonds would result in preventing capital flight from countries undergoing economic difficulties and interrupting the vicious circle of co-dependency of public finances with the banking sector.

In the nearest future the introduction of European Safety Bonds is not possible. They have not yet been developed to a degree that is sufficient for their issuance, and their complicated structure means that the project is very difficult to present to the public in a comprehensive manner. Moreover – after the experiences of the financial crisis – the creation of safe assets with financial engineering tools may raise some public concerns.

Conclusions

The financial crisis has demonstrated many structural weaknesses of the Eurozone, previously identified only by a small group of experts. In the decade since the outbreak of the financial crisis significant changes have been made to economic management in the Economic and Monetary Union and in the entire European Union. The introduced reforms respond to some of the structural problems of the EMU, however the post-crisis monetary union reform process may not be considered finished. Much remains to be done, and the reforms awaiting implementation are at least as controversial (if not more) as the ones that have been already implemented.

Any further reforms require the agreement of both Germany and France, due to their key economic and political importance. President Macron has been presenting far reaching proposals for changes since the first days of his term in office, however the reaction of the German side has not been entirely optimistic. Reaching an agreement has been hindered by differing short-term economic interests and significant differences in the culture of economic policy thought. It should be also noted that European institutions, and in particular the European Commission are actively participating in the debate on the future of Economic and Monetary Union reforms.

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Political aspects of security of the European Union Member States

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Abstract

Political security is very often considered through the prism of individual states. In the scholar literature in-depth analyses of this kind of security are rarely encountered in the context of international entities that these countries integrate. The purpose of this article is to draw attention to key aspects of political security in the European Union (EU) Member States.

The EU as a supranational organisation, gathering Member States first, ensures the stability of the EU as a whole, and secondly, it ensures that Member States respect common values and principles. Additionally, the EU institutions focus on ensuring the proper functioning of the Eurozone (also called officially "euro area" in EU regulations). Actions that may have a negative impact on the level of the EU's political security include the boycott of establishing new institutions conducive to the peaceful coexistence and development of states.

These threats seem to have a significant impact on the situation in the EU in the face of the proposed (and not accepted by Member States not belonging to the Eurogroup) Eurozone reforms concerning, inter alia, appointment of the Minister of Economy and Finance and the creation of a new institution - the European Monetary Fund.

Keywords: political security, EU Member States, European Union, stability of the EU, EU institutions, Eurozone (euro area).

Polityczne aspekty bezpieczeństwa państw członkowskich Unii Europejskiej

Streszczenie

Problematyka bezpieczeństwa politycznego w znakomitej większości przypadków rozpatrywana jest przez pryzmat pojedynczych państw. Brakuje jednak pogłębionych analiz tego zjawiska w ujęciu podmiotów międzynarodowych, których podstawowym celem jest integracja owych krajów. Celem niniejszego artykułu jest zwrócenie uwagi na kluczowe aspekty bezpieczeństwa politycznego krajów członkowskich Unii Europejskiej (UE).

UE jako organizacja ponadnarodowa skupiająca państwa członkowskie z jednej strony, czuwa nad stabilnością UE jako całości z drugiej natomiast, dba o utrzymanie odrębnych tożsamości narodowych przy założeniu wspólnych, europejskich wartości i zasad. Dodatkowo, instytucje unijne

skupiają się na zapewnieniu prawidłowego funkcjonowania strefy euro. Do działań, które mogą negatywnie wpływać na poziom bezpieczeństwa politycznego UE można zaliczyć sprzeciw wobec inicjatyw mających na celu powołanie do życia nowych, ponadnarodowych instytucji sprzyjających pokojowemu współistnieniu i rozwojowi państw członkowskich

Zagrożenia te wydają się mieć istotny wpływ na sytuację w UE w obliczu proponowanych (a nie akceptowanych przez państwa członkowskie nienależące do Eurogrupy) reform strefy euro dotyczących m.in. powołania Ministra Gospodarki i Finansów oraz utworzenia nowej instytucji – Europejskiego Funduszu Walutowego.

Słowa kluczowe: bezpieczeństwo polityczne, państwa członkowskie UE, Unia Europejska, stabilność UE, instytucje europejskie, strefa euro.

The analysis carried out in this article is intended to verify the following research hypothesis: threats to the political security of the Member States of the European Union come from both the national and supranational levels because these countries strive to maintain the greatest possible autonomy despite actual participation in EU structures. The main area of research is the political security of EU Member States, with particular regard to its threats, the sources of which should be sought at both national and supranational levels.

The article undertakes to resolve the research problem regarding factors posing a threat to the political security of EU Member States. The solution to the above problem will be possible thanks to the answers to the research questions: How is the phenomenon of political security defined in the Member States of the European Union? How does deepening integration processes affect the level of political security in the EU? How does the desire of EU Member States to maintain the greatest possible autonomy affect the level of political security?

The main assumptions of this article refer to the theory of neofunctionalism. In line with the above approach, the creation of a supranational structure is associated with the impact of equal elements, i.e. political parties, pressure groups and finally the governments of individual Member States (Czaputowicz 2018: p. 44). Each of the above-mentioned structures has its own interests (which are not always convergent with the interests of other entities), but the establishment of supranational institutions and thus the transfer of part of their competences, increases their chances of achieving specific goals. Using the descriptive method, the issue of defining political security will be presented, while the use of the factor method (Chmaj, Żmigrodzki 1996: p. 31) will allow to identify the elements that constitute its threat.

The first part of the article deals with concepts related to broadly understood political security. In the next part, attention is drawn to the characteristic elements of this type of security in the context of EU Member States, in order to finally indicate the main threats (both from the supranational and national level).

Political security – the meaning of the concept

Issues related to security in the literature are very often considered through the prism of specific threats and fields that can affect this security. Political security is one of the

five universally recognised security fields, which include the political, military, economic, cultural-identity and ecological sectors (Gierszewski 2013: p. 104). Due to the fact that there are many shots and definitions of political security in the source literature, it is worth looking at a few of them.

The political security of the subject, in general terms, is a state of certainty of survival, sovereign functioning and development of its political system and results from the lack of political threats or the ability to protect against them (Chojnowski 2012: p. 108). This definition contains several important determinants that have a direct impact on the level of security.

These include: the certainty of survival of a given entity, the sovereignty of its functioning as well as the possibility of developing a political system. All these elements can function properly due to the lack of political threats or the entity's ability to protect against them. Therefore, it is necessary to pay attention to a number of correlations that occur between the above-mentioned factors, for example without the development of the political system, it is difficult to find instruments to defend against emerging threats in this area. Summarising, political security in this approach means a way of functioning of a given entity, which ensures sustainable development leading to the elimination of the effects of existing political threats.

The source literature assumes that the dominant political organisations are states and thus they are also the main subject of the analysis of the political security sector. However, one should remember about other political units functioning at the state level, such as:

- 1) emerging "superstate" (treated in this way may be the European Union);
- 2) organised identity groups that do not have the form of a state but have strong institutions;
- 3) transnational social movements that can mobilize the loyalty of their supporters (e.g. religious organisations: The Catholic Church in the past and Islam currently) and usually with strong support from the state or countries (e.g. communism on the part of the Soviet Union) (Chojnowski 2012: p. 114).

The functioning of each of the above-mentioned entities can be considered through the prism of political security. Each time, however, one must bear in mind the specificity of the given unit and the correlations occurring within it. The table below demonstrates the level of link between individual entities and political security.

Table 1. Political security and the degree of connection between entities

The level of political security	Degree of connection
The international system	average
State	significant
Unit / Society	average

Source: Brzeziński 2012: p. 6.

This list demonstrates that the degree of political security connection is the most important for states, followed by the international system and society (Brown, Ainley 2009: p. 3). Once again, on the basis of the above analysis, it can be clearly seen that research on political security cannot be limited only to its individual levels. Each time, the environment (both international and internal) of the state should be taken into account.

Political security can also be included in the category of authority, which is aimed at achieving socially acceptable goals, organised in accordance with applicable laws and has the power to support this activity in internal and external realisations (Zalewski 2010: p. 20–21). This type of security concerns both the international system (global approach), international subsystems (regional approach), states and other entities – political units functioning at this level of analysis, as well as social groups and organisations functioning in countries, as well as the human unit. The European Union (as a specific international organisation) is therefore also responsible for ensuring an adequate level of political security (Zalewski 2010: p. 114). Of course, this applies to the supranational level, which obviously also affects the situation in the Member States. Consideration of political security in a broad international context includes many problems that are not characteristic of states as basic security units (Mojsiewicz 2000: p. 45): number and effectiveness of international organisations, stability of systems, ways to resolve conflicts, and threats to international governance.

The definitions cited above clearly demonstrate that when considering the subject of political security analysis, one should take into account the complexity of this problem. In this article, these issues are further complicated by the status of the European Union (and the manner and nature of the functioning of the Member States, which represent different approaches to strengthening further cooperation also in the field of security).

Political security of the Member States of the European Union

The European Union, due to its goals and functions, is an atypical type of international organisation – it does not have citizens or its own territory. It was brought to life by democratic and sovereign states (Fischer 2017: p. 18). Currently, it brings together 27 countries which, by signing accession treaties, expressed their will and willingness to transfer some of their competences to the supranational level. As a result of European integration, sovereignty *de facto* has been divided and transferred to supranational institutions that led to the formation of the so-called shared sovereignty, which derives from the German experience of the federation, according to which the central (federal) government shares sovereignty with other social institutions, especially regional ones. Member countries have agreed to respect the findings (including those related to security) made by EU institutions. Such a solution gave the opportunity to better recognize and combat threats (which often go beyond the borders of countries and sometimes the EU itself), so that both the state and the EU are better able to react to them.

In this way, a new international order was formed, which is expressed in the statement that the existing structures of mine are increasingly not so much intergovernmental as supra-state:

- a) the difference between foreign policy and domestic policy is blurred;
- b) international structures and their states have the right and even the obligation to interfere in matters, which in the past belonged exclusively to the discretionary power of national governments of sovereign states;
- c) nowadays countries increasingly accept the jurisdiction of international tribunals, especially in matters concerning human rights and minority groups (Zalewski 2010: p. 156).

The examples cited clearly demonstrate that nowadays we are also delegating powers in the field of political security to the supranational level. That is why it seems justified to promote ever closer integration in political security, which not all EU countries are convinced of.

The political security of the Member States that are part of a particular international organisation that is the EU also largely depends on its internal situation. At this point, attention should be paid to the need to distinguish national states from the Member States, which is quite important in the context of political security (Cristian-Eduard 2012: p. 90).

Table 2. Features distinguishing a nation state from an EU Member State

National state	EU Member State
Strong policy of sectoral policies	Depolitisation of sectoral policies
Territorial contempt	Peaceful quenching of conflicts
Restrictive boundaries	State borders abolished or contractual
Economic divisions	Economic convergence
Selfishness	Altruism
Lack of international loyalty (or business-like loyalty)	European loyalty
National interest	Community interest
Individual logic	Collective logic
Non-coordinated activities	Coordinated actions
Small delegation of competences to international institutions	Large delegation of competences to international institutions
Authority and competences constituted more horizontally	Authority and competences constituted more vertically

Source: Ruskowski 2017: p. 13.

Each EU Member State is also a national state, but not every nation-state is a Member State of the Union. Accession to the EU means that countries adopt the principles and values that guide this international organisation. As a result, these countries change their approach to some areas of their activity, depoliticise sectoral policies and territorial jurisdiction gives way to peaceful conflict suppression and restrictive boundaries

get contractual status or are completely abolished. It should also be noted that the accession countries agree to comply with the applicable legal order and, consequently, institutional. In this way, their sovereignty and a specific kind of freedom of functioning in this area is significantly reduced. It is worth noting, however, that these are voluntary actions and taken by the states in a conscious manner. In addition, Member States in such an international organisation as the EU are situated in a hierarchical system, then their competences and power are more vertically established, because over the states there are supranational European institutions with competence and below are regional and local authorities, which also they have their own scope of authority (Ruszkowski 2017: p. 16).

In summary, the political security of European Union Member States must be considered through the prism of two levels, i.e. transnational and national. Ensuring the proper way of functioning of institutional and legal order is the responsibility of the international organisation, which is the EU, but it cannot be considered in isolation from the internal conditions of the Member States.

Threats to political security of the Member States of the European Union

Threats to political security for the Member States of the European Union inherently involve problems in the whole international system. The table below presents a list of the most serious challenges in this area.

Table 3. Types of political threats to the international system

Lp.	Political threats to the international system
1.	enlarging the spheres of influence – subjugation of other countries by the superpowers,
2.	conflicts of powers over global and / or regional hegemony,
3.	non-compliance with agreed and established institutions and international regimes, in particular international law,
4.	boycotting and/or opposing the establishment of new institutions and organisations regulating international relations, especially those favouring peaceful coexistence and development of states,
5.	lack of readiness for international cooperation aimed at stabilising the order of the international system, through the prevention and peaceful resolution of international disputes and conflicts,
6.	non-compliance by States with the principles of peaceful coexistence, based on mutual respect of territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in internal affairs, equality and mutual benefit,
7.	developing and/or supporting international terrorism, using cultural diversity and stimulating fundamentalism, especially religious,

8.	stimulating and developing aggressive ideologies and political movements, referring to aggressive nationalism, racism, xenophobia, chauvinism, anti-Semitism and other forms of intolerance that lead to deep ideological and political divisions,
9.	differences on the political and ideological background, constituting the political foundations of states that in themselves can generate conflict situations

Source: Chojnowski 2012: p. 118.

The catalogue of these threats is very wide, covering many areas ranging from strictly legal to ideological issues. In view of the fact that Member States constitute a characteristic category of entities (as described in greater detail in the second part of the article), the catalogue of threats will also be slightly different than in the case of non-EU countries. For the purpose of this analysis, this catalogue will be divided into two groups:

- 1) threats resulting from the political situation in the EU,
- 2) threats resulting from the political situation in individual EU Member States.

The current political situation within the EU is dominated by debates related to the future of the Union as such, as well as proposals for the reform of the euro area. The EU development scenarios presented by the President of the European Commission (EC) Jean Claude Juncker present five concepts for the future functioning of the community (Komisja Europejska 2017).

The first concept assumes the continuation of the policy pursued so far by 27 Member States on the basis of the Commission's *A New Beginning for Europe* guidelines. According to the second concept, the EU will focus only on the single market and, as a result, its proper functioning will become the main reason for the existence of the Union. As part of the next scenario, the EC postulates the diversification of integration in such a way as to create a group of states that strengthen cooperation in the framework of jointly undertaken initiatives. Another Commission proposal is to narrow cooperation between Member States to a smaller number of policies, while deepening cooperation in these areas. The last scenario assumes that EU countries will decide to cooperate in all areas.

The EC proposals presented above have received wide coverage among Member States – mainly due to the third scenario, which allows the functioning of the so-called Europe of many speeds. The critics of this idea argue that its implementation may lead to a deeper integration of only the strong EU Member States, which will make the weaker ones pushed into the periphery. Looking through the prism of political security – the adopted order and institutional hierarchy could be significantly disturbed mainly due to the functioning of entities within various groups for which a new institutional structure would be needed.

Another of the currently discussed concepts is the creation of a separate budget for the Eurozone and, consequently, the office that will manage it, i.e. the minister of finance of the Eurozone (he would replace the current position of the head of the Eurogroup). He would be primarily responsible for: overseeing and coordinating issues related to the macroeconomic policy of the countries of the single currency and taking loans through

bonds denominated in euro. The creation of a new institution that would include such broad competences in its hand will undoubtedly be associated with the introduction of changes to the generally accepted and prevailing decision-making process in the European Union.

According to advocates of the introduction of the office of finance minister, the Eurozone would be a remedy for possible asymmetric shocks, an example of which is Greece's debt crisis – even though it concerned only one Member State had a very negative impact on the entire Eurogroup. In turn, the opponents of the abovementioned changes claim that the separation of a separate budget for the Eurozone countries would result in a huge division between the Member States, thus leading to the creation of the so-called hard core in the EU. In this example, it is clear that the political security of the EU and its Member States can be shaken due to the clear opposition of some countries regarding this type of concept.

This situation can be solved in two ways. First of all, Member States will decide to (as adopted in the EU) reach a compromise in this area. Secondly, the Eurogroup countries will adopt appropriate regulations without taking into account criticism from countries not belonging to the Eurozone. The second option, from the point of view of political security, is definitely more dangerous because it leads to closer integration only within a group of countries, resulting in the increase in existing divisions.

The second group of threats for EU Member States concerns their internal political situation. We have learned about the importance of political balance in the EU countries on the example of the last independence referendum in Catalonia. Although this issue concerned only one country, it has received wide coverage throughout Europe. Another example is Brexit, where internal political games have led to an unprecedented situation, in which one of the most active states leaves the community. In this way, the sense of the existence of the organisation and, consequently, this case study is a huge challenge for EU institutions that are responsible for maintaining political security and must negotiate such conditions that none of the other EU countries would like to launch Article 50 of the Treaty on European Union (TEU). The main assumption of EU decision-makers is that the process of leaving the EU should be so painful and unfavourable, thus discouraging similar actions.

Conclusions

In conclusion, threats to the political security of the European Union Member States refer to both the national and EU level, for example, the manner in which the process of spill over processes in individual countries is clearly visible. We are dealing here with both the positive influence (which are the ongoing integration processes) and the negative one, which can be exemplified by the threats discussed above. Despite the main principles and values of the Union, its Member States are still striving to satisfy their own aspirations – especially when it comes to security issues. Today, we are observing in Europe a disturbing trend, in which individual states strive to achieve the greatest possible autonomy despite their actual participation in EU structures.

The presented analysis demonstrated that threats to the political security of EU Member States come from both national and supranational levels. This is mainly due to the aspirations of member countries to maintain the greatest possible autonomy while participating in EU structures. Therefore, the hypothesis presented in this analysis has been positively verified.

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EU Common Security and Defence Policy and China: a case study of coopetition¹

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Abstract

With the 2019 *EU–China Strategic Outlook*, the EU has revalidated its dual perspective on China as cooperation partner and strategic competitor at the same time. So far, considerations of China in EU and EU Member States have primarily focused on economic questions. However, as China's foreign policy becomes more assertive and visible via military deployments in the EU's geopolitical neighbourhood, the EU needs to confront this challenge by giving appropriate and concrete political responses in a geostrategic context as well. Based on the concept of „coopetition”, this article provides an analysis and subsequent recommendations on how the EU can integrate the “China factor” in its Common Security and Defence Policy, while ensuring that a balance of cooperation and competition in EU's China policy is retained.

Keywords: European Union, China, EU–China relations, EU Common Security and Defence Policy, EU defence integration, EU defence partnership, concept of coopetition.

Wspólna Polityka Bezpieczeństwa i Obrony UE a Chiny: studium przypadku kooperacji

Streszczenie

Poprzez *UE–Chiny perspektywę strategiczną na 2019 rok*, UE ponownie potwierdziła swoje podwójne spojrzenie na Chiny jako partnera do współpracy i konkurenta strategicznego. Jak dotąd rozważania dotyczące Chin w obrębie Unii Europejskiej i jej państw członkowskich koncentrowały się głównie na kwestiach gospodarczych. Ale ponieważ polityka zagraniczna Chin staje się coraz bardziej asertywna i widoczna dzięki rozmieszczeniom wojskowym w geopolitycznym sąsiedztwie UE, Unia musi stawić czoła temu wyzwaniu, udzielając odpowiednich i konkretnych odpowiedzi politycznych również w kontekście geostrategicznym. W oparciu o koncepcję „kooperacji” niniejszy artykuł zawiera analizę i kolejne zalecenia dotyczące tego, w jaki sposób UE może włączyć „czynniki Chin” do swojej wspólnej polityki bezpieczeństwa i obrony, zachowując jednocześnie równowagę współpracy i konkurencji w polityce wobec Chin.

¹ This article reflects the personal views of the author and does not represent the views of any institution or organisation.

Słowa kluczowe: Unia Europejska, Chiny, relacje UE-Chiny, Wspólna Polityka Bezpieczeństwa i Obrony, integracja obronna UE; Partnerstwo obronne UE, koncepcja kooperacji.

On October 1st 2019, news channels around the world reported about the People's Republic of China's (PRC, China) lavish celebrations of its 70th anniversary. With the public display of a comprehensive range of new and sophisticated military equipment, including ballistic nuclear missiles, China had sent a clear message to regional capitals (Kosaka 2019) and the US (Wolfgang 2019) that Beijing must be recognised as a military power to be reckoned with more than ever. Only the year before, China's President Xi Jinping commented that the allegorical 'sleeping lion', to which China is popularly referred to, had woken up as a „peaceful lion“. Seeing the pictures of the People's Liberation Army (PLA) marching parade on Tiananmen Square provides a stark contrast to that comment and every outlook for a future, in which China has finally woken up (Ng, Chen 2018).

The Western response to China has so far been everything else than unified and coordinated. While the Trump administration already declared the PRC a 'revisionist power' (*National Security Strategy...* 2017: p. 25) and a "strategic competitor" (Sevastopulo 2017) to the US, reactions of European countries to China's rise have been rather mixed, due to the strong consideration of economic arguments in spite of the geopolitical factors. For example, European countries have been far from being hostile towards Chinese economic investments. Following a number of European states, Italy, the first G7 member, decided to join most ambitious 'Belt and Road Initiative' in March 2019, while Germany considers the Chinese telecommunication giant Huawei offer for building up the country's 5G network infrastructure despite strong warnings by the US regarding the cyber security risks of this move (*How Should Europe...* 2019). The essence of duality in the European response to China has been summarised very well by departing European Commission President Jean-Claude Juncker, who said: „China and Europe must and can do great things together. We are strategic partners, and yes, rivals, but competition among us is a good thing.“ (Willsher 2019).

In order to consolidate a common European approach to accommodate China's changing role in global political and economic affairs, the EU began to adopt strategic political guidance, formalised as "EU Strategy on China", in summer 2016 (EEAS 2016a). In March 2019, the European Commission together with the EU's High Representative for Foreign Affairs and Security Policy conducted a strategic review, leading to the EU-China Strategic Outlook (EEAS 2019a: p. 1–2). In this document, the European institutions involved in the drafting process came to an inevitable outcome: China pursues an increasingly assertive role in foreign policy, which provides interesting prospects for cooperation, e.g. in the field of crisis management.

„With EU Member States collectively being the largest contributor to the United Nations peacekeeping budget, and China the next largest after the US, opportunities should be identified to share operational experience in this area.“ (European Commission 2019: p. 3).

However, at the same time and in the same document, it is also acknowledged that China is going to present a considerable security challenge for the Union in a shifting world order.

„China's increasing military capabilities coupled with its comprehensive vision and ambition to have the technologically most advanced armed forces by 2050 present security issues for the EU, already in a short to mid-term perspective. Cross-sectoral hybrid threats including information operations, and large military exercises not only undermine trust, but also challenge the EU's security and must be addressed in the context of our mutual relationship.“ (European Commission 2019: p. 4).

In the scope of this article, the seemingly contradictory positioning of the EU towards China is analysed in a concrete policy field: *Common Security and Defence Policy* (CSDP).

In 2019, the EU was conducting 10 civilian and 6 military missions on three continents with a combined total of around 5000 civilian and military personnel deployed under the umbrella of CSDP (EEAS 2019b). As China's increasing political, economic and military presence expands to regions, where the EU undertakes those missions and operations, direct and indirect contact with China and the PLA will increase in likelihood.

The question for the EU would be: how to deal with this situation. In this sense, the article's thesis supposes that the EU has not yet developed a consistent policy strategy regarding China in activities related to CSDP. Keeping the oscillating stance of the EU between cooperation and competition with China in coherence with the *EU-China Strategic Outlook* in mind, this research makes use of the "coopetition" concept, a derivative of game theory, to identify an outline for a strategy with concrete recommendations for the EU's engagement of China in the remit of CSDP. While matter of European defence policy underwent an evolutionary process in recent years, e.g. through the establishment of the Permanent Structured Cooperation in Defence or PESCO among other EU Defence initiatives (see: *EU's new defence and security initiatives* 2019), this article focuses on the core of CSDP, namely CSDP missions and operations (European Commission 2017). Outside the scope of this article is furthermore China's impact on EU Member States' defence planning, defence industries and defence trade, as well as relations between NATO and China.

“Coopetition”: concept and application

Why the phenomenon of coopetition occurs, has been discussed for long-time in the academic circles and the theoretical schools of management, organisation and sociology have contributed several perspectives in order for an explanation (Herzog 2011: p. 26–30). The concept applied in this article is a derivative from game theory.

Since its inception in the first half of the 20th century, the discipline of game theory has grown in content as well as application. Dominant in the discipline remained the non-cooperative variant with various contributors, most notably a number of economic Nobel prize winners like John Nash, John Harsanyi and Reinhard Selten. However, the lesser known cooperative approach to game theory had continuously stepped up as

well, thanks to the initial works of John von Neumann and Oskar Morgenstern, as well as contributions from Lloyd Shapley amongst others.

The amalgamation of “competition” and “cooperation” into “coopetition”, as well as a comprehensive analytical framework thereof was brought to broader popularity by Adam Brandenburger and Barry Nalebuff (Brandenburger, Nalebuff W/W). In their book, which is focused heavily on market behaviour of firms, the two authors presented five basic elements for an analytical model, together with the reasoning, why these are relevant:

- (1) [Players]: Due to the fact that coopetition is first and foremost based on the academic discipline of economics, the authors have defined identified key actors on markets, such as customers, suppliers, competitors and complementors. Together, these actors form the so-called “Value Net”, i.e. an interrelationship that includes the other elements.
- (2) [Added value]: This element encompasses the contribution that each actor can bring into the game, either positively or negatively, depending if cooperation occurs or not.
- (3) [Rules]: Those are basically the conditions, according to which the actors behave and participate in the game, e.g. legal frameworks.
- (4) [Tactics]: Different from the military definition, the authors interpret tactics as perception and counter-perception of the actors, representing a fundamental part of the model, because perceptions strongly influence decision-making and action-taking of the actors.
- (5) [Scope]: The final element sets the boundaries of the game. While every market is interconnected to others (e.g. industrial manufacture, research & development, natural resources), games are usually restricted in scope, thereby ensuring that the analysis is focused and comprehensible (Brandenburger, Nalebuff 1996: p. 40–66).

After developing a basic model of a coopetitive game, additional attention should be placed on the rationale of cooperating with another competitor, thus making competition the standard and cooperation the exception for which a reason must be identified. Again, taking the examples from economic analysis of markets, there are some adaptable rationales for a state to cooperate with a competitor: (1) risk reduction, thus ensuring stability in the international order, (2) economies of scale and/or rationalisation to mitigate limited financial or personal resources, (3) complementary capabilities, e.g. one actor might have forces available for strategic airlift, while another does not, (4) minimising political, economic, military competition, thus lowering the cost of international activities of actors, and (5) establishing bi- or multilateral networks for trust-building, eventually leading to continuous cooperative behaviour in international affairs (Contractor, Lorange 2004: p. 25–32).

While having the rationales for cooperation in coopetition displayed, state can decide, how their strategy looks like and which balance between cooperation and competition is applied towards other actors. At the most extreme cooperative pole, cooperation could mean a merger between two or more countries into one, whereas as the most extreme

competitive pole would be a total war of annihilation between at least two states. In between are cooperative arrangements, such as multilateral frameworks, such as the UN, bilateral formal or informal contacts, like a EU–China summit, as well as competitive arrangements, ranging from political, economic, military rivalry, boycott, limited engagements and intimidating behaviour of armed forces in military-to-military contacts as possible strategy option (Daidj 2017: p. 6–41). Since interactions between two or more actors are dynamic rather than static and strategies may change overtime or be influenced by interaction between one of the actors and a third states.

Following the presentation of the theoretical foundations, this article uses a comparative approach with a view of identifying recommendations for EU CSDP policy-making.

In the first step, key elements of the EU's CSDP are presented, which provide the maneuvering space, in which the EU is able to integrate the 'China factor' in their decision-making processes: (1) legal framework provided by the Treaties of the EU [Rules], (2) actors and key stakeholders of CSDP [Players], (3) relevant policy papers, which provide strategic guidance and direction for the implementation of CSDP [Tactics], and lastly (4) relationship between CSDP and non-EU third states, such as China and other international organisations, like the UN with its peacekeeping missions [Boundaries].

In the second step of the analysis, (1) China is brought in the equation [Player]. By identifying (2) foreign policy objectives in regions, where contact with CSDP missions and operations are conducted [Rules], (3) China's activities to employ an international presence in respective regions, where CSDP missions and operations are usually conducted [Tactics], and (4) the broader context provided by interaction of China with third states, e.g. US and other regional players, which impacts EU–China relations [Boundaries].

By making use of the CSDP as a "transmission belt" between the EU's and China's security- and military-related activities in overlapping geographical areas of strategic interest, the article provides a number of recommendations thereby supports EU policy-makers about ways and means to respond to China's increasingly assertive foreign policy stance.

The Common Security and Defence Policy (CSDP): a framework for crisis management

For a comprehensive understanding of the CSDP of the EU, looking into the legal foundation represents an inevitable first step. While the first introduction of CSDP in the Treaties of the European Union (TEU) goes back to the Treaty of Maastricht in 1991, this article skips the historical evolution² of CSDP and rather focuses on the most recent edition of the TEU (2016). Title V, Chapter 2, Section 2, Articles 42–46 TEU, in its latest form adopted as the 2007 Treaty of Lisbon, lays out the provisions for CSDP. Being "an integral part" of the broader *Common Foreign and Security Policy* (CFSP), the articles on CSDP establish the legal framework, wherein EU Member States contribute civilian and military assets for

² Detailed information about the history of the EU cooperation on security and defence you can find in the publication: (Council of the European Union 2019a).

executing tasks, engage in cooperative capability research and development, e.g. through the European Defence Agency (EDA), and eventually protect each other, when armed aggression against a EU Member State occurs (Art. 42.7). Most important element of CSDP is the principle of unanimity in decision-making by EU Member States as enshrined in Art. 31 (with few exemptions pursuant to Art. 31.2). This underlines the sovereign right of individual EU Member States to pursue defence and security-related policy, albeit with the soft caveat that each Member State should consult with other EU members in order to provide a cohesive and concise common approach to EU-external challenges (see more: TEU 2016: Title V, Chapters 1-2). The intergovernmental fora for this consultation are the Council of the EU in its defence and/or foreign ministers' format and the European Council with the political guidance set by the heads of government (EEAS 2016b).

As another outcome from the Treaty of Lisbon, the dual-headed position of High Representative for Foreign Affairs and Security Policy/Vice President of the European Commission (HR/VP) has been created in order to coordinate EU external relations, something previously conducted by the European Commission, and to streamline CFSP/CSDP through the establishment of the European External Action Service (EEAS), which also encompasses an agency for defence capability cooperation and development (EDA) (Marrone, Ungaro 2014: p. 16–17). Furthermore, as part of EEAS' structure, the Civilian Planning and Conduct Capability (CPCC) provides the civilian oversight and operational management of civilian CSDP missions. Central command of all civilian missions and their respective Heads of Mission is conducted through the CPCC Director, acting as Civilian Operation Commander (EEAS 2019c).

On the military side, EU Member States already began in 2001 to set up the EU Military Committee (EUMC) in EU national chief of defence format, which provides military advice to the CSDP decision-making committees of the CEU (Marrone, Ungaro 2014: p. 16). As part of the EEAS, but also working as junction point to EUMC, the EU Military Staff (EUMS) contributes subject matter expertise on crisis prevention, response and management (EEAS 2018a). In addition, in June 2017, EU Member States decided to establish a Military Planning and Conduct Capability (MPCC) under the dual-headed responsibility of Director General of the EUMS/Director MPCC. In the EU military chain of command, the Mission force commanders of the three non-executive military training missions in Mali, Somalia and the Central African Republic now report to the Director MPCC, thereby consolidating operational command & control structures and streamlining military with civilian structures, such as the CPCC (EEAS 2018b: p. 1–2). Besides the MPCC, further command & control of military CSDP missions and operations can also be conducted either via NATO Supreme Headquarters Allied Powers Europe (SHAPE), EU Operations Centre (EU OPCEN), or ad-hoc national Operational Headquarters (Council of the European Union 2019b: p. 10, 13–15).

With the EU Global Strategy (EUGS), the former High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission Federica Mogherini has provided a comprehensive document, which defines the contemporary EU Level of Ambition (LoA) (EEAS 2016c).

„As set out in the EUGS, the EU must contribute to: (a) responding to external conflicts and crises, (b) building the capacities of partners, and (c) protecting the Union and its citizens.“ (Council of the European Union 2016: p. 2).

Pre-dating the EUGS by more than two decades, the EU undertook the establishment of CSDP with a military LoA under the 1999 Treaty of Amsterdam and following the European Council Summit in Cologne in the same year by transferring the ‘Petersberg Tasks’ from the Western European Union to the EU. Eventually, international crises since 11. September 2001 and further challenges, such as the disunity of Europe about the second Iraq War, led to further evolutionary development of CSDP (EEAS 2016b). The role of the *Franco-German engine* in European integration has also played a role in the further development of CSDP. Prior to the 2016 September meeting of the EU defence ministers, both countries presented a document concerning the revitalisation and reinforcement of CSDP to defence-related discussions of EU Member States (Žurek 2019: p. 14).

The current military LoA of the EU is to have the capabilities available to conduct missions and operations under CSDP according to the following illustrative scenarios (Barrie et al. 2018: p. 2):

- 1) peace enforcement (up to 4000 kilometres from Brussels);
- 2) conflict prevention (up to 6000 km from Brussels);
- 3) stabilisation and support to capacity-building (up to 8000 km from Brussels);
- 4) rescue and evacuation (up to 10000 km from Brussels); and
- 5) support to humanitarian assistance (up to 15000 km from Brussels).

Furthermore, in order to implement those activities, EU Member States have agreed to pursue Headline Goals 1999 and 2010. While the first has yet to be achieved (militarily self-sustaining formation for operations up to corps level (50000–60000 personnel) deployable in 60 days for a consecutive duration of 12 months), the second goal to acquire rapid reaction capabilities for crisis management operations led to the establishment of usually enhanced battalion-sized EU Battlegroups (around 1500 personnel) that has however not seen deployment in a CSDP mission or operation yet (Barrie et al. 2018: p. 6–9).

It is also worth mentioning that the requirements of fulfilling EU military LoA, as described above, are identified and developed through a complex capability development mechanism process, which forms an integral part to the general EU defence capability planning. While describing the full EU defence capability development process lies clearly outside the scope of this article, the link between capabilities for fulfilling specific CSDP operational requirements provides interesting indication of the efforts taken by EU Member States and European institutions to define coherent and output-oriented defence capability planning on the EU level (Fiott 2018: p. 2–6). The same can unfortunately not be said about the civilian side of CSDP. Formally launched at the European Council Summit in Feira, the civilian side of CSDP, has seen many missions, but lacking civilian capability planning and scarce personnel deployments make this part of CSDP rather under-resourced. Only as of 2019, this began to change slowly. Following in the footsteps of European defence initiatives, the EU adopted the Civilian CSDP Compact

its own set of more binding commitments of EU Member States (Pirozzi 2018: p. 1–8). Despite the modest speed of civilian CSDP, the EU accomplished some benchmark in this domain, particularly by setting up the EU Civil Protection mechanism and the Emergency Response Coordination Centre (ERCC) for disaster response in- and outside the Union (Jacuch 2019: p.71–73).

As presented above, MPCC and CPCC represent the institutional core of CSDP, thus enabling the 'Comprehensive Approach to Crisis Management', which combines civilian and military planning capabilities of the EEAS and EUMS. Direction of this mechanism strongly depends on decision-making of EU Member States due to unanimity, as mentioned before. Due to different strategic national cultures, the institutional core of MPCC and CPCC is required to conduct coherent analyses of crisis situations, understand EU external interests and goals in foreign policy, and needs to be enabled to apply the EU's foreign policy toolset, depending on the commitment by EU Member States to contribute personnel and financial resources (Smith 2017: p. 266–270). Therefore, working towards a common strategic culture amongst EU Member States remains one of the key priorities in the near- and mid-term. The current divide between the different national strategic cultures (e.g. assertive vs. restrained foreign policy, or geostrategic vs. economic rationales) leads to various degrees of misfit between a national position and the negotiated EU position, thus increasing the likelihood of defecting behaviour by individual EU Member States (Giegerich 2006: p. 36–47, 63–66).

Regarding the last conceptual element of CSDP, the EU adopted the legal conditions and framework requirements for the participation of non-EU third states in CSDP missions and operations between 2001–2004. With the conclusion of a *Framework Participation Agreement* (FPA) between the EU and a third state, the legal, financial and political ramifications of troop and civilian expert contributions made by that third state to a CSDP mission or operation have been formalised. The intentions about third states' joining CSDP missions and operations largely depend on geopolitical factors. Some states might have a specific interest in the country, where the CSDP presence is undertaken, such as Albania in the Western Balkans. More powerful actors, like Russia or Turkey, might also take the opportunity to actively influence EU CSDP policies and objectives in line with their national interests in a specific region. In any case, an important aspect cannot be underestimated: The potential to mitigate capability, personnel and financial shortfalls in CSDP by including third states. Despite the fact, that contributions by third states have been rather marginal (with the exception of Russia, Georgia, and Turkey), cooperation with third states inside CSDP has further potential as cooperative model. In any case, the EU will have a hard time to integrate third countries in CSDP, while retaining the dominant decision-making authority in it. Considering that CSDP mission and operations are (1) a key element of EU civilian and military crisis management, and (2) a way for EU Member States to demonstrate unity in face of regional and global challenges, the EU might also opt for a participation of third states on a case-by-case basis, thereby retaining the appearance of CSDP as "European" instead of "global" activity (Tardy 2014: p. 1–4).

The “China factor”: opportunities and risks for CSDP

Since the beginning of Xi Jinping's term as state president in 2013, China has undergone a slow but continuous evolution into political, economic and military power beyond its own geographical neighbourhood (Joyce 2018: p. 1–2). The latest *Defense White Paper* that China had published as recently in July 2019 (see: *China's National Defense...* 2019), the country presented its perspective and level of ambition in this regard. Of particularly relevance is the statement on its activities outside traditional Chinese sphere of influence in East Asia: „Overseas interests are a crucial part of China's national interests. One of the missions of China's armed forces is to effectively protect the security and legitimate rights and interests of overseas Chinese people, organizations and institutions.“ (*China's National Defense...* 2019: p. 14).

Western security and defence analysts have been highly sceptical regarding the “spin” of the White Paper, mostly criticising the China's self-perception as the non-provocative, self-protecting and reactive towards external actors, such as the US (Cordesman 2019; Blasko 2019; Lowsen 2019). Nevertheless, modernisation efforts of China's armed forces provide ample evidence to the increasing role that its military might play for foreign policy objective of protecting China's national interests overseas. The ambitions of China to become a global player is reflected firstly in the defence budget. According to IISS analysis, China's share of the total defence expenditures of Asian economies (these include countries like India, Japan, South Korea and Australia) amount close to 40%. Eventual outcome of these expenditures is China's increasing self-reliance thanks to an advancing domestic defence-technology industrial base. Second, in terms of military capabilities, the organisational reform and modernisation of the PLA was announced and started in the end of 2015. Joint support and logistics as well as space and maritime assets received special attention. In 2017, China participated in multiple multilateral formats, with the noteworthy first participation in a maritime exercise with Russia in the Baltic Sea (International Institute for Security Studies 2018: p. 222–232). Beside national military reform and the participation in multinational exercises, China's PLA already underwent “trial by fire” live action in three key events: (1) the 2009 deployment of naval assets in the Gulf of Aden in order to conduct anti-piracy operations off the coast of Somalia, (2) the 2011 mass evacuation of Chinese citizens from Libya and (3) increased troop contributions to UN peacekeeping, including combat troops since 2014 (Parello-Plesner, Duchâtel 2015: p. 54–60, 107–121).

While historically rather reluctant to participation in UN peacekeeping missions abroad, China gradually adopted a foreign policy change to more active participation after economic reforms by Deng Xiaoping, which increased China's dependency on external markets, and political isolation due to the violent suppression of the 1989 Tiananmen Square protests, which had put the Chinese government in political isolation. In addition to that, China's economic model, eventually making it the “workbench of the world”, also increased the demand for natural resources not available in China. In this sense, international stability proved to be of vital interest to China. Since 2013,

China began to support UN peacekeeping more actively by sending military engineers to the UN mission in Mali or combat troops to UNMISS in South Sudan. In 2017, the PRC reported 8000 personnel for the UN peacekeeping standby force, including a detachment of 800 soldiers to the UN rapid response ("Vanguard") brigade (Institute for Security&Development Policy 2018: p. 1-4, 6-7). Moving forward to today, as of 31 August 2019, China was the 12th largest troop and police contributor to UN peacekeeping. With more than 2500 personnel, the country is present in eight UN peacekeeping missions (United Nations Peacekeeping W/WW).

In a further move in its new foreign policy, China opened its first overseas naval base in Djibouti in 2017. Located alongside the probably busiest maritime shipping route connecting Red Sea with the Gulf of Aden, the base provides China with a strategic asset, where it can quickly deploy People's Liberation Army Navy (PLAN) warships to nearby theatres of operation, such as the Horn of Africa, the Gulf of Oman or the Mediterranean Sea, while also enabling operations in Africa and the Middle East. The mission portfolio encompasses activities such as anti-piracy duties as well as intelligence collection, non-combat evacuation operations, peacekeeping operation support, and counterterrorism (Headley 2018).

Presence of the PLAN did not go unnoticed, as there have been incidences of both, cooperation and competition. China's desire to influence political conditions in the region and beyond by increasing its presence (not only economic, but also military one) introduces a competing power toward US ambitions as well as an alternative security provider for countries in Africa (Damon, Swails 2019). Beyond the political game, several physical stand-offs between China and the US have apparently already occurred in the near past as well. In 2018, the US issued a formal complaint to the PRC regarding usage of military-grade laser weapons against US military aircraft nearby Djibouti. The Chinese government has so far denied its involvement in the incidents (Ali 2018).

On the bright side, China acted also as cooperation partner in the same year, e.g. by conducting a joint exercise between PLAN and the EU Naval Force (EU NAVFOR) Atalanta. Despite positive referrals in the media, the actual operational value of this exercise should not be overestimated (Stanley-Lockman 2018). Largely unnoted, the German-Chinese joint exercise *Combined Aid 2019*, brought medical units of the Armed Forces from both countries together to conduct training on handling mass casualties and pandemic outbreaks. Chinese commentators underlined the importance for China to cooperate also with other internationally active countries, like Germany, while hoping for further European autonomy. Western voices were critical of exactly this last argument, fearing that those efforts might lead to more disunity in the Transatlantic relationship and weakening of a consolidated Western response to China, e.g. via NATO (Pickrell 2019).

It is indeed a strong and valid argument, that China would be glad, if improvements of European autonomy, particularly in defence matters, would lead to a decoupling from the US (Harold 2018: p. 1-12). However, it is up to EU Member States that are also members of NATO to ensure that European activities leading to more autonomous action by the Union do not harm the Transatlantic bond.

Perceptions of the US and other key regional actors, such as Japan, South Korea and India amongst other like-minded countries definitely matter. Having already presented the US perspective in the introduction in this article, it is no surprise that US armed forces have increased their power projection in the region. Further regional partners, such as South Korea, Japan and Australia amongst other countries located nearby the South East Asian Sea, sought US defence cooperation while the US also considers further increased troop deployments in order to balance China in the region (*US and 10 ASEAN navies...* 2019; Johnson 2019). In another example of third state interaction with China, India has been confronted directly by an increased presence of the PLAN in the Indian Ocean and indirectly through intensified defence cooperation between China and India's neighbours, including its long-time rival Pakistan (Zheng 2017). While such inter-state struggle for power and dominance in the Indo-Pacific is not part of CSDP framework, cooperation with China in whichever format is certainly scrutinised, particularly in case of maritime affairs. And just the other way, the EU should thoroughly analyse cooperation and competition between China and a third state in order to adapt its strategy towards China as well (Zhu 2015: p. 201–215).

Recommendations for CSDP and conclusion

Following the analysis of EU CSDP and China along the conceptual outline of "cooperation" as presented in the respective subchapter, this conclusion provides the synthesis of the research conducted in this article. In line with the EU's dual stance on China in international affairs, recalling that China is a cooperation partner and a competitor for the EU at the same time and depending on the policy sector, the results are compiled according to a cooperation and competition 'strand'.

Beginning with cooperation, three recommendations have been identified:

1) Identify means of integrating China into civilian CSDP missions.

As a trust-building measure, the presence of Chinese personnel in civilian CSDP could provide the EU and China the opportunity to develop a common understanding about the value of civilian crisis management. Subsequently, the EU would also have a chance to integrate China in a Western (European) framework, thereby overcoming the argument of Western bloc-building/counter-balancing China's rise as a global power. Since participation of a third state in CSDP, regardless if it is military and civilian, requires some legal framework, China also needs to accept codes of conduct and limitations, such as acceptance of not being the exclusive partner. From a practical perspective, the EU would have an additional contributor to its still under-resourced civilian CSDP.

2) Create a framework for the conduct of a selective joint maritime security cooperation.

Cooperation with the PLAN is a two-edged sword, as Matthew Joyce pointed out. Lessons learned from naval exercises, e.g. anti-mine warfare, could be used by China against competing powers in East and Southeast Asia (Joyce 2018: p. 3–6).

But despite the criticism about cooperation in maritime affairs, due to China gaining access to advanced tactics or even technology, the common understanding that the

so-called global commons, such as freedom of the seas, needs to be ensured by willing maritime actors. Where EU and China interest correspond, cooperation does not only serve as a trust-building measure, but does also provide cost reduction opportunities, if the burden is shared appropriately.

3) Identify formats to deconflict potential clashes of interest, e.g. by establishing contacts with counterparts in the Chinese Command & Control structures and conduct staff-to-staff contacts at MPCC/CPCC/Operational HQ and Field Office HQ-level.

This recommendation refers to a practical challenge in the actual implementation of CSDP missions and operations. Beyond political contacts between the EU, the EU Member States, and China, a direct link between the "boots on the ground" is required in order to avoid misunderstandings by shortening communication links. While the EU has developed different options of how to command and control a mission or operation, all such EU structures must be able to quickly communicate sudden events, particularly in case that EU or China rapid reaction forces conduct operations in the same area.

Against the positive backdrop of opportunities of EU–China cooperation in CSD, there are three recommendations that underline the interpretation of China as a strategic competitor. It needs to be particularly highlighted that two of the recommendations are rather inward-looking, i.e. ways of identifying a unified European response to China in CSDP rather than outward-looking "balance of power":

1) Conduct in-depth analysis of China's increasing civil-military presence in theatres where CSDP missions and operations are conducted, and establish European Code of Conduct regarding PLA interaction.

EU Member States should task the European institutions, such as EEAS, to provide regular analysis of China's political, economic, and military impact on countries and regions, where CSDP missions and operations are conducted (Africa, Middle East, Non-EU Eastern Europe, incl. Balkans). Subsequently, such analyses open to all EU Member States offer a comprehensive perspective on the situation 'on the ground' to those Member States that do not have the financial or personal capacity to gain this information.

In addition, some form of European Code of Conduct regarding with PLA forces would also considerably contribute to a more unified approach, as this would also add transparency towards third states that might be concerned by EU staff and forces cooperating or even exercising with China's military (Joyce 2018: p. 4–6).

2) Limit military cooperation with China to multinational formats, e.g. UN peacekeeping.

As a strong gesture of unity, the EU could establish not only a Code of Conduct on interaction with the PLA in CSDP areas, but also agree to completely multilateralising its military contacts with China. This would mean that exercises such as the one between EUNAVFOR Med and the PLAN would be restricted to ensuring UN legal frameworks in the global commons, such as the high seas, and bilateral exercises, like for example the German-Chinese medical exercise, would completely cease. While this recommendation might be rather far-reaching in its political connotation, a compromise could be found, if all EU Member States agree to work towards that goal, while committing themselves to conduct prior consultations with each other and potentially impacted third states.

- 3) Coordinate and cooperate with other regional partners in CSDP, e.g. US and other regional Indo-Pacific powers.

Having presented the importance of perceptions in foreign policy, the EU should seek close coordination and consultation with like-minded partners in order to demonstrate impartiality, when it comes to integrating the third states to CSDP. Being aware of the different geopolitical factors, not all third states might be recommended to be military contributors. Subsequently, if there is a risk, mitigation measures should be identified and implemented. This recommendation, when adopted, would make CSDP from crisis management tool of today to external partnership framework for international crisis management in the future. Just as the recommendation to limit military cooperation with China, this extension of CSDP's role could be an aim to be worked towards.

While the six recommendations, as presented in this article, are not exhaustive by far, each one requires further analysis for implementation. This research has proven the author's thesis that the EU as a whole has currently no consistent policy approach to China in CSDP. Activities between China's PLA and armed forces of EU Member States have so far been limited to bilateral contacts, limited multinational exercises or cooperation in an UN peacekeeping context. With the six recommendations, the article provided options for cooperative and competitive CSDP-related policies for China in CSDP. In coherence with the EU-China Strategic Outlook, the balance of cooperative and competitive suggestions could be adjusted by EU policy-makers, depending on e.g. the political context of a specific geographic area of interest, the availability of alternative partners for the EU, etc.

In any case, there is one general recommendation that can be made for the case of EU CSDP and China. An assertive Chinese foreign policy that uses the full spectrum of tools, such as diplomatic, political, economic means as well as military capabilities, will impact the regions, in which CSDP missions and operations are conducted – both positively and negatively. For the EU as a whole, ignoring these developments or demonstrating disunity in face of such challenges should, therefore, not be an option.

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nieniem wyzwań w zakresie bezpieczeństwa na świecie, integracji europejskiej obrony, ekonomii obrony oraz euroatlantyckiej współpracy w dziedzinie obronności.

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Legal and political hybridity of the European Union – genetically modified organisms' case

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Abstract

The European Union can be described as a particular hybrid integration structure that combines features of a state and intergovernmental organisation. Its institutional framework, legal system and division of competences are examples of a supranational organisation or a transnational decision-making system. The decision-making process is an outcome of network interactions between multiple actors, whose relations are non-hierarchically ordered. Genetically modified organisms (GMO) as an example of modern biotechnology application is a highly polarising subject in the EU, as well as globally. Thus, the policy towards GMO is an exemplification of legal and political hybridity of the EU. The analysis of the EU's legal and political hybridity will be narrowed down to the GM plants case and methodologically organised around the concept of decision-making analysis that is composed of five categories: decision-making situation, actors, decision-making process, decision, implementation of the decision.

Keywords: European Union, legal and political hybridity, decision-making analysis, decision-making process, genetically modified organisms (GMO)

Prawna i polityczna hybrydowość Unii Europejskiej na przykładzie prawa dotyczącego organizmów genetycznie zmodyfikowanych

Streszczenie

Unię Europejską można opisać jako szczególną hybrydową strukturę integracyjną, która łączy w sobie cechy państwa i organizacji międzyrządowej. Jej ramy instytucjonalne, system prawny i podział kompetencji są przykładami organizacji ponadnarodowej lub ponadnarodowego systemu decyzyjnego. Proces decyzyjny jest wynikiem interakcji sieciowych pomiędzy wieloma podmiotami, których relacje są niehierarchicznie uporządkowane. Organizmy zmodyfikowane genetycznie (GMO) jako przykład zastosowania nowoczesnej biotechnologii są tematem wysoce polaryzującym w UE, jak i na świecie. Tym samym polityka wobec GMO jest przykładem prawnej i politycznej hybrydowości UE. Analiza prawnej i politycznej hybrydowości UE zostanie zawężona do przypadku roślin zmodyfikowanych genetycznie i metodologicznie zorganizowana wokół koncepcji analizy decyzyjnej, która składa się z pięciu kategorii: sytuacja decyzyjna, podmioty, proces decyzyjny, decyzja, wdrożenie decyzji.

Słowa kluczowe: Unia Europejska, hybrydowość prawna i polityczna, analiza decyzyjna, proces decyzyjny w UE, organizmy genetycznie zmodyfikowane (GMO).

The aim of this article is to analyse the phenomenon of the political and legal hybridity of the EU as exemplified by the Community regime in the area of agrobiotechnology. The focus is on the multi-level management system of GMO usage for the purpose of food or feed, or their production, and release of GMO into the natural environment. Narrowing the analysis down to GMO is not accidental. This example makes it possible to show how a complicated management model we are dealing with and how it is changing under the influence of factors coming from inside and outside the system.

Approaching the EU as a transnational decision-making system, the analysis will be ordered according to the categories of the decision analysis. Using the categories of the political decision theory according to Z. J. Pietraś (2000), the analysis will concern a decision-making situation, decision-making centre, decision-making process, political decision, and decision implementation. A decision-making situation – understood in the objective sense as a political reality, and in the subjective meaning as a problem (challenge) faced by a decision-making centre and demanding a solution (Pietraś 2000: p. 46) – has been presented below. Another step is a discussion about the EU hybridity phenomenon on the basis of the other four criteria of the decision analysis.

Decision-making situation

The European Union (EU) is an example of an international organisation that combines features of a supranational and intergovernmental institution, as well as a transnational decision-making system, whose integral component is hybridity manifested in many aspects of the EU functioning and consisting in simultaneous occurrence of features of a state and an intergovernmental organisation (Pietraś 2000). In each international organisation, the advancement level of the integration processes depends on intentions of its Member States, which decide, what part of their autonomy they wish to transfer to the organisation's level. The division of competences between the EU and its Member States has been specified in the EU founding treaties and amendments. Beginning from the Maastricht Treaty (1992), a hybrid constitutional regime has been developing in the EU. It comprises the supranational regime in the area of the EU internal market management and the intergovernmental regime pertaining to the common foreign and security policy and to the policies connected with internal security. This constitutional dualism was maintained by the Lisbon Treaty (Fabbrini 2016: p. 11). The sector policies of the supranational character are those pursued on the basis of the uniform legal norms developed during the supranational decision-making process, and their execution is entrusted to the supranational institutions, which monitor how the EU legal regulations are implemented in the EU Member States. These policies comprise the ones belonging to the exclusive competence of the EU (Article 3 (1, 2) of the Treaty on the Functioning of the European Union – TFEU), but also the policies referring to the competence shared

between the EU and the Member States (Article 4 (1) of the TFEU) (Blanke, Böttner 2016: p. 244). A separate category comprises the policies classified under the intergovernmental regulatory regime, characterised by the dominant role of the Member States in their governance process and the activity of the supranational institutions to support, coordinate or supplement the states' actions (Article 6 of the TFEU) (Wouters et al. 2014: p. 197). Moreover, it is worth mentioning that hybridity can also be a feature occurring within a specific sector policy as a consequence of mixing the tools of "hard" and "soft" law.

The EU hybridity is manifested in mixing of contradictory trends, e.g. aimed at deeper European integration and, thus, expansion of the regulatory capacity of supranational institutions and the simultaneous intent of the Member States to keep control over the actions of supranational institutions, to maintain the national independence and autonomy. The law of the European Union is a separate and specific legal order, functioning in parallel with the law of the Member States, different from the public and private international law. As observed by P. Tosiek, the EU law is a bonding institution, connecting on the supranational level various entities participating in the decision-making process within the EU, which makes this legal system stronger than international law and demanding compliance from the Member States (Tosiek 2016: p. 130). Delegating some of their competences to the EU level, the states participate in a process defined by C. Scott as a creation of post-regulatory state, which transfers its legislative powers to the newly established and growing transnational regimes or transnational regulatory regimes, being a hybrid of administrative and legislative structures, and agrees to restrictions on its veto right (Chowdhury, Wessel 2012: p. 337). Not only Member States but also their citizens are subject of the EU legal regulations. The EU law is based on the primacy rule and direct effect principle. However, after D. Braun, we can point to the hybrid character of the EU legal system also here, as well as to the coexistence of the intergovernmental logic (*representation without bargaining*), that is enactment of legal acts, which require transposition to the domestic law, and supranational logic (*representation within bargaining*), that is activity of the EU institutions issuing legal acts or judicial decisions (in the case of the Court of Justice of the European Union) having a direct effect in the Member States (Ruszkowski 2010: p. 220). As it has already been mentioned, the EU law is the law of the Member States and the effort connected with implementation of the EU regulations to national legal systems is expended by the state administration. Simultaneously, apart from the legal regulations classified as the "hard law," there are also various acts of the "soft law" character issued in the EU, such as recommendations, opinions, guidelines etc. (Ruszkowski 2010: p. 223).

The hybrid character of the EU is also manifested in the institutional system and the decision-making process, which comprises several governance levels. In the political and legal dimensions, the European Union is the arena, where the two ideas are clashing. The first one is based on the principle of the Member States' sovereignty, and the second one consists in the advancing process of extending the influence and centralisation of supranational administration. Nevertheless, the latter trend does not indicate that the EU intends to become a super-state, but it rather confirms the fusion-based character of the organisation, which is called a *non-state-like polity* by E. Heidbreder (2013: p. 136).

The EU institutional system consists of the supranational institutions (the European Commission, the European Parliament, the Court of Justice of the European Union, the European Court of Auditors, the European Central Bank) and the intergovernmental institutions (the Council and the European Council). In accordance with the general principle, the supranational institutions represent the Community's interests, whereas the intergovernmental institutions consist of the Member States' representatives who advance the national interests. Apart from the above-mentioned entities, many other stakeholders, active on various governance levels, participate in the process of enactment and implementation of the EU law. The European Union is frequently presented as a multi-level governance system, a polycentric governance system, a multi-level regulation system, or – as defined by N. Chowdhury and R. A. Wessel (2012) – “new architecture of experimental governance.”

As a multi-level governance system, the European Union is an organisation with at least two governance levels (usually more) in the vertical dimension; the relations between the stakeholders of the decision-making process have a non-hierarchical character; competence is distributed and delegated (primary and secondary delegation); as a result of the spillover effect the communitisation of one area enforces the same process in other overlapping areas, which reduces the national autonomy sphere; mixing of the supranational and intergovernmental entities, as well as the supranational and intergovernmental decision-making ways etc., leads to the formation of fuzzy sets, which constitute a new value and a category between the supranational and the intergovernmental. In particular policies it is possible to indicate the simultaneous use of various governance methods by a decision-making centre, e.g. the community method or the open method of coordination, various manners of taking decisions (majority vote in most cases, unanimity, consensus), “agencification”, which means the increasingly popular delegation of the decision powers to Community agencies and their active participation in the decision-making process (Tosiek 2016: p. 151–160).

Despite the expanding scope of the supranational regime, the states still exercise effective supervision of the EU governance processes, for instance by exerting control over the entities whose members are international officers (the European Commission) in the comitology procedure by committees consisting of the Member States' representatives (Tosiek 2016: p. 161).

The technological development, exemplified by the advancement in modern biotechnology, is an interesting case how a new political and regulatory area is formed. Biotechnological innovations, such as genetically modified organisms (GMO), are widely used in various sectors of economy. However, the greatest controversy among the general public in the EU is aroused by the use of GMO as food or in the production of food and feed, as well as the release of GMO into the natural environment. Therefore, the article focuses solely on GMO as a product of modern agrobiotechnology, especially on transgenic plants.

The acreage of genetically modified crops in the EU states is limited and accounted for over 131 000 ha in 2017. Since 2000, the European Commission approved for cultiva-

tion only two varieties of transgenic plants: MON 810 corn and Amflora potato. Currently, the above-mentioned acreage comprises only MON 810 corn cultivation in Spain and Portugal. Along with the limited area and the restricted variety of plants, the number of states with transgenic plant cultivation is decreasing year by year (James 2012).¹ Czech and Slovak farmers stopped GMO farming in 2017, as they encountered serious problems with selling their crops. Currently, the register of transgenic plants approved as food and feed or for their production contains more than 60 varieties, mostly corn, cotton, oilseed rape, sugar beet and soy. It should be mentioned that these plants are not intended to be grown within the EU territory (ISAAA 2017). The negative attitude to GMO in the EU results from a number of factors, both exogenous and endogenous. Since the mid-1980s the European Communities have aimed at development of coherent norms regulating the technological progress and innovation, which has been motivated by the intention to create favourable conditions for the European companies competing with their counterparts from Japan or USA. One of the internal factors was the awareness of the European institutions that only the supranational regulation makes it possible to avoid atomisation of legal norms and creation of separate national regulatory systems, which would jeopardise the operation of the single market. In the 1990s, in some Member States the centre-left wing coalition governments were formed, presenting a sceptical attitude towards the development of agrobiotechnology, particularly GMO. As a result, four states announced moratoria on the release of new GMO varieties into the environment. Another internal factor is a crisis of public trust in the EU regulatory institutions, scientific circles and governments of Member States, as well as undermined effectiveness of legal regulations pertaining to risk management in food chain and food safety, which is a consequence of serious crises, including BSE epidemics in Great Britain, Germany and Belgium (Burns 2012: p. 349–352).

The legitimisation crisis, as well as significant politicisation of issues related to the development of modern agrobiotechnology, GMO popularisation and the operation of the green biotechnology product market in the EU, became the immanent feature of the Community legal regime in agrobiotechnology, developed since the beginning of the 1990s. A considerable challenge, both for the states and the supranational institutions, was to create a management model, which would be coherent in the vertical and horizontal aspects, due to the multi-sector character of agrobiotechnology, overlapping and frequent inseparability of issues, which were present in parallel in various sector policies (e.g. agriculture, environmental protection, research and development, industry, public health, consumer protection, trade, intellectual protection or competition policy), as well as a need for horizontal coordination of the policy, in which many different stakeholders were involved: public and private, from the subnational, national, transnational, supranational and supra-supranational levels. On the one hand, it was obvious that such complicated issues required unification of standards and harmonisation of laws, which could occur only in the supranational decision-making process. On the other hand, the

¹ For comparison, in 2012 GM plants were grown in Spain, Portugal, Czech Republic, Romania and Slovakia (see: James 2012).

interest of the general public, who questioned the legitimacy of GMO popularisation and doubted its safety, caused exceptional activity and involvement of Member States' governments whose representatives, in fear of electorate loss, abandoned the logic of Community interest to the benefit of particular national interests, or rather fulfilment of voters' expectations (Kritikos 2017: p. 2–4).

It was necessary to satisfy – certainly right – demands for establishment of an effective risk management system, which would cover the whole internal market of the EU and form a multi-level network of communicating vessels, defined by the European Commission as the “from farm to fork” system, but at the same time to introduce such regulations, which would not lead to hampering of the scientific and technological progress and loss of competitiveness of the European agrobiotechnology sector on the global market (Dederer 2016: p. 146).

Decision-making centre (decision makers)

The EU decision-making system can be defined as a transnational decision-making centre based on the principle of transferring a specified and equal part of sovereignty on an international organisation by each state participating in the integration process. Moreover, the EU can be described as a hybrid decision-making centre as it combines the features of an international and national centre, being neither a typical super-state, nor a standard intergovernmental organisation. In accordance with the system approach, the EU – as a transnational decision-making system – consists of subsystems, which perform a more or less active role in the decision-making process, depending on the integration area. This is also the case of the agrobiotechnological regime, in which (apart from the entities participating in the decision-making process and in the implementation phase of a political decision) defined in treaties and particularly in secondary legislation, it is possible to enumerate many other stakeholders having a direct or indirect impact on the operation of a decision-making centre, political decision and its implementation or lack of it. The agrobiotechnological regime is predominantly an area of competence shared between the EU and the Member States, hence it could be claimed that we are dealing here with a polycentric management model (McGinnis 2006) involving supranational, national and regional actors, which is especially pronounced as a consequence of the amendments to the EU law in the recent years. In this particular case we should not disregard the societies of particular Member States, which participate in the decision-making process indirectly by means of public consultations, but their opinions are taken into consideration by the Council.

Appropriate definition of a decision-making centre of the EU agrobiotechnological regime is a difficult task due to the number and diversity of entities participating in the decision-making circles. Moreover, this is a challenge in connection with the occurrence of such phenomena as: primary and secondary delegation of competence, functional and non-hierarchical dispersion of competence, lack of hierarchy in the relations between particular entities (one institution can fulfil the role of the principal, agent or super-

visor, based on the notions introduced by the PAT: principal-agent theory, or its variation – PSA: principal-supervisor-agent theory) (Delreux, Adriaensen 2017: p. 1–34), functional dispersion of executive powers, activity of entities lacking legislative powers within the regulatory space, emergence of new management forms and new actors along with them, e.g. management by experts, dispersion of governance processes onto public and private entities, which leads to the formation of so-called fuzzy sets and actors operating between management levels (e.g. supranational, national and subnational).

The division into the decision-making circles suggested by Z. J. Pietraś, in a version modified and adjusted to the specific features of the EU functioning, can be used to identify the subject-related scope of a decision-making centre. In accordance with the hierarchical stratification, we should distinguish the *supranational circle* comprising such treaty-based institutions as the European Commission, the European Parliament, the Court of Justice of the European Union, the European Court of Auditors and decentralised agencies, e.g. the European Food Safety Authority (EFSA), as well as executive agencies of the European Commission e.g. the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA). On the other hand, the *national circle* consists of 28 Member States with the government administration representing them. The *subnational circle* comprises regional and local authorities and any other cooperation forms, e.g. non-governmental organisations, lobbyists, regional and local business associations, which also advance the interests of their regions or local communities. The hierarchical stratification is complemented with dispersal stratification, which consists of two circles. The first one is the *intergovernmental circle*. In the discussed case it is represented primarily by the Council and comitology committees. The other is the *transnational circle* comprising non-state entities, including international enterprises, interest groups, professional social movements and trade organisations (Ruszkowski 2013: p. 19–60).

As emphasised by Z. J. Pietraś (2000), a decision-making centre is subject to the processes of professionalisation on the one hand and politicisation on the other hand. The former type of influence is characterised by the increased role of experts, lower involvement of civil society – described as the permissive consensus – and technocratisation of the decision-making process. The dominance of the latter process entails intensified activeness and role of politicians and the decreased role of experts. The EU policy in the area of agrobiotechnology, or specifically the use of GMO, is a hybrid of both types of influence. Similarly as in many other areas, where transaction costs are high, which is connected e.g. with a need to acquire specialist scientific and technical knowledge, it is possible to notice a tendency towards delegation of governance powers and their centralisation in the hands of a specially prepared institution. At the same time, the EU policy towards GMO use is strongly politicised, as a result of much higher interest of the general public contesting the legitimacy of GMO promotion in the EU. In these policy areas, where a conflict of values occurs, the space for technocratic management, based on expert knowledge, is shrinking to the benefit of political and civic deliberations, and the activity of the Member States and intergovernmental institutions representing them is growing (Blanke, Böttner 2016: p. 250).

The supranational circle of the decision-making centre of the political and legal GMO management system in the EU comprises primarily the European Commission as an institution with the legislative initiative rights and broad executive powers e.g. in the procedure of new GMO varieties registration (comitology procedure). Moreover, the European Commission supervises the progress of the EU law implementation and execution by the Member States and is entitled to lodge complaints with the Court of Justice of the European Union. The EU policy towards GMO is managed by the Directorate General for Health and Food Safety. Furthermore, the Commission is supported by the CHAFEA whose tasks include: implementation of coordination mechanisms for effective spending of EU funds, support for coherent implementation of the EU law in all the Member States, and supervision of the European training programmes aimed at promotion of knowledge about food quality standards. The Agency cooperates with General Directorates of the European Commission, as well as with many other entities from various EU management levels (Consumers, Health, Agriculture and Food Executive Agency 2020).

The other agency strictly associated with and being a part of the Community bureaucracy of the supranational range is the European Food Safety Authority (EFSA). This is a decentralised agency, established pursuant to the Regulation (EC) No 178/2002 of the European Parliament and the Council, the so-called *General Food Law*. In accordance with the PAT concept, Community agencies should contribute to the "functional decentralisation of tasks", owing to which it is possible to relieve such institutions as the Commission of a considerable part of duties and to provide impartial and evidence-based knowledge necessary in the law enactment process (Egeberg, Trondal 2017: p. 677–678). Some agencies originate from transnational networks of national agencies, other from supranational structures, such as advisory committees (Boeger, Corkin 2017: p. 976). The EFSA was established as the EU reaction to food crises (the outbreak of a scandal over BSE infections and dioxins), with a view to restoring trust in representatives of science and political decision-makers. The Agency's structure includes the GMO Panel. First and foremost, the EFSA cooperates closely with the European Commission, providing it with substantive knowledge necessary in the registration procedure of new GMO varieties, assessment and management of risk connected with GMO release into the environment, or giving advice to the Commission at the stage of drafting legal acts. In a situation, when draft legal acts largely concern technical issues, we can even talk about the role reversal and the Commission fulfilling the function of an authority rubber-stamping the draft prepared by the EFSA (Egeberg, Trondal 2017: p. 682). In addition, an element distinguishing EFSA among other agencies and testifying to its supranational character is the composition of the Agency's management board. As a rule, the Council, as an intergovernmental institution, tries to influence agencies' operations through representatives of the Member States sitting in the agencies' management boards. The exception is EFSA whose structure is primarily supposed to reflect the highest possible level of expert knowledge, and membership of the management board (14 places) has a rotational character (Saurer 2011). Both the growing number of Community agencies and their increasing significance in the decision-making process testifies to the supranationalisation of executive powers,

which (still belonging formally to the Commission) are exercised in practice by decentralised or executive agencies.

Detailed regulations concerning GMO release into the environment or its use as food or feed, stipulate that the European Commission, on its own initiative or at the motion of the European Parliament, the Council or a Member State, consults the European Group on Ethics in Science and New Technologies, which is appointed by the European Commission and its members are independent in their opinions (see: European Commission 2016a). While working on draft legal acts and exercising its executive powers, the European Commission is supported by expert groups formed on the initiative of the European Commission or its internal entities. Members of these groups are experts in a given area, representing both public and private sectors (see: European Commission 2016b), e.g. the Advisory Group on the Food Chain and Animal and Plant Health. Apart from the EFSA, the Commission consults the Scientific Committee on Health, Environmental and Emerging Risks (SCHEER) about the issues not connected with food.

Another institution belonging to the supranational circle is the European Parliament whose function in the legal and political system in the area of GMO management in the EU is performed through an ordinary legislative procedure and fulfilment of the co-legislator's role together with the Council. As one of the legislative institutions, the Parliament co-enacts law through issuing directives and regulations.

It is also worth mentioning the European Court of Auditors, which does not have any specific powers related to the discussed area, but those based on the general rules, defined in primary law regulations, similarly as in the case of other sector policies (TFEU: art. 285–287).

Furthermore, the circle of the supranational decision-making centre includes the Court of Justice of the European Union, which in the analysed case resolves complaints lodged by the European Commission against the Member States, which infringe EU laws, as well as entrepreneurs' complaints, answers prejudicial questions posed by national courts and settles disputes (Poli 2013: p.147–149).

The circle of the national decision-making centre consists of government administration representatives from 28 Member States and relevant public administration authorities whose competence includes specific actions connected with GMO management in a given state. Another circle comprises regional and local actors. Similarly as states, regions also become increasingly significant, which is associated with the process of renationalisation of competence with respect to enactment of law pertaining to GMO in the EU, introduced by the provisions of Directive (EU) 2015/412. The new regulation extended the list of reasons, on the basis of which a Member State or a region can apply for establishment of a GMO-free zone in its territory. Moreover, the new regulation has accelerated the development of such initiatives as the European GMO-Free Regions Network, which gathers 64 regions from various Member States (see: Tosun, Shikano 2016; European GMO-Free Regions Network W/W). This circle includes also other entities operating at the local or regional levels and supporting interests of these micro-communities. Non-governmental organisations and individual entrepreneurs also have

an influence on the shape of the decision-making process at the supranational level, because the directives and regulations concerning GMO provide for social consultations as a stage in the decision-making process. What is equally significant, both in the case of the procedure of obtaining a permit for trading, using or processing transgenic food or feed, and applying for a permit to release GMO into the environment, the applicant is a natural or legal person. Therefore, these entities should also be included in the circle of a subject-related decision-making centre.

The intergovernmental circle comprises the representatives of the Member States sitting in the Council and the Committee of Permanent Representatives COREPER, because the Council, along with the European Parliament, has law-making competence that is exercised through an ordinary legislative procedure. Moreover, this circle comprises also comitology committees, specifically the Standing Committee on Plants, Animals, Food and Feed (PAFF Committee) – the Section on Genetically Modified Food and Feed and Environmental Risk, and the Regulatory Committee (Directive 2001/18/EC).

The entities belonging to the transnational circle include: representatives of the biotechnological industry associated in the European technological platforms and cooperating with the European Commission through this formula, the European innovative partnerships, common technological initiatives, European business organisations, e.g. the European Association for Bioindustries (EuropaBio), or international non-governmental organisations, e.g. Greenpeace European Unit, Friends of the Earth Europe.

Decision-making process

The next category of the decision analysis is the decision-making process. The EU policy in the area of using genetically modified organisms or transgenic food and feed belongs to a group of shared competence, exercised by the EU institutions and Member States together. Basic legal acts are passed through an ordinary legislative procedure (TFEU: art. 289, 294).

In accordance with the Treaty provisions, the European Commission prepares a draft legal act or suggests amendments to the already binding provisions of the EU secondary law. At this stage, work goes on at the level of relevant internal structures of the European Commission, but the European Commission also consults and seeks opinions of experts and representatives of interest groups from the public and private sectors and the Member States themselves. The European Commission presents a draft legal act to the European Parliament and the Council, which jointly decide on accepting or rejecting the proposed regulation. Details and stages of an ordinary legislative procedure are specified in Article 294 of the TFEU. Provisions of directives and regulations are executed by the European Commission and the Member States. As a result of the decision of the European Parliament and the Council on granting the European Commission powers to issue executive acts, the committee procedure is applicable (TFEU: art. 291 sec. 3), based on the principle of the Member States' supervision of the European Commission's operation, through the Member States' representatives sitting in the comitology committees. Due

to the specific character and the purpose of applying comitology as a procedure used for enforcement of the existing EU laws, it will be discussed in more detail in the section devoted to implementation of political decisions. However, a reference will be made here to the Regulation (EU) No. 182/2011, which contains the legal basis of the committee procedure, and specifically to the amendments reforming the procedure, suggested by the Commission. This is an example of a decision-making process, in which the Commission initiates an amendment to an existing legal regulation, but we can also talk here about confrontation between the supranational and intergovernmental logic, where it is suggested that the latter ought to be reinforced. It should also be emphasised that one of the most important arguments, which prompted the Commission to take an action is the application of comitology in GMO-related areas.

In 2016 the European Commission initiated a debate on changes to comitology, as a result of negative experiences in using the committee procedure e.g. in such policies as GMO management, which is a consequence of controversy around this issue at the Member States' level. The reasons can also be sought in the specific character of the decision-making process at the supranational level, which lacks uniform coordination procedures, especially in these areas, where the objects of the regulation are multi-sector issues, which most frequently become the field of confrontation among sector priorities and interest of various entities (Kritikos 2018: p. 11).

The European Commission suggests four modifications to the procedure. Firstly, the voting rules in the final stage of the procedure ought to be changed (appeal committee), so that only "for" or "against" votes should be taken into account. Owing to this, it will be possible to limit the usage of abstention from voting, which – in the current version of the regulations – results in lack of a committee's opinion, and in consequence forces the European Commission to act (to issue executive regulations) without an explicit mandate from the Member States. Secondly, the European Commission proposes introduction of the second appeal to the appeal committee, which is supposed to consist of the Member States' representatives at the ministerial level, in a situation, when national experts are unable to issue an opinion during the first appeal phase. Thirdly, results of voting in the appeal committee should be made public, which would be a form of supervision of the national public over their representatives in the committee. In the fourth place, the European Commission calls for an increase in the intergovernmental component through a possibility to request an opinion from the Council, if the appeal committee is unable to issue it. Such solutions will enhance transparency of the decision-making process with the use of comitology and, most of all, will make the negotiation positions of particular states more visible to the public opinion and increase responsibility for the decisions taken (European Commission 2017a).

On the basis of an analysis of opinions expressed by stakeholders during the process of social consultations, which took place in February–April 2017 it can be concluded that the direction of changes was received with reserve or negatively. It may be affected by the fact that most opinions were given by the entities representing the agrobiotechnological business (10 opinions), and two by non-governmental organisations. Most of them are

critical opinions, which focus on the fact that the suggested changes can undermine the principle of certainty of the EU law, weaken the rule of scientific evidence as the basis for risk assessment of registered/non-registered GMO and undercut the principle of harmonisation of rules pertaining to the EU law execution. This is one of the most unconventional opinions: "In our opinion the proposal is – like the "Brexit" – a further step in the direction to abandon the ideas of a European Union. We strongly demand objective and science-based decisions on critical issues, we are not Trump-country. Therefore, as European citizens and scientists, we object", authored by a German NGO *Gesellschaft f. Pflanzenbiotechnologie* (see: European Commission 2017b).

Political decision

An effect of a decision-making process is the issue of a political decision, which is another category of the decision analysis. In the discussed case, we should mention, first of all: Directive 2001/18/EC, Regulation (EC) No. 1829/2003, Regulation (EC) No. 1830/2003, Directive (EU) 2015/412 and Regulation (EC) No. 178/2002. All the aforementioned documents are legally binding acts, with which the European legislator has created a multi-level GMO management system characterised by the co-existence of the intergovernmental and supranational logic components.

Decision implementation

The last phase, that is decision implementation, includes cooperation between Member States and the European Commission. As indicated above, the Commission fulfils obligations specified in relevant legal acts, by issuing executive regulations in the committee procedure. The Commission's participation in the phase of the EU law implementation is supposed to guarantee harmonisation of the ways, in which the EU legal norms are executed. Moreover, the Commission supports the Member States, fulfilling the coordinating and controlling role, e.g. through supervision of information exchange in the risk management system. Another active institution is the European Food Safety Authority, which evaluates risks associated with transgenic products in cooperation with its counterparts on the national level, whereas research is carried out by reference laboratories in the Member States. The applicants themselves (natural or legal persons) play an important role, as well, because they have a number of duties connected with execution of provisions contained in directives and regulations. An entity reporting a new GMO is obliged e.g. to evaluate product risk and enclose the results with the application. The analysis of Directive 2001/18/EC and Regulation (EC) No. 1829/2003 points to a multi-level system of the EU law implementation.

The amendments to the EU law with respect to the analysed issue, introduced since 2010, are another example of the hybrid character of this organisation, and specifically they constitute one of the few examples of de-Europeanisation or renationalisation of competence. As it has already been mentioned, the European legislator's intent was to

harmonize law and to formulate the uniform rules and procedures pertaining to GMO risk analysis and management, GMO farming or launch of GMO or transgenic food and feed onto the single market. With a view to achieving this goal, it was decided to introduce the supranational system of granting applications for new GMO admission, as well as evaluation and monitoring of GMO-associated risk. As an institution safeguarding the Community interests, the European Commission plays an active role, both as the author of draft legal acts of the general character, and as an entity issuing executive regulations in the committee procedure. The two legal acts (Directive 2001/18/EC and Regulation (EC) No. 1829/2003) provide the legal basis, which specifies the form of the GMO and transgenic food and feed management system in the EU and defines the roles of particular entities in the decision-making process and in the decision implementation phase.

Nevertheless, this decision-making model, optimal in theory and ensuring continuity and – most of all – harmonisation of new technology management systems, which is especially important for the proper functioning of the single European market, did not operate the way it was planned by its authors. It can be compared to a device operating on the basis of computer software, which in an exceptional situation, e.g. an error or a system fault, switches to the safe mode. The EU law in the area of GMO, transgenic food and feed management was implemented in the "safe mode" every time.

Both in Directive 2001/18/EC and in Regulation (EC) No. 1829/2003 the process of execution of the legal provisions contained therein is based on the committee procedure. In essence, the procedure itself is the exemplification of the EU hybrid character. Comitology is applied in these situations, when the European Commission is entrusted with executive powers, which is connected with the need to create "the uniform conditions for implementation of legally binding EU acts." The Commission is not completely autonomous in its actions due to the procedure of Member States' supervision how the Commission exercises its executive powers. Hence, it is an example of balancing and combining of the supranational and intergovernmental logic. The Member States use their supervisory powers through comitology committees consisting of their representatives. In the case of the committee procedure based on Directive 2001/18/EC this is the Regulatory Committee (Article 30), while in the Regulation (EC) No. 1829/2003 this is the Standing Committee on the Food Chain and Animal Health – its current name is the Standing Committee on Plants, Animals, Food and Feed (Article 35) and the appeal committee. In both legal acts, comitology is the basic decision-making procedure. However, analysing the process of the EU law implementation *sensu largo*, that is the process of political deliberation with the participation of numerous entities, and not considering it narrowly, only from the legal perspective, as an act of accepting a legal norm by a designated authority, we should remember that both Directive 2001/18/EC and Regulation (EC) No. 1829/2003 provide for the operation of other bodies and entities apart from the Commission. First of all, we should mention people and business entities applying for a permit to launch GMO or transgenic food or feed onto the market, relevant national authorities participating in the chain of verification of applications, risk analysis and control, cooperating in this area with the European Commission and the European Food Safety Authority, reference laboratories etc.

In both these regulatory packages, the committee procedure stipulates that, before enactment of an executive act, the European Commission seeks an opinion from a relevant committee, which takes a decision following a majority vote. The committee can back up the Commission's motion, reject it or not to give any opinion. As follows from the analysis of the voting results since the time the Regulation 1829/2003 came into effect, the PAFF Committee was able neither to back up the Commission's motion nor to reject it. In 2015 and 2016 the European Commission issued – without the Member States' mandate – 17 executive acts permitting the launch of e.g. GMO and other products and substances, equally controversial to the public opinion in the Member States, onto the EU market. Since 2004, that is from the time the ban on GMO farming was lifted in some EU regions or states, every voting within the committee procedure had a similar result. The only exceptions, which were admitted to the European market as a result of correctly performed comitology are: Amflora potato by BASF Crop Science for industrial use and MON 810 corn variety by Monsanto. As far as other 67 decisions are concerned, neither the Council (in the previous committee procedure formula), nor the appeal committee (in the currently binding procedure) achieved the qualified majority of votes required. It is also worth mentioning that the case of GMO and difficulties in reaching an agreement between the European Commission and representatives of states should be treated as a rare departure from a general rule that decisions are taken at the level of a reporting committee and are not transferred to an appeal committee. Due to the permanent lack of decision by states' representatives in committees, the decision-making process has been completely deprived of the intergovernmental component and has been taken over by the Commission's officials and the Community agencies (first of all EFSA) (Kritikos 2018: p. 180–183). As a result, the Commission's situation became uncomfortable, as – on the one hand – an institution, which (as it may seem) operates without political legitimisation of states, against views of some of them and ignoring the public opinion, and – on the other hand – as an organ, to which the states assigned the responsibility for taking politically unpopular decisions, that in fact is the states' duty. Therefore, we can talk here about a political non-decision. In a further stage of the procedure – when the European Commission requested the appeal committee to give an opinion – the scenario was similar every time, which led to a situation, when the Commission passed an executive act itself (see: European Commission 2015a).

It should be emphasised that an emerging tendency consisting in lack of decision at all levels of the comitology procedure is a significant deviation and is not a norm in other areas of Community policies.² This unusual situation led to legislative changes in the form of Directive (EU) 2015/412, which extends the scope of reasons for using the opt-out clause by the Member States and for introducing restrictions on GMO cultivation, or total/partial ban on GMO in their territories. Until that time it was possible to establish the

² According to the data of the European Commission, in 2015 out of a total number of 1726 opinions of comitology committees, 2 were negative and 36 voting sessions ended in failure to issue an opinion (2% of all cases). See: Commission Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 182/2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing power.

GMO-free areas only pursuant to an application based on scientific evidence confirming the risk connected with GMO cultivation/release to the environment.

The Member States, including: Austria, Hungary, Greece, Poland, France, Germany or Italy, unable to refer to the principle of change of circumstances and provide new scientific evidence to the Commission, confirming the risk associated with a given variety of GMO, argue that the basis for using the protective clause from Article 23 of Directive 2001/18/EC or emergency measures from Article 34 of the Regulation (EU) No. 1829/2003 is scientific uncertainty, which accompanies assessment of risk connected with new technological solutions. According to the governments of these states, this was a suitable basis for a lawful temporary restriction or a ban on using and/or selling a given GMO as a product or a product ingredient in their territories. Such an interpretation of the Directive provisions led to numerous cases of its execution with infringement of law. The justifications submitted by the states to the Commission were verified each time and evaluated by EFSA as not corroborated by the contemporary scientific knowledge. As a result of the actions taken by some states, including Poland, the Commission lodged complaints with the Court of Justice of the EU. On the basis of the arguments of the ethical and religious character, Poland introduced the legislation prohibiting free trade in sowing material of transgenic varieties and entry of GMOs into the national register of plant varieties. In the case of the Commission versus Poland, lodged with the Court of Justice in April 2008, the Commission claimed that Poland failed to comply with the obligations stemming from Directive 2001/18/EC. The decision of the Court in Case C-165/08 was unfavourable to Poland (see: Judgment of the Court 2009).

The provisions of Directive (EU) 2015/412 introduce a more flexible formula and a wider list of reasons that can be cited by the state or regional authorities wishing to prohibit transgenic plant cultivation. Restrictions or a ban on GMO cultivation on a part or the whole territory have to be compliant with the EU law, justified, proportional and non-discriminatory. This can refer to a GMO or GMO groups already approved on the basis of the provisions of Directive 2001/18/EC or Regulation (EC) No. 1829/2003 and those, for which a permit issue procedure is pending. The reasons for lodging an application include: goals of the environmental protection policy, landscape planning policy in urban and rural areas, land use, social and economic effects of cultivation, avoidance of GMO in other products, agricultural policy goals or reasons connected with the public policy (Article 26b).

According to the Commission's representatives, renationalisation of executive competence, introduced by this Directive, is aimed at enabling the Member States to decide, taking into account their domestic circumstances, not only social and political, but also geographical and biological determinants. At the same time, the rules of the procedure for issuing permits for cultivation of new GMO varieties have not been changed, similarly as the Community procedure of GMO risk analysis and control. In both cases, the decisive factor is scientific knowledge and verifiable results of research, on the basis of which the EFSA issues opinions.

Another stage of the legislative changes suggested by the European Commission is the introduction of a similar flexibility clause to the provisions of the Regulation (EC) No. 1829/2003. The Commission suggests that states should be able to decide about a re-

striction or a ban on using GMO and transgenic food/feed on a part or the whole of their territories. The restrictive measures can be adopted with respect to the food and feed already approved, hence the EU procedure of approving new products remains unchanged. It is equally important that suggested solution does not refer to transgenic products, which do not need to be labelled pursuant to the provisions of the Regulation (EC) No. 1829/2003; that is such products, in which a share of genetically modified material does not exceed 0.9% of a food or feed ingredient or if its presence is accidental or technically unavoidable (see: European Commission 2015b). A draft act amending the Regulation is currently debated in the European Parliament, where it is in the first reading phase.

The legal solutions proposed by the European Commission and reflected in Directive (EU) 2015/412 or the suggested amendments to the comitology procedure, still pending, are contrary to an opinion that the European Commission belongs to the category of institutions referred to as competence maximizer. Supporting the process of competence decentralisation and renationalisation in such a controversial area as the GMO launch on the single European market, the Commission rather applied a strategy of avoiding responsibility for socially unpopular decisions. The new regulations grant the Member States again the right to decide on GMO trade within their territories, but, what is more important, transfer responsibility for these decisions from supranational institutions onto state governments. A question arises about the scope and range of exercising the rights granted by Directive (EU) 2015/412 to the Member States, which will be largely dependent on profit and loss account (with respect to political, economic and social issues) carried out by the states.³ It should also be remembered that the states are free to choose how to transpose the Directive's regulations into the national laws. As a consequence, decisions about a restriction or a ban on GMO cultivation can be taken solely on the central level in some states, whereas in other countries the right to decide is granted also to the regional authorities. The states and their regions have an opportunity to decide *ex ante*, which consists in reporting an intention to restrict or prohibit cultivation of a specific GMO variety with respect to which the European application procedure has not begun yet. Another variant is to take such a decision *ex post*, which pertains to these GMO varieties, which have already undergone the application and registration process (Tosun, Hartung 2018: p. 804–807).

The situation can change with the introduction of the opt-out clause in the Regulation (EC) No. 1829/2003. Central or regional governments are hardly likely to decide on restricting or prohibiting trade in genetically modified feed, because this would have serious consequences for the animal breeding sector. Thus, the Member States will face a dilemma and will have to decide whether the economic interest or social interest is more important.

Conclusions

The aim of the article was to present the hybrid character of the European Union in the legal and political dimensions, as exemplified by the still evolving system of the

³ According to data of the European Commission, 19 states filed an application for restriction/ban on GMO cultivation in a part or the whole of their territories (see: European Commission 2018).

regulations pertaining to genetically modified organisms, especially transgenic plants. The analysis was carried out on the basis of the decision analysis category and divided into five parts: decision-making situation, decision-making centre, decision-making process, political decision, and decision implementation.

As a result of the analysis carried out, it has been confirmed that the European Union is an example of a hybrid international organisation, in which intergovernmental logic coexists with the supranational logic. This is visible in the specific features of the EU law, the institutional system and the division of powers between the EU and Member States. The EU is a special category of an international organisation in whose functioning and structure it is possible to find the elements typical for the traditional intergovernmental organisation, but also those, which can suggest an intention to transform it into a super-state (e.g. euro area management) or at least the dominance of the supranational governance component.

Nowadays, states and international organisations have to face a challenge of quickly advancing technological changes and of the legislative process always lagging behind. Thus, the selection of a regulatory regime concerning GMO as a case for analysis was not accidental. As it is known, each decision-making centre undertakes regulatory activity in response to a technological change, which constitutes an element of the process of adaptation to the changing reality. There are challenges connected with a need to confront the qualitatively new regulatory areas, the presence of an uncertainty factor, which accompanies innovation, as well as the attitude of public opinion – usually not having expert scientific knowledge – to advanced technological products. The European public opinion displays an ambiguous attitude to modern technology, from definite support for medical biotechnology to scepticism or hostility towards agricultural biotechnology, especially use of transgenic plants as food/for food production or as feed. This contributes to significant politicisation of the process of establishment of a legal regulation system in this area.

The decision-making centre is polycentric and comprises the entities representing intergovernmental logic (governments of the Member States, the Council, comitology committees), as well as supranational logic (Commission, European Parliament, the Court of Justice of the European Union, Community agencies). The image of a governance model in the discussed area is complemented by transnational level actors, e.g. enterprises, sector organisations and other interest groups. The hybridity of the decision-making process is connected with the treaty-based classification of sector policies in accordance with the competence division criterion. In this particular case this is the shared competence area, where the legislative powers are executed on a supranational level, in an ordinary law-making procedure, by the Council (intergovernmental component) with the European Parliament (supranational component, representation of citizens) at the request of the Commission (supranational component). Law implementation is another field, where the supranational logic (European Commission, Court of Justice of the EU) is combined with the intergovernmental logic (Member States with competent public administration bodies, comitology committees).

It should be emphasised that the EU hybridity – as exemplified by the GMO governance model – does not consist in balance between intergovernmental and supranational

components at all five levels of the decision-making system categories. On the contrary, the system undergoes continuous change under the influence of internal and external factors. Homeostasis of the system consists in balancing the intergovernmental and supranational logic competing with each other. On the one hand, the decision-making centre and process display features of professionalisation (management by experts, the Community procedure of GMO risk analysis and management based on scientific knowledge, technocratisation of the decision-making process), but on the other hand it is possible to observe their politicisation, as well (higher involvement of states in supervision of the decision-making process at the supranational level, comitology operating in the "safe mode", renationalisation of executive competence). The higher the dissent connected with the regulated issue, the more probable the dominance of intergovernmental logic and such phenomena as renationalisation or de-Europeanisation of competence. A question arises about the border, which sets out a critical moment of loss of homeostasis between the intergovernmental and supranational components. In this particular case, an indicator should be the calculation of transaction costs (including political accountability) for renationalisation of executive powers, which has already taken place on the basis of Directive (EU) 2015/412 and can be continued by amendment to the Regulation (EC) No. 1829/2003.

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HISTORY, CULTURE AND SOCIETY IN EUROPE

Gender equality influence on the economic development in the Baltic Sea Region

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Abstract

One of the most exposed value in an Age of Neoliberalism is a gender equality, which is an essential condition to achieve goals of economic growth, employment and social cohesion. The Baltic Sea Region (BSR) is a non-homogeneous region. When examining the economic situation of the region, the BSR countries are traditionally divided into two groups: (1) the high-income countries Finland, Sweden, Denmark, Norway, Germany and Iceland, which are called "old market economy countries", or "developed economies of the region"; (2) the middle- or low-income countries as Estonia, Latvia, Lithuania, Poland, and Russia. The latter are classified as post-socialist or transitional economies. The aim of the article is to analyse similarities and differences between those two groups of countries from 2006 to 2016 (ten years). The article compared gender gap using special tools as an economic participation, educational attainment and political empowerment.

Keywords: gender equality, economic development, the Baltic Sea Region.

Wpływ koncepcji równości płci na rozwój gospodarczy w regionie Morza Bałtyckiego

Streszczenie

Jedną z eksponowanych wartości w dobie neoliberalizmu jest równość płci, stanowiąca niezbędny warunek osiągnięcia celów wzrostu gospodarczego, zatrudnienia i spójności społecznej. Region Morza Bałtyckiego (BSR – od ang. *Baltic Sea Region*) jest regionem niejednorodnym. Badając sytuację gospodarczą regionu, państwa BSR tradycyjnie dzielą się na dwie grupy: (1) o wysokim dochodzie, wśród których możemy wymienić Finlandię, Szwecję, Danię, Norwegię, Niemcy, Islandię, oraz (2) takie, które posiadają średni dochód: Estonia, Łotwa, Litwa, Polska i Rosja. Te ostatnie są klasyfikowane jako gospodarki postsocjalistyczne lub przejściowe. Celem artykułu jest analiza podobieństw i różnic między tymi dwiema grupami państw w latach 2006–2016 (dziesięć lat).

W artykule porównano różnicę płci przy użyciu takich narzędzi, jak udział w życiu gospodarczym, osiągnięcia edukacyjne i wzmocnienie pozycji politycznej.

Słowa kluczowe: równość płci, rozwój gospodarczy, region Morza Bałtyckiego

The political and economic transformation, which took place in Central and Eastern Europe during the 80s and 90s of the 20th Century, changed the geopolitical situation in the Baltic Sea Region (BSR). It is worth noting, that this was a non-homogeneous region. When examining the economic condition of countries, which are part of the BSR, they are traditionally divided into two groups (Tomala 2017: p. 92; Paas, Tafenau 2004: p. 8):

- 1) The high-income countries: Finland, Sweden, Denmark, Norway, Germany, and Iceland, which are called "old market economy countries", or "developed economies of the region";
- 2) The middle-income or low-income countries: Estonia, Latvia, Lithuania, Poland, and Russia (they are classified as post-socialist or transitional economies).

Poland and newly emerging countries (Lithuania, Latvia and Estonia) declared a new direction of their foreign policy as pro-Western, started integrating with the European Union (Joenniemi 1993) and cooperating in the Baltic Sea Region (Tomala, Czarny 2009). This depleted the Russian's Federation influence in this area, but at the same time strengthened the EU. As the result of these actions countries of the former Eastern Bloc by adopting the model of a capitalist free market economy would have improved the prosperity in relation to the Western European countries (Wallerstein 1976). According to Immanuel Wallerstein, in the system of relationships between countries, there are three categories: core countries, semi-peripheries and periphery countries. On the one hand, the post-communist countries have a chance to exit from the semi- or peripheral situation; and on the other hand, there is the threat of a return to the group of underdeveloped countries (Wallerstein 1974: p. 50–54). Following the EU standards of gender mainstreaming (European Institute for Gender Equality 2016; Hafner-Burton, Pollack 2000: p. 432–456; Rees 1998; Verloo 2001), it should help these countries to achieve convergence and decrease disproportions toward the West (Voronov et al. 2014: p. 147–163).

One of the prominent values of the European Union is equality between women and men, which is an essential condition for achieving the EU's objectives in terms of economic growth, millennium development goals and social cohesion (Galor, Weil 1996: p. 374–387; Barro, Lee 1994: p. 1–46; Thévenon, Salvi del Pero 2015).

Assuming that, in recent decades significant progress has been made to eliminate existing inequalities between women and men, the question should be asked: whether a similar phenomenon occurred in the Baltic Sea Region countries? If the removal of inequalities in countries of the former Eastern bloc, allowed to reduce economic disparities in comparison to the Western neighbours from the Baltic Sea? The aim of the study, is to verify the hypothesis that following a similar path to the Western countries' development, could influence equalisation of disproportions in gender equality. The analysis was carried out on the basis of the World Economic Forum's *Global Gender Gap Report* from 2006 to 2017.

Based on data from the *Global Gender Gap Report*, statistical methods and a comparative method were used to demonstrate the shaping of the gender equality policy in the Baltic Sea Region.

Gender equality in the Baltic Sea Region from 2006 to 2017

The United Nations Entity for Gender Equality and the Empowerment of Women defines that gender equality refers to “equal rights, responsibilities and opportunities of women and men and girls and boys. Equality does not mean that women and men will become the same, but that women’s and men’s rights, responsibilities and opportunities will not depend on whether they are born male or female. Gender equality implies that the interests, needs and priorities of both women and men are taken into consideration, recognising the diversity of different groups of women and men. Gender equality is not a women’s issue, but should concern and fully engage men as well as women. Equality between women and men is seen both as a human rights issue and as a precondition for, and indicator of, sustainable people-centred development” (EIGE WWW; United Nations 2001; European Commission 2011).

We can measure gender equality using different tools, which are provided for instance by: The European Union Statistical Office, Eurostat, which publishes an overview of gender statistics for the European Union from fields such as education, the labour market, earnings and health, important for demonstrating differences in the situations of women and men; The European Institute for Gender Equality, which provides an easily interpretable measure of gender equality in the EU across 6 key policy domains – work, money, knowledge, time, power and health, and two satellite domains (violence and intersecting inequalities); and The United Nations Gender Inequality Index, which is based on the premise that all too often, women and girls are discriminated against in health, education and the labour market with negative repercussions for their freedom (UNDP WWW).

In this article, another framework was used for capturing the magnitude and scope of gender-based disparities. The analysis was based on the *Global Gender Gap Report*, provided by the World Economic Forum. It was introduced by the World Economic Forum in 2006, which benchmarks national gender gaps on economic, political, education and health criteria. This report allows us to measure each country, within the Baltic Sea Region. This Index looks at economic participation and opportunity deviation; educational attainment deviation; health and survival deviation and political empowerment deviation.

Table 1: Gender gap index in the Baltic Sea Region during the 2006-2017 (scale: 0-1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sweden	0,81	0,815	0,81	0,81	0,8	0,8	0,82	0,813	0,82	0,82	0,81	0,82
Norway	0,8	0,81	0,82	0,82	0,84	0,84	0,84	0,84	0,84	0,85	0,84	0,83
Finland	0,8	0,8	0,82	0,82	0,83	0,84	0,84	0,84	0,84	0,85	0,84	0,82

Iceland	0,78	0,78	0,8	0,83	0,85	0,85	0,86	0,87	0,86	0,88	0,87	0,88
Germany	0,75	0,76	0,74	0,74	0,75	0,76	0,76	0,76	0,78	0,78	0,77	0,78
Denmark	0,75	0,75	0,75	0,76	0,77	0,78	0,78	0,78	0,8	0,76	0,75	0,78
Latvia	0,71	0,73	0,74	0,74	0,74	0,74	0,76	0,76	0,77	0,75	0,75	0,76
Lithuania	0,71	0,72	0,72	0,72	0,71	0,71	0,72	0,73	0,72	0,74	0,74	0,74
Estonia	0,69	0,7	0,71	0,71	0,7	0,7	0,7	0,7	0,7	0,74	0,75	0,73
Poland	0,68	0,68	0,69	0,7	0,7	0,7	0,7	0,7	0,7	0,71	0,73	0,73
Russian Federation	0,68	0,69	0,7	0,7	0,7	0,7	0,7	0,7	0,69	0,69	0,69	0,7

Source: Gender Gap Reports.

Table 1 demonstrates a snapshot of the gender gap in the Baltic Sea Region during 2006–2017. It illustrates that the gender equality indicator has changed slightly in the analysed period. Only in the case of 2 countries: Iceland and Latvia. We can observe a steady and minor increase of the variable. Also, Latvia was the only country in the Eastern bloc, which pursued the policy of equalising social disparities and overtook Denmark in 2016.

Therefore, it can be noticed that countries from the Baltic Region do not have a systematic policy of gender equality. Even if countries are advanced in the ranking in certain years, later they noticed a decrease (for example: Sweden, Norway, Finland, Germany, Denmark). The highest upswing was achieved by Estonia in 2015, but the biggest drop was noted by Denmark in the same year. It is worth noticing that although no countries have achieved gender equality in the world, the Nordic countries consistently stand out in the World Economic Forum's annual *Global Gender Gap Report*. Iceland holds the top spot since 2009, leaving Sweden, Norway and Finland following close behind. Furthermore, all the Nordic countries have remained at the forefront of the ranking, and in 2014 they were in the top five of the world ranking.

Analysing the data, we can clearly see the disproportions between the group of Western states and the countries of the Eastern bloc. Russia and Poland took last place among the surveyed countries during this period.

The indicated division implies the necessity to ask: what factors have an effect on the disproportions between the distinguished groups of countries? The Index benchmarks national gender gaps on economic, education, health and political criteria, and provides countries rankings that allow for effective comparisons across regions and income groups.

The first of the discussed factors analysed by the World Economic Forum, refers to the economic participation and opportunity. This sub-index contains three concepts: the participation gap, the remuneration gap and the advancement gap. The participation gap is captured using the difference between women and men in labour force participation rates. The remuneration gap is captured through a hard data indicator (ratio of estimated

female-to-male earned income) and a qualitative indicator gathered through the World Economic Forum's annual *Executive Opinion Survey* (wage equality, for similar work). Finally, the gap between the advancement of women and men is captured through two hard data statistics (the ratio of women to men among legislators, senior officials and managers, and the ratio of women to men among technical and professional workers). *Table 2* presents data about economic criteria in the Baltic Sea Region from 2006 to 2017.

Table 2: Economic participation and opportunity in the Baltic Sea Region from 2006 to 2017 (scale: 0-1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sweden	0.73	0.76	0.78	0.78	0.77	0.79	0.8	0.78	0.82	0.84	0.8	0.8
Norway	0.73	0.75	0.78	0.78	0.83	0.83	0.83	0.84	0.84	0.87	0.82	0.82
Finland	0.73	0.72	0.74	0.75	0.76	0.77	0.78	0.77	0.79	0.81	0.79	0.79
Iceland	0.71	0.72	0.78	0.75	0.75	0.74	0.75	0.77	0.82	0.84	0.8	0.8
Germany	0.67	0.7	0.69	0.7	0.71	0.73	0.74	0.71	0.74	0.74	0.69	0.72
Denmark	0.71	0.73	0.71	0.75	0.74	0.77	0.77	0.76	0.8	0.79	0.73	0.73
Latvia	0.7	0.73	0.75	0.75	0.75	0.75	0.76	0.78	0.79	0.78	0.78	0.8
Lithuania	0.71	0.76	0.74	0.75	0.75	0.74	0.75	0.77	0.74	0.76	0.76	0.75
Estonia	0.68	0.69	0.7	0.7	0.72	0.72	0.72	0.72	0.7	0.71	0.7	0.73
Poland	0.63	0.62	0.62	0.64	0.65	0.65	0.65	0.65	0.68	0.67	0.69	0.7
Russian Federation	0.7	0.73	0.74	0.74	0.74	0.74	0.72	0.72	0.73	0.73	0.72	0.72

Source: Gender Gap Reports.

As the *Table 2* demonstrates, in the period of the 11 years of study, all the Baltic Sea Region countries have recorded a similar increase in the economic participation and opportunity. The worst result was achieved by Poland, while the Russian Federation does not differentiate from the Nordic Countries and Germany. Besides the economic indicators' growth, disproportion still exists between countries derived of the Eastern bloc to the Western and Northern neighbours from the Baltic Region. Therefore, the Nordic countries have been leaders in this area, but they have not achieved top position in the world. However, all five countries feature the top 20 of the economic participation and opportunity pillar of the Global Gender Gap Index. It results from a combination of such factors as: high female labour force participation; the lowest salary gaps between women and men; and abundant opportunities for women to rise to positions.

While patterns vary across the Nordic countries, on the whole, these economies have made it possible for parents to combine work and family, resulting in an increase of women in the workplace, more shared participation in childcare, more equitable distribution of

labour at home, better work-life balance for both women and men, and also in some cases, a boost to waning fertility rates. Policies in these countries include mandatory paternity leave in combination with maternity leave, generous, state-mandated paternity leave benefits provided by a combination of social insurance funds and employers, tax incentives and post-maternity re-entry programmes. Together, these policies have lowered the negative opportunity costs of having children and led to relatively higher and rising birth rates, as compared to other ageing, developed economies.

Educational Attainment is the second indicator, which was analysed in the Baltic Sea Region between 2006 and 2017 (see: *Table 3*). This sub-index captures the gap between women's and men's current access to education through ratios of women to men in primary-, secondary- and tertiary-level education. A longer-term view of the country's ability to educate women and men in equal numbers is captured through the ratio of the female literacy rate to the male literacy rate.

Table 3: Educational attainment in the BSR (scale: 0-1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sweden	1	1	1	1	1	1	1	1	1	1	1	1
Norway	1	1	1	1	1	1	1	1	1	1	1	1
Finland	1	1	1	1	1	1	1	1	1	1	1	1
Iceland	0.99	0.99	0.99	1	1	1	1	1	1	1	1	0.99
Germany	0.99	0.99	0.99	0.99	0.99	0.99	0.98	0.98	1	0.99	0.97	0.97
Denmark	1	1	1	1	1	1	1	1	1	1	1	1
Latvia	0.93	0.99	1	1	1	1	1	1	1	1	1	1
Lithuania	1	1	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	1	1
Estonia	1	1	0.99	1	1	1	0.99	0.99	1	1	0.99	1
Poland	1	1	1	1	1	1	0.98	1	1	1	1	1
Russian Federation	1	1	1	1	1	1	1	1	1	1	1	1

Source: Gender Gap Reports.

The *Table 3* demonstrates, that in the area of educational attainment there are slight disproportions – statistically unnoticeable the between eleven Baltic states. It turns out that the deficit of educational attainment in the former Eastern bloc is minor, so it is difficult to talk about any barriers that the states of this group should overcome in relation to the group of Western countries. Only in the secondary level of education, can the gap in access to education be noticed.

It means, that governments in all surveyed countries have achieved progress in increasing access to education, in spite of slow progress, which has been improved in gender sensitivity of the education system, including ensuring textbooks promoting positive stereotypes. As Aya Kibesaki said: "this is critically important for girls to come

out of schools as citizens who can shape a more equal society" (Leach 2016). In some countries like Poland, there is a tendency to assume that things are fine as long as there are equal number of girls in schools (Global Partnership for Education WW/W).

Sequent sub-index provides an overview of the differences between women's and men's health through the use of two indicators. The first is the sex ratio at birth, which aims specifically to capture the phenomenon of "missing women", prevalent in many countries with a strong son preference. Second, the gap between women's and men's healthy life expectancy. This measure provides an estimate of the number of years that women and men can expect to live in good health by taking into account the years lost to violence, disease, malnutrition and other relevant factors. *Table 4* presents health and survival in the Baltic Sea Region from 2006 to 2017.

Table 4: Health and survival in the Baltic Sea Region from 2006 to 2017 GGR (scale: 0-1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sweden	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
Norway	0.97	0.98	0.98	0.98	0.98	0.97	0.97	0.97	0.97	0.97	0.97	0.97
Finland	0.98	0.98	0.98	0.98	0.97	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Iceland	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
Germany	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.97	0.98	0.98	0.98
Denmark	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
Latvia	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Lithuania	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Estonia	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Poland	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Russian Federation	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98

Source: Gender Gap Reports.

Situation in this field in the BSR is similarly to the average situation in the world. The gap in health between women and men is almost the unnoticeable and it has not changed in recent years. In this region women live longer than men, but spend fewer years in good health. Atypically, this variable demonstrates advantages in Poland, the Russian Federation, Estonia, Latvia and Lithuania over the Nordic countries and Germany. This situation does not confirm their underdevelopment, and the disproportions between them are not significant.

Political Empowerment measures the gap between men and women at the highest level of political decision-making, through the ratio of women to men in ministerial positions, and the ratio of women to men in parliamentary positions. In addition, WEF have included the ratio of women to men in terms of years in executive office (prime minister or president) for the last 50 years. A clear drawback in this category in 2017

is the absence of any indicators capturing differences between the participation of women and men at local levels of government.

Table 5: Political Empowerment in the Baltic Sea Region (scale: 0-1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sweden	0.55	0.53	0.5	0.5	0.47	0.46	0.5	0.5	0.5	0.49	0.49	0.49
Norway	0.49	0.49	0.53	0.53	0.56	0.56	0.56	0.56	0.54	0.56	0.58	0.53
Finland	0.47	0.52	0.56	0.57	0.57	0.61	0.62	0.62	0.62	0.61	0.61	0.52
Iceland	0.46	0.46	0.5	0.59	0.67	0.7	0.73	0.75	0.66	0.72	0.72	0.75
Germany	0.37	0.37	0.3	0.31	0.33	0.34	0.35	0.36	0.4	0.41	0.43	0.45
Denmark	0.3	0.3	0.33	0.33	0.37	0.37	0.36	0.37	0.43	0.31	0.31	0.41
Latvia	0.22	0.23	0.23	0.23	0.24	0.23	0.29	0.29	0.3	0.25	0.26	0.25
Lithuania	0.14	0.16	0.17	0.15	0.13	0.14	0.15	0.18	0.17	0.23	0.24	0.24
Estonia	0.12	0.13	0.16	0.16	0.11	0.1	0.1	0.1	0.12	0.31	0.31	0.22
Poland	0.11	0.11	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.21	0.24	0.23
Russian Federation	0.03	0.03	0.08	0.08	0.1	0.1	0.1	0.1	0.07	0.07	0.07	0.09

Source: Gender Gap Reports.

As can be seen from the graph, the situation for women in terms of political empowerment does not look as good as in educational attainment, or health and survival. The discriminatory approach of institutions and certain social norms, limit the social and political role of women around the world. The situation is similar in the Baltic Sea Region. Alongside of the world's slight average, the Nordic countries seem to become leaders in the sub-index of political empowerment. However, the Nordic Countries (in particular Sweden, Norway, Finland and Iceland) stand out in the Baltic Sea Region. These countries achieved success with policies aimed at promoting women's leadership. For instance, in Norway, since 2008, publicly listed companies have been required to have 40 percent of each sex on their boards. While the other Nordic countries have adopted similar measures, in Poland Lithuania, Latvia, Estonia and Russia nothing has changed for years. In Denmark, Sweden and Norway, political parties introduced voluntary gender quotas in the 1970s, resulting in high numbers of female political representatives over the years. However, voluntary gender quotas were not introduced in the Baltic States. Only in Poland, they were adopted scarcely in 2011. In Denmark, in fact, this quota has since been abandoned as no further stimulus is required. Nowadays, Sweden has one of the highest percentages of women in parliament in the world (44.7 percent) while the other Nordic countries are almost as successful. However, in South-Eastern countries from the Baltic Sea, females don't have such a favourable situation (Poland – 28 percent; Latvia – 16 percent and Lithuania – 21.3 percent), which is a result of a lack of efficient electoral norms.

Gender equality influence on economic growth in the Baltic Sea Region

As the United Nations mentioned: "Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world" (United Nations W/W). In many international researches, scientists have tried to describe relatively fast economic growth, using the theory of convergence (Varblane, Vahter 2005). It means, that poor countries will grow much more rapidly than rich countries, and this process will end with the equalisation of these countries' GDP per capita.

The accession of Poland, Lithuania, Latvia and Estonia to the EU was supposed to improve their dynamics of economic development, thanks to the EU financial support from 2004. It was predicted that GDP per capita would increase from 43 percent to 2/3 of the EU average GDP. This would make it possible to even out the distance to the wealthy Nordic countries. As M. Pállson pointed out, the Baltic region is one of the fastest growing areas and would have been a strong and promising region for a new Europe (Tomala, Czarny 2009). *Table 6* presents data about the Baltic Sea Region countries' initial levels of real GDP per capita in PPP.

Table 6: Real GDP per capita in the Baltic Sea Region

	Sweden	Norway	Finland	Iceland	Germany	Denmark	Latvia	Lithuania	Estonia	Poland	Russian Federation
2006	37423	54087	34367	38718	34246	37300	15755	16487	19260	15144	14916
2007	40573	55887	37697	40780	36445	38962	18126	19092	21961	16785	16649
2008	41854	61757	39969	42721	38029	41278	19432	20744	22664	18310	20164
2009	41196	55428	37823	41196	37036	40332	16869	18143	20499	19243	19387
2010	38535	58022	38775	38535	39226	43042	17576	20110	21603	21069	20498
2011	39622	62145	40684	39622	42693	44403	19773	22854	24543	22851	24310
2012	40696	65448	40620	40696	43564	44804	21253	24658	26022	23833	25785
2013	42821	67056	41294	42821	45232	46727	22676	26661	27496	24719	26240
2014	44546	66015	41470	44546	47092	47901	23808	28174	28538	25602	25798
2015	47891	61722	42071	47500	47811	48675	24510	28784	28689	26595	24738
2016	48905	58808	43378	50746	48943	49029	25586	29862	29743	27383	24819
2017	50070	60978	45192	53518	50716	50541	27598	32093	31638	29291	25533

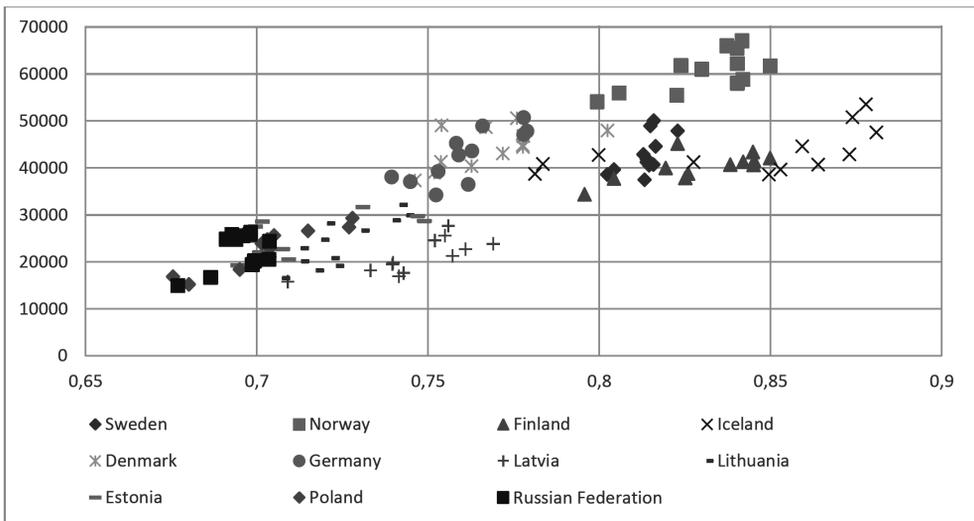
Source: World Bank, <https://data.worldbank.org/country>

In *Table 6* it can be seen that all the Baltic countries recorded a little economic growth during 2006–2017. Detailed analysis demonstrates that the distance between the richer countries from the Western bloc, and from the former Eastern bloc did not change from 2006 to 2017. This means that the adoption of the pro-Western model did not offset the

development differences. It should be mentioned, that disproportions between South-Eastern countries from the BSR changed little in relation to the North-Western countries, and increased by about USD 2000 per capita in the same time.

A variety of models and empirical studies have suggested that improving gender equality may result in significant economic dividends, which vary depending on the situation of different economies, and the specific challenges they are facing. As WEF informed: "Notable recent estimates suggest that economic gender parity could add an additional USD 250 billion to the GDP of the United Kingdom, USD 1.750 billion to that of the United States, USD 550 billion to Japan, USD 320 billion to France and USD 310 billion to the GDP of Germany. Other recent estimates, suggest that China could see a USD 2.5 trillion GDP increase from gender parity and that the world as a whole could increase global GDP by USD 5.3 trillion by 2025 by closing the gender gap in economic participation by 25 percent over the same period" (World Economic Forum 2017). Conversely, limiting women's access to labour markets is costly, as poor female labour force participation hampers economic growth. According to Duflo (2012; p. 1051–1079), inequalities between sex determine barriers, which inhibit decrease of economic division what is illustrated in *Figure 1*.

Figure 1: Scatter diagram



Source: World Bank, <https://data.worldbank.org/country>; Gender Gap Reports.

The general trend of the points seems to follow a straight-line segment. This phenomenon can be assessed on the basis of Pearson's linear correlation, which demonstrates the relations between two variables: GDP p.c. measured according to purchasing power parity and the gender equality factor, based on the formula:

$$r = \frac{n \cdot \sum x_i \cdot y_i - \sum x_i \cdot \sum y_i}{\sqrt{(n \cdot \sum x_i^2 - (\sum x_i)^2) \cdot (n \cdot \sum y_i^2 - (\sum y_i)^2)}}$$

where:

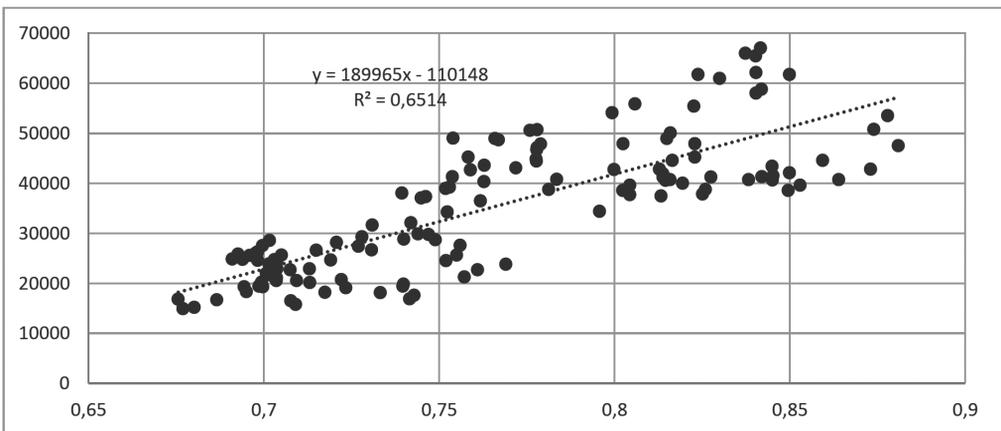
r – linear correlation

x_i – GDP p.c. PPP

y_i – Gender Gap Index

Due to the available data, the study covered eleven countries from the Baltic Sea Region in the period 2006–2017. On this basis 132 trials were obtained. The following is a scatterplot of the variables studied (Figure 2).

Figure 2: Correlation coefficient



Source: World Bank, <https://data.worldbank.org/country>; Gender Gap Reports.

The linear (regression) graph demonstrates that with the increase in the gender equality ratio by 0.1, GDP in the p.c. grows according to purchasing power parity. And vice versa: with the increase in GDP p.c. PPP the gender equality indicator also increases. The R2 determination factor was 65 percent in the dependency model analysis, and it means a satisfactory match. It provides information about what part of the variability was explained by the model. This confirms world-wide tendencies in gender equality, similarly to the world.

Besides the growing evidence of the positive effect of increasing gender parity on national income, the South-Eastern Baltic Sea countries have not changed their gender policy yet. They still remain on the less developed level, and they still have not improved their gender gap.

Conclusions

According to Ban Ki-moon: "Achieving gender equality requires the engagement of women and men, girls and boys. It's everyone's responsibility" (United Nations Secretary-General 2014). The Index of gender gap allows us to measure a country's position in the area of disproportion between men and women. Indicators enable us to compare countries and give the ability to correct their political goals. While analysing countries from the Baltic Sea Region, it is possible to draw conclusions:

In the Baltic Sea Region, we can observe a positive relationship between the gender equality ratio and GDP per capita according to the purchasing power parity. Similarly, to Europe, in this area exists a correlation between gender gap and economic growth. Therefore, the analysis allows us to distinguish two groups of countries in the Baltic Sea Region. The first one with high income and high gender equality index (Norway, Iceland, Sweden, Finland, Denmark, Germany) and the second with lower income and a weak gender equality index (Lithuania, Latvia, Estonia, Poland, Russia). It should be emphasised that this division, confirms historical relations between development and peripheral countries.

The analysis demonstrates that women are not discriminated in two of the four areas discussed, i.e. in a sphere of health and access to education. Women live longer than men in both groups of countries. The Gender gap between health and survival is approximated in the Nordic countries and the South of the BSR. In a sphere of education, people have the same access to education. Only in the area of health disproportions between the studied groups of countries can be observed.

Iceland, Finland, Norway, Sweden and Denmark achieved the highest scores in the ranking of gender equality in the World, with a score of 80 percent, when the worldwide rate was 60 percent. Therefore, they are leaders in Gender equality, while Lithuania, Estonia, Poland and Russia ranked below average. These countries don't have planned policy towards equalising such disparities between women and men. The Gender Gap Index remains almost unchanged since 2006.

Diversification between women and men are the most visible in the sphere of wages and in the political sphere. Wages in the group of the Nordic countries and in Germany are definitely higher than in the countries of the former socialist bloc. It is also related to the disproportions between women and men. In addition, the analysis demonstrates inequalities in women's access to ministerial positions, and a discriminatory approach towards women during parliamentary elections. It should be noted, however, that the disparities in the Nordic countries are smaller.

In conclusion, responding to the question, which we asked in the introduction about equalising development disparities, it can be noted that countries from the former Eastern bloc have not caught up with countries from the first group. They have changed their policies to a small extent, which in the most important aspects discriminates against women (equal pay and the ability to make political decisions), which in the end affects economic development. Although, it should be noted that the states of the former Eastern

bloc record an increase in the wealth of the society, in the analysed period the disproportions towards the West-North neighbours from the Baltic Sea remain at a similar level.

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Magdalena Tomala – doktor habilitowana, adiunkt na Uniwersytecie Jana Kochanowskiego w Kielcach. W wyniku badań nad regionem Morza Bałtyckiego napisała monografię pt. *Wymiar północny w polityce Unii Europejskiej* (2009). Druga monografia została zatytułowana *Grenlandia w systemie stosunków międzynarodowych w świetle teorii Immanuela Wallersteina systemów-światów*. Opublikowała także liczne artykuły naukowe oraz monografie pod redakcją. Zainteresowania naukowe: stosunki międzynarodowe państw Europy Północnej w wymiarze regionalnym i globalnym, procesy integracji europejskiej, problematyka bezpieczeństwa ekologicznego i bezpieczeństwa energetycznego.

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Introduction of the accumulative component into the pension system of Ukraine: assessing of European practices

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Abstract

In this article, the problems of functioning of accumulative pension systems in the EU countries and Ukraine are investigated. The EU countries are characterised by the presence of developed multi-tier pension systems, which significantly vary in different parameters. The common problem for the EU and Ukraine is depopulation, which creates crises in solidarity pension systems. It caused the necessity of pension reforms in many European countries to implement the accumulative components. The European Commission has established unified approaches towards the assessment of pension systems in the EU. While introducing the accumulative pension system, Ukraine intends to apply the best European experience in the pension sector.

Keywords: pension system, pension reform, retirement age, EU countries, Ukraine, insurance period, solidarity system, accumulative system, professional schemes.

Wprowadzenie składnika skumulowanego w systemie emerytalnym Ukrainy: ocena praktyki europejskiej

Streszczenie

W artykule badane są problemy funkcjonowania systemów emerytalnych w państwach Unii Europejskiej i na Ukrainie. Kraje UE charakteryzują się rozwiniętymi wielopoziomowymi systemami emerytalnymi, które różnią się znacznie pod względem parametrów. Wspólnym problemem UE i Ukrainy jest wyludnienie, które powoduje kryzysy w solidarnych systemach emerytalnych. Spowodowało to konieczność przeprowadzenia reform emerytalnych w wielu krajach europejskich w celu wdrożenia składników kumulacyjnych. Komisja Europejska ustanowiła uniwersalne podejście do oceny emerytury w UE. Ukraina jest na etapie tworzenia kumulacyjnej emerytury, korzystając z najlepszych europejskich doświadczeń.

Słowa kluczowe: ubezpieczenie emerytalne, reforma emerytury, wiek emerytalny, państwa Unii Europejskiej, Ukraina, staż pracy, solidarny system emerytalny, kumulacyjny system, branżowe systemy emerytalne.

In contemporary globalised world, the financial markets of many countries increasingly remain in a state of excessive volatility, which inevitably leads to negative consequences for a significant part of the population. Due to an increasing gap between both real and financial sectors of the economy the bigger part of resources is invested as speculative operations with a high and fast level of income (but at the same time they mean higher risk). These processes also concern national capitalised pension systems, which depend directly on them. The Great Recession of 2008 is a visual example of this problem. Since, on the one hand, the pension systems are parts of national financial problems, but on the other one they depend directly on a labor market, as a result, it doubles the risk of their stable functioning (because the negative impact is caused both by real and financial sectors of the economy). And due to the process of globalisation and integration in the XXI century, the crisis phenomena spread at an unprecedented pace (especially in the European Union – EU). In fact, the EU nowadays is caught between being a hostage of its values (like protection of human rights, the functioning of the social-oriented model of the economic system altogether), and the necessity of balancing the public financial system. Such a situation is antagonistic and certainly leads to confrontation between reformer-rationalists and trade unions, which are in a much stronger position in the International Community than most post-Soviet countries are, including Ukraine. The proof of that is a recent sequence of events in France, where the long-term international strikes occur with the demand to withdraw the pension reform, suggested by Emmanuel Macron. Such events with a purpose to cancel previously implemented funded pension systems were organised in Hungary and Poland a few years ago. In general, the EU countries are looking forward to finding new ways to reform national pension systems. And on the contrast to the “population aging” of all European continent the problem of adding to the existing solidarity pension systems the accumulative components is still relevant (which work by the principle of long-term capitalisation of accumulated assets).

As for Ukraine, the reforming of the national pension system has been implementing for over two decades (by recommendations of IMF, the World Bank, and the partners from the EU). During this period there were many well-established structural reforms. However, the efficiency of these processes is significantly decreased by two outgoing macroeconomic factors: the low level of expenses of most citizens and a high coefficient of demographic load on the payers of social contributions. By the level of pension, Ukraine has much lower positions compared to the average number in the EU. Moreover, the pension in this country is lower than in Belarus and Russia. It is interesting, that at the beginning of the 1990s right after the collapse of the USSR, Ukraine had the second-largest economy in the union, and compared to its western neighbors (e.g. Poland) – it had better opportunities for the start. In 1990 the GDP of Ukraine was 81.5 billion dollars, at the same time Poland had 62.1 billion dollars. However, the failing reforms, the deployment of corruption, the formation of elite-oligarch caste, and also the constant influence of the Russian Federation (which back then was unfriendly, and now it is hostile) have caused a radically different outcome. So in 2018, the numbers were 131 billion dollars

and 586 billion dollars respectively (and the GDP per capita was 3,1 thousand dollars in Ukraine and 15,4 thousand dollars in Poland) (*Country Comparison... WWW*). Such a level of economic development has a direct impact on the pension. In addition to that, due to the depopulation and the occupation of the Donbas region and Crimea by Russia the numbers of payers of social contributions and pensioners are practically equal. It proves that the Ukrainian pension system of distribution type has a lot weaker supply of financial stability compared to pension systems in the EU countries. In Ukraine, it is a very acute problem of developing the accumulative pension, which in perspective must increase the income replacement ratio during retirement at least a little bit. It is about 30% (in contrast with the recommendations of the ILO in 40%) nowadays (State Statistics Service... WWW), which is very much lower than in the EU (Golovan 2016: p. 9). Also, the average salary in Ukraine is much smaller than the aggregate in the EU.

In general, in spite of a big amount of analytic and scholar literature about formation and transformation of existing accumulative pension systems both in the EU and in Ukraine, there is no universal and concerted approaches to provide decent living standards for retired people, which demands to carry on with the research of this problem.

The subject of the article are social-economic and politico-legal aspects of the formation and development of an accumulative component of the national pension system in Ukraine based on the experience of the EU, in particular, using the best practice of the EU countries. The purpose of the research is to develop the recommendations towards forming the most effective model of accumulative pension in Ukraine, based on the analysis of experience of the EU countries about the implementation of their capitalised components of pension systems, which could be a source of achieving social justice and increasing the internal investment potential of the country. The analysis of such experience of pension reformation could become the answer to the following research questions:

- What kind of experience of the functioning of capitalised systems in the EU countries exist?
- Whether the common practice at the EU level has a good impact on the improvement of the retirement income for citizens of the EU countries?
- What features and problems does the Ukrainian pension system have?
- Which of the best practices of functioning of the capitalised pension systems in the EU are most accepted in Ukraine?

The main research method, which is used in this article, is the economic and institutional analysis. Sources of the research are first of all the analytical documents, scientific articles, legal acts. The author uses the statistical method, which is conditioned by analysis of the statistical data – quantitative indicators of the functioning of the national pension systems. Behavioral economics could help to explain the behavior of the members of the capitalised pension programmes. Due to some difficulties, variety, and specificity of functioning of the pension systems in all the EU countries, for the most part, the generalised practice of the EU in this field was analyzed, which serves as a fundamental basis for the EU countries taking further steps towards reforming of

the national pension systems and which is taken as a recommendation base by the associated EU members, including Ukraine.

The first part of the article characterises the experience of common regulation of pensions in the EU in general, including appropriate legal acts. The author further analyzes the best practice of the formation and development of the accumulative pension systems in the EU countries. Then it is pointed at peculiarities of the formation and functioning of the pension system in Ukraine, with an emphasis on the problems of development of its accumulative components, which ends with derivation of its main problems and recommendations considering the best EU experience. The article ends with a summary, in which the author points at the ultimate problems and challenges of the EU and Ukraine in the research field. This allows making appropriate conclusions and promotes the clarification of the research problems.

At the end of the XXI century at the background of the overall progress, and as a consequence raising of human welfare, the depopulation rate grows at the same time. And because there is a positive population growth rate in the foundation of the Bismark (solidarity) pension system, there is a crisis in the distributive pension system in many countries of the world, including Europe, where this trend decreases. At the beginning of the 1980s the reforms were conducted, which meant the switchover to the accumulative, capitalised pension systems and refusal of the ineffective solidarity components (which had been made in many countries of Latin America led by Chile) or multi-tier model systems of pension (e.g. European countries and the USA). The nature of the new pension models meant that the insurance contributions were not directly paid to retired people, but were accumulating on their personal accounts, where they were capitalised (they were invested in a diversified investment portfolio and were annually increased by the amount of investment income). So, by predictions of the creators, full or partly switchover from solidarity to accumulative pension systems could mean such advantages:

- the absence of dependence on the income of a working generation and budget expenses;
- the ability to choose pension programmes;
- the protection from inflation (by getting the investment income);
- the powerful tax source of internal investment sources for the economy.

However, judging by years of experience, the functioning of the accumulative pension systems cannot be interpreted unambiguously, because by eliminating one group of risks, another one will arise. At the end that was exactly the reason, which made the governments of most countries of the world form so-called multi-tier pension systems of distributive-accumulative type with its obligatory and not obligatory requirements. Unlike Latin American countries, the EU countries have become the most consistent in this way.

Experience of the European Union

In 1999 in the EU European Commission developed *A Concerted Strategy for Modernising Social Protection*, where unifying approaches towards retirements and

pension systems were high on the list of priorities (European Commission 1999: p. 1314). Further, on the Lisbon Summit, EU countries agreed to deploy the open method of coordination to be used for setting common guidelines, goals, and methods of the EU framework cooperation in this sphere. Also, a common system of pension monitoring was introduced (Ervik 2006: p.1415). Subsequently, in 2001, on the Gothenburg Summit general principles of the long-term sustainability for pension systems were adopted, addressing in particular the issues such as the ability to achieve goals, financial sustainability and the ability to adjust to changeable needs (Pyshchulina et al. 2017: p. 97).

Considering a variety of multilevel pension systems in EU countries in the early 21 century, the EU tried to unify approaches towards the evaluation of the pensions systems in terms of identification of their joint goals and operation modes across the EU. The Laeken Summit confirmed that the EU approach towards the assessment of the pension system efficiency within the EU has to address three main points: adequacy of retirement payments, financial sustainability and adaptivity to needs and challenges in relevant societies (Council of the European Union 2001).

The evaluation process for the performance of the Member States pension systems is dynamic, as the regular EU Commission reports about the adequacy of pension systems prove, since new points are introduced to the evaluation indicators grid according to the challenges the pension systems face in the reality (Pension Adequacy Report 2015, 2018). It is noteworthy that according to the principle of the adequacy of retirement payments in the EU, the most effective are only mixed pension models because the risk-sharing between the state, employers and employees as the state regulation and market power in forming personal pension capital, asset management, regulatory impact, application of market and directive mechanisms in managing the processes of forming pension funds of Member States takes place.

Quite successful confirmation of unbalanced development of EU Member States' pension system is shown by Global pension index (MMGPI) 2019. By separate subcategories, Ireland had the highest rate for adequacy (81.5), Denmark for stability (82.0) and Finland (92.3). The lowest rate for stability had Italy (19.0). Research data demonstrates that many European economies face significant pressure of their pension systems: so Denmark has the highest rate for stability at level 82.0, whereas Italy and Austria have only 19.0 and 22.9 respectively (Global Pension Index W/W/W).

This is explained by the fact that high adequate pension payments put a significant burden on public finances, which in turn explains why the long-term financial sustainability scores very low as combined with the short-term adequacy retirement payments. Conversely, many financially sustainable pension systems provide recipients with quite low pension payments. Experts advise such countries to continue reforming their pension systems, including, inter alia, the gradual increase in the retirement age (due increased life expectancy) and the promotion of additional retirement savings (caused by growing insolvency of solidarity systems).

In general, all EU countries are based upon the rule that they guarantee the payment of basic pensions, thus solidarity pension system rules apply in the latter case. Coun-

tries with a flat-rate system provide a flat-rate pension for all citizens of the retirement age in the country, regardless of the size of income and the number of social security contributions paid during their working life (Denmark, Netherlands) and depending on the paid social security contributions but not less than the minimum (Ireland and the UK). Northern and Western European countries (the UK, Ireland, Netherlands, Denmark) have advanced occupational pension insurance. All other EU countries are a group of countries with systems, in which the size of the pension is linked to income and paid insurance premiums in the past (earning-related system) but there is a minimum retirement payments are available. This group also includes countries with state conditional-cumulative systems with dicontributions (Tkachenko 2014: p. 3). Almost all EU countries have accumulative pension systems in addition to the existing solidarity pension types linked to compulsory funded savings; non-state (private) pensions and occupational retirement payments (Pension Adequacy Report 2018: p. 80).

The voluntary retirement savings across the EU demonstrate a clear regional distribution. The voluntary retirement savings are widespread in Northern and Western Members States of the EU due to the significant role of social partners in their pension policy and well-developed financial markets. In Southern and Eastern European Member States of the EU the situation is the opposite.

It should be noted that the mechanisms of the formation of pension funds and their payment in the three systems are quite similar. In this way, funds are generated by contributions paid (by a person or by an employer), accumulated in special retirement accounts, invested for capitalisation, and then paid (either for a fixed period or in the form of lifetime pension – annuity).

Conditionally, EU pension reforms can be divided into two stages, separated by the 2008 World Financial Crisis. Thus, if the first period can be characterised by the intensive introduction of the cumulative levels of capitalised pension systems with the main priority of increasing the well-being of citizens, then in the "post-crisis" period the problem of financial balance of solidarity pension systems, as well as the reform of their accumulating components, came first. In particular, against the background of the crisis, countries such as Poland and Hungary have undertaken a number of measures to partially curtail mandatory pension systems. On the contrary, "old" countries, with established market traditions are trying to modernize and improve their own capitalised pension system in order to further attract their citizens to them (Pyschulina et al. 2017: p. 113; Pension Adequacy Report 2015; Rudolph, Price 2013: p. 6–7). Matti Leppälä argues that the II pillar "effectively 'worked' throughout the spectrum of CEE countries. Unfortunately, the decisions to unwind these pension saving systems have for the most part been taken on other grounds rather than their efficiency" (Krzyzak 2018).

The 2018 Pension Adequacy Report indicates that "about 18.2 percent (17.3 million) of those aged 65 and over were at risk of poverty or social exclusion (AROPE) in the EU-28 in 2016: 20.6 percent of women (11 million) and 15 percent of men (6.3 million). These rates have been steadily decreasing over several years" (Pension Adequacy Report 2018: p. 27). One of the main causes of EU citizens' poverty in retirement age is their lack of involve-

ment in the pension system. Particularly this problem concerns self-employed workers, who due to different circumstances, did not always and/or did not fully pay contributions to their pension systems since national legislation did not place such strict requirements on these categories of citizens as on ordinary employees. Therefore, when retirement, these people often receive minimal benefits (pension or social assistance).

At the present stage, the European Commission recommends the Member States to develop additional funded pension schemes more actively and continue parametric reforms of existing systems, which in the long run will increase the involvement of EU citizens in pensions (Pension Adequacy Report 2018: p.79). In terms of sufficiency, the primary function of supplementary pensions is to increase possibilities for providing income to the pension system. The ability to do this depends on several factors: population coverage; the amount of savings in the schemes (which in turn depends on the contributions paid and the efficiency of the accumulated assets); payment options. Considering the long accrual period, the formation of supplementary pensions takes 3–4 decades in order to make a significant contribution to the ultimate level of pension (solidarity and accumulated).

In the EU, there are striking differences in the distribution of pension funds' assets between countries and financial products. The shares dominate in the investment portfolios of Level 2 pension systems in Estonia, Poland, Sweden, and Switzerland. State and corporate bonds predominate in Bulgaria and Romania, with a large share of investments (65%) in government bonds in Romania. In general, during 2000–2016 there was a redistribution of investment funds' assets in equities in favor of an increase in the share of state debt instruments, which could lead to a decrease in expected income (*Compulsory Pension Systems 2018: p. 18*).

The member of British Parliament Tom Tugendhat says about the challenges of modern cumulative retirement benefits (Tugendhat 2016). "Many Governments want to transfer risk from the State to the individual (think retirement provision, healthcare provision and so on) yet the industry that is meant to facilitate this transference of responsibility isn't readily trusted. Perhaps this helps to explain why the UK is currently experiencing a record-breaking low in its savings ratio [...]. However, we can't make people trust us. All we can do is to collectively behave in a consistently, reliably and predictably trustworthy way. And what can help to do that? – being transparent".¹ The European Commission, therefore, recommends that the Member States take measures to facilitate access to social protection information for people with diverse careers, in particular by developing individual accounts for individual entitlements and social protection services that will make them more transparent. It is important that the potential for developing different types of supplementary retirement savings in the country depends on several factors, such as the role of social partners in retirement policy, household savings and the development of financial markets. Surveys of Member State pension systems indicate that the most powerful approach to increasing the coverage of the population by supplementary pension schemes is to compel (Pension Adequacy Report 2018: p. 137).

¹ <https://www.transparencytaskforce.org/>

We emphasise that a person's participation in a funded scheme requires that he or she makes the choice regarding investment options, which creates considerable risks of wrong decisions. According to behavioral theories in economic science, a person is often unable to make rational decisions.

The experiments and observational studies outlined in the Adequacy Report for 2018 prove the need to introduce a default option (the "default effect"), which significantly increases the likelihood of making better choices when participating in retirement programmes (Pension Adequacy Report 2018: p. 137).

That means that when a person is not able to make a reasoned decision and select correct retirement option savings, the system automatically makes that choice instead.

However, in this case, the administration of the pension system should be completely transparent. Otherwise, unscrupulous managers may not offer the most effective tool-kits. This situation was quite common in the countries of the former USSR. Thus, with the introduction of mandatory cumulative systems in Russia and Kazakhstan, about 90% of participants fell into the "silent" category for which the choice was made. And as practice demonstrates, this choice was far from the most effective. Often, most of the accumulated funds were directed to the purchase of domestic bonds and placed on bank deposits, which in the future reduced the amount of investment income. The same risk may await Ukraine, as the stock market remains undeveloped in the post-Soviet space. Therefore, corporate stocks, which are considered to be one of the most profitable sources of retirement investment, remain the riskiest and underutilised in the most Eastern European countries.

An analysis of the EU experiences in accumulative pension systems, including "adequacy reports", indicates that even in a long-term perspective, the harmonisation of pension benefits of the participating countries can hardly be achieved, since there will still be a large difference between pension schemes and proportions between levels in respective domestic systems, as well as the roles and shares of solidarity components in pension systems. Despite the increasing importance of accumulative pension systems, the part of the solidarity components in the EU average replacement ratio will continue being high and urgent.

Also, the results of the analysis indicate a gradual increase in the retirement age and/or insurance periods across the EU² (by the overall increase in life expectancy)³. Adequate pensions will increasingly depend on a long career. Forecast studies up to 2056 indicate that strong pay cuts are forecasted in Romania, Croatia, Poland, and the United Kingdom. Increases are forecasted in Estonia and Bulgaria. In all other calculations, the changes will not be significant (Pension Adequacy Report 2018: p. 111).

² The compromise solution in the EU countries has been a rather substantial increase in the length of service, the optimal value of which is at least 40 years

³ Except for Poland, where in 2016 the retirement age was reduced to 60 (from 61) years for women and to 65 (from 66) for men and will remain at this level instead of a gradual increase to 67 for both sexes, as foreseen. Polish officials say this will create jobs for young workers and thus accelerate economic growth (for the present forecasts are confirmed and the Polish economy is currently demonstrating one of the highest growth rates in the EU) (Pension Adequacy Report 2018: p.109; *System Emerytalny* 2011).

The Commission also recommends incentive measures such as: raising awareness, providing tax benefits and subsidies to employers and self-employed workers, etc.

In general, there are no attempts to introduce the fundamental pension reform in any of the Member States. The major transformations will concern parametric adjustment of existing national multi-level pension systems in order to improve their effectiveness in the future, which will be to ensure the adequacy of pension payments to citizens while ensuring the financial stability of pension systems (Moss 2017).

Experience of Ukraine

In order to fully understand the specifics of reforming and operating of the pension system in Ukraine, a brief statistical survey should be conducted. Today the population of Ukraine is rapidly aging. Over the past 60 years, the proportion of the population aged 60 and over has more than doubled – from 10% in the 1959 census to 23% in 2018, according to the State Statistics Service of Ukraine. At the same time, the proportion of the population under 19 has dropped from 34% to 20%. The median age of the country's population in 60 years has increased one and a half times: from 27.6 years to 40.8 years (Yatsenko 2018). Also, according to a survey of the Kiev International Institute of Sociology in 2018, the level of the shadow economy in Ukraine was 47.2% of the total GDP (Riven!.. 2019). Today, there are 11.7 million pensioners or 27.7% of the total population (42.2 million) in Ukraine. The occupation of the Crimea and parts of the Donbass significantly influenced the population structure. At the beginning of 2019, the number of pensioners was 11470.4 thousand, and the number of insured persons – 13191.5 thousand. Therefore, the coefficient of demographic burden (number of pensioners to insured persons) is 0.87. In fact, this is already a critical figure, as 100 employees cannot maintain 87 pensioners. With the single social contribution size of 22%, a solidarity system with its own resources can guarantee a replacement of incomes of no more than 22–25%. The growing labour migration to the EU significantly deteriorates the situation (State Statistics Service... WWW). There will be the reduction in the workforce by 15% by 2030, and by 50% by 2050 in Ukraine. Our neighboring countries Poland, the Czech Republic and Slovakia make up for the shortage of staff by attracting migrant workers, especially from Ukraine (such a policy is being developed in Germany as well). IMF recommends Ukraine to hire more people over 55 and increase retirement age (*Ukraina vtratyt!*.. 2019). These factors have an extremely negative impact on both the solidarity pension system and the public finance system as a whole. Thus, in 2017, the amount of transfers from the state budget to the budget of the Pension Fund of Ukraine (PFU) amounted to UAH 133 billion (4.5% of GDP, of which about UAH 69 billion is to cover the deficit), and in 2018 to UAH 150 billion (4.2% of GDP, of which UAH 32 billion is deficit coverage). According to the government decree, UAH 181.7 billion was planned for 2019 budget funds (4.9% of GDP, of which about 60bn. – deficit coverage). For the period 2015-2019, the average amount of additional funds raised from the state budget is 44% against 56% of own resources (Pensiyniy fond Ukraïny WWW; Resolution 2019/No14).

"The current trends of financial provision of the Pension Fund of Ukraine remain negative: the PFU budget is becoming shorter, and the share of pension expenditures to GDP is the highest among developing countries: as early as in 1970, this indicator was 7.4% [...] The forecast of the share of expenditures on pensions in GDP by 2050 gives grounds for asserting that the largest share of this indicator is in Ukraine at 26.1%" (Horbunova et al. 2018: p. 22). And for a country that has been exposed to aggression from the Russian Federation for 6 years, such budget expenditures are overly burdensome.

The results of the analysis of the PFU's budget indicate that, first, the government manages to balance the solidarity pension system and provide timely payments to pension recipients, but secondly, in fact, even with almost 1/2 financial inflows, the PFC provides for 52% of recipients up to EUR 70 equivalent.

Therefore, according to the EU criteria, Ukraine's solidarity pension system is relatively financially stable in the short term, but is not able to provide adequate benefits to pension recipients. This situation indicates, that significantly violating the principle of economic feasibility, the pension system of Ukraine can't ensure compliance with the principle of social justice, which requires either its fundamental transformation or finding alternative ways of providing retirement benefits in the future.

The legislation of Ukraine since 2003 provides for the existence of a three-tier pension system: I – solidarity, II – mandatory cumulative, III – non-state (see: Law of Ukraine 2003/1058-IV; Law of Ukraine 2003/1057-VI), but only I and III levels are actually functioning.

The results of the operation of the solidarity system are indicated above. With regard to the system of non-state pension insurance, the most important problem of development is its rejection as an alternative to the state system. Another problem is the low financial awareness of the population (compared to EU countries). A sociological survey demonstrates that, due to objective circumstances (low incomes, constant crises, loss of bank deposits, etc.), Ukrainians are not interested in obtaining more information about financial products (Panchenko 2015: p. 43).

Non-state pension provision in Ukraine is mainly provided by non-state pension funds (NPF) and life insurance companies. Thus, in 2018, 62 NPFs and 31 Life Insurance companies operated in Ukraine (FinPost 2018). Compared to 2017, there were fewer contracts with pension funds and insurance companies in 2018. Total amount of accumulated NPF pension contributions at the beginning of 2018 was € 71.8 million and life insurance premia – € 30.6 million (an increase of 31%). Pension payments from NPF for 2018 amounted to € 27.9 million (10% increase), and from Life Insurance – € 9.3 million (an increase of 94.7% compared to the same period of 2017) (*Strakhovyi rynek Ukraïny WWW; Non-State Pension...* 2019: p. 21).

Therefore, the 2017–2018 survey of Non-State Cumulative Social Insurance Market demonstrates that non-state pension funds and life insurance companies showed similar increases in the number of people involved and the amount of accumulated resources (*Pidsumky rozvitku...* 2018). In addition, a comprehensive assessment of all the indicators analyzed over the period indicates that non-state pension funds are somewhat more stable in their operations than life insurance companies.

To determine the potential growth potential of the non-state pension insurance market, an indicator of the level of potential development potential is calculated by the formula:

$$PAP = \frac{PPP}{EA_{p(18-45)}}, \quad (1)$$

PAP – the actual level of pension activity of the population country or region; *PPP*– number of pension programme participants; number of all employees aged 18-45 years (approximately 75% of the total population)⁴.

When calculating on the basis of statistics (State Statistics Service... WWW), we obtain a coefficient of 0.05. Accordingly, the potential for development of the private pension market in Ukraine will be 0.95. In other words, the number of participants in the system may potentially increase up to 10 times in the near future, and the amount of attracted financial resources will be much larger, since a person can pay contributions to several NPFs or insurance companies, and the size of the contributions can increase. A separate macroeconomic analysis of statistics demonstrates that the total pension assets in Ukraine in 2018 amounted to only 5.6% of GDP, which is a very low indicator. For comparison, in economically developed EU countries pension assets make up 30–77% of GDP⁴.

The introduction of the second level (mandatory cumulative component of the pension system), due to the requirements of the legislation, has been constantly postponed since 2007. Thus, if the country has seen several times the corresponding rate of GDP growth and inflation, it is not possible to meet the Pension Fund's deficit-free budget requirement (the reform has been postponed by the government since the end of 2019).

In general, the mechanism of a mandatory accumulation system in Ukraine is based on the experience of Chile and the leading EU countries. However, no country can simply take over and copy the practice of a foreign country, since each country has its own peculiarities. There are still discussions in the expert environment in Ukraine about:

- administration of payment of contributions (state or market);
- centralisation or decentralisation of the accumulation system;
- experience of non-state pension funds in implementing investment strategies;
- optimal restrictions on investment of assets;
- maximum administrative costs of pension funds;
- the default choice strategy for the benefit of those participants who find it difficult to make that choice;
- the role of banks and insurance companies in the system, etc.

Also, many Ukrainian experts claim that the introduction of a mandatory savings system will increase national savings as a source of investment for the economy. However,

⁴ The methodology is proposed by L. Kryvenko and O. Meleshko (Kryvenko, Meleshko 2010: p. 186–187). The author adapted it to modern conditions.

⁴ Analysed by the author

the experience of the countries of Central and Eastern Europe and Kazakhstan has shown that the gross national savings after the introduction of such systems remained almost unchanged (Schwarz et al. 2014: p.117). Experts say that in addition to purely administrative and institutional factors, the profitability of the investment (and final pensions) of the savings systems are also influenced by: the efficiency of the capital markets, in which pension assets are invested; inflation rate; regime of taxation of pension contributions, investment income and pension payments, increase in life expectancy, etc. (Bielawska et al. 2015; Klages, Rodríguez Toscano 2017: p.22).

In addition to the above risks, there are several other factors that could significantly reduce the effectiveness of the implementation of the cumulative component in Ukraine:

- 1) the general economic climate – the existence of corruption and the influence of clan-oligarchic structures (the risk of pension assets falling into controlled pension funds, banks and insurance companies);
- 2) one of the bills (No. 6677, 29.08.2019 it was withdrawn) proposed setting a very high marginal payment for financial intermediary services at 3.5% of the net asset value of retirement assets. It is estimated that paying for services at this level for 30 years would result in a cumulative loss of 43%–51% of the value of the assets of the system members, even if they receive investment income of 3% – 10% per annum. Therefore, many experts (looking at the experience of individual EU countries) propose to introduce a system of centralised administration of individual retirement accounts with a limited choice of investment options, where the rate of such costs will be at the level of 0.5–1%. There are also reservations about the compliance of Ukrainian scenarios with the IORPs II Directive (this is required) (Directive 2016/2341; *Main Issues of the Pension System ...* 2018: p. 3031).
- 3) as most citizens of Ukraine are not able to make adequate decisions about the choice of NPFs, investment strategies, pension programmes, etc. for objective reasons, the EU experience, in particular the recommendations made in the 2018 report, indicate that the best way to solve this problem is to implement the system default options (subject to risk mitigation 1);
- 4) insufficient contribution of 7% to ensure a proper replacement of income. As in Ukraine the average level I replacement ratio is less than 30%, the amount of assets accumulated in the II level will be insufficient and will not provide a replacement of income at the level of at least 20% (*Compulsory Pension Systems* 2018: p. 34).

Definitely, as Svitlana Berezina (2017: p. 132) claims: "Preparations for the introduction of an accumulative system of obligatory state pension insurance need to define its parameters, to research various versions of its functioning. It is necessary to build a suitable model that would make it possible to study the most important conditions for the functioning of the pension system, to create an algorithm for determining its interrelated parameters and provide an opportunity to study various versions in the functioning of accumulative pension system".

World Bank experts warn that the introduction of the second level of increase in the deficit of the solidarity system will be quite long, since the transition period may be

35–40 years (Heinz, Rocha 2009: p. 5). This requires forecasting a fairly sound macro-economic stabilisation policy in general.

Conclusions

The results of a conducted research point out that nowadays both the EU countries and their Eastern neighbors often get into difficult situations: on the one hand, countries must keep their obligations towards retired people, but on the other hand – there is a necessity of balancing the public financial systems. Such situations are antagonistic and as a result, they lead to confrontation between reformer-rationalists and union trades, the position of which in the International community is much stronger than many post-Soviet countries are in. All European countries have a problem of "population aging", but in Ukraine, the situation is much worse than the average European indicator. Practically all European countries face the pressure of the solidarity pension systems on their own economies.

In the 2000s the EU supranational bodies signed a number of legal acts, which regulate certain coordination of actions towards further development of pension systems in the EU countries. Since 2001 the complex researches are conducted under control of the European Commission, on which published annual "Reports about the adequacy of pension" are based. The research points to existing in the EU of multi-tier pension systems. By the level of development, the accumulative (capitalised) pension approach is better in the Northern and Western countries, in which the professional and private schemes are widespread. The development of accumulative (and occupational) pension systems is widespread throughout the whole EU's territory. However, there is no unified approach within the EU on the retirement and pensions; even the number of Central Europe and Eastern Europe countries (especially Hungary and Poland) have essentially collapsed the second levels of accumulative pension systems.

At the one hand, pension systems of these countries have the following common features: compulsory solidarity (or basic) level; accumulative components in pension schemes; storing personal information about insured persons in electronic databases; availability of financial schemes aimed to correlate the amount of pension with the personal contribution of the pension payers (Orobchuk, Zelenko 2008: p. 166).

But, in general, there is a high degree of unbalance in the development of pension systems within the EU, which makes any harmonisation efforts in this field rather a hard task, even so the European Commission recommendations seek to unify national approaches towards the pension systems with the ultimate goals that national countries in the course of reforms must provide adequate pension in terms of financial stability of public financial systems for the future.

The conveyed comparative analysis once more proves that the government of Ukraine chose the right approach to introduce the obligatory accumulative pension system because the work of non-state pension stocks, insurance companies, and bank institutions are combined in the united financial mechanism, which like the EU experience demonstrates, is a potential for lowering the risks. Therefore, the process of formation

and payout of pension resources is planned to be as much diversified as possible. However, nowadays Ukraine lacks a single legal regulation introducing the second level of accumulative pension system since the number of its key positions is under discussion, in particular: the number of contributions, the maximum value of reward for an intermediary, the state guarantees, etc. And because of a big deficit in solidarity pension and institutional underdevelopment of the national stock market, the reform is postponed again. Although the results of these conveyed calculations point at a great potential increase of non-state pension market and insurance in Ukraine, the condition of constant instability of socio-economic system harms its development, so it is hard to predict it in the near future. We consider that the government must put maximum effort to implement an effective pension reform, because: first of all, the accumulative pension will be a huge investment source for economy for a long time, which has required "long-term loans" for decades; secondly, the system will play the role of "financial shock absorber", when the economic shock will occur. And last, the accumulative pension system provides the balance between the economic effectiveness and social justice, which in conditions of development in Ukraine as socially-oriented model of market economy and integration to the EU is one of the ultimate priorities of modern society development.

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EUROPEAN IMPRESSIONS

One of the most important things we can learn from China is vocabulary

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Abstract

In this essay the Author argues that definitions in social sciences are the subject of heated discussions, and that the debates are ultimately unresolvable because the things social scientists describe with their terms are themselves constantly changing. According to the Author, quantitative methodologists call this problem "unit heterogeneity": individual manifestations of a particular phenomenon are not identical. Contemplating about the much fuzzier world of comparative historical sociology, comparative politics, and international relations, the Author comes to the statement that countries are in no sense comparable units. The root of the difficulty in making inter-temporal comparisons the Author finds in the definition of terms in social and political sciences. He argues that the meanings of terms like "country," "nation" and "state" are slippery and always evolving. By questioning the terms of "country," "nation," "state" and "empire" the Author goes through the history of their creation in order to explain contemporary phenomena in social and political sciences. The Author also comes up with the suggestion that we, the scientists, must use more appropriate vocabulary while writing about social and political phenomena.

Keywords: social science, political science, unit homogeneity, terminology in science.

Najważniejszą rzeczą, której możemy nauczyć się od Chińczyków, jest terminologia

Streszczenie

W swoim eseju autor argumentuje, że definicje w naukach społecznych są przedmiotem gorącej dyskusji, i że debaty są ostatecznie nierozwiązywalne, ponieważ to, co naukowcy opisują za pomocą swojego określonego słownictwa, ciągle ulega zmianom. Według autora, metodolodzy ilościowi nazywają ten problem „jednostkową niejednorodnością”: indywidualne przejawy danego zjawiska nie są identyczne. Rozważając o bardzo skomplikowanym świecie porównawczej socjologii historycznej, politologii porównawczej i stosunków międzynarodowych, Autor dochodzi do stwierdzenia, że kraje w żadnym sensie nie są jednostkami porównywalnymi. Źródła trudności w dokonywaniu porównań międzyokresowych autor upatruje w definicjach pojęć w naukach społecznych i politycznych. Twierdzi, że znaczenia takich terminów jak „kraj”, „naród” i „państwo” są „śliskie” i zawsze ewoluują. Analizując pojęcia „kraju”, „narodu”, „państwa” czy „imperium”, autor omawia ich genezę

w celu wyjaśnienia współczesnych zjawisk w naukach społecznych i naukach o polityce. Autor również proponuje naukowcom używanie bardziej adekwatnej terminologii w opisywaniu zjawisk społecznych i politycznych.

Słowa kluczowe: nauki społeczne, nauki o polityce, jednorodność jednostek, terminologia w nauce.

Definitions are the sources of endless debates in the social sciences. Theorists may argue for one or another preferred definition of a term, but these debates are ultimately unresolvable because the things social scientists describe with their terms are themselves constantly changing. Quantitative methodologists call this problem „unit heterogeneity”: individual manifestations of a particular phenomenon are not identical. For a physical scientist, a proton is a proton; all protons are functionally interchangeable. For a biologist, individuals of the same species are mostly (though not entirely) the same; the minor differences among individuals give rise to natural selection, and through that, evolution. Still, the differences between individuals of the same species are so minor that biologists study evolution in aggregate terms, not at the level of the individual progenitor. Even medical researchers and experimental psychologists treat the individual humans in their studies as homogeneous and interchangeable. Given random assignment to experimental and control groups, the idiosyncrasies of individual human beings can be reduced to random error.

In the much fuzzier world of comparative historical sociology, comparative politics, and international relations, however, unit homogeneity breaks down completely. Countries are in no sense comparable units, even if quantitative macro-comparative researchers routinely use the United States and Luxembourg as equivalent units in the same regression model. However, that is a minor problem compared to the challenge of comparing countries over time. How can the Poland of 2020 be studied in relation to the Poland of 1920, or of 1620? And how can one compare the democracy of the United States of 2020 with that of ancient Athens, or the foreign policy of today's United States with that of the Roman Empire? The only possible answer to these kinds of questions is: „carefully.”

The root of the difficulty in making inter-temporal comparisons, particularly over long periods of time, lies in the definition of terms. The meanings of terms like „country,” „nation,” and „state” are slippery and always evolving. Conveniently for macro-comparative research, „state” now seems to have crystallised around the definition „member of the United Nations,” but that definition is only valid for relatively recent times, and even so, it ignores such statistical anomalies as Taiwan and the Palestinian Territories. Physical scientists have similar anomalies in the definitions of elements (which can have multiple isotopes), while biologists continue to struggle to draw the exact boundaries of species. However, no scientist has to contend with the ambiguity of ubiquitous comparative social science categories like „country” and „nation”. Even more challenging is the definition of widely-used but relatively informal categories like „hegemon” and „empire”.

With these kinds of terms, unit homogeneity breaks down completely. Social scientists argue endlessly over whether or not hegemony actually exists, and what qualifies

as an empire. Although some social scientists heroically soldier on with comparative studies of multiple hegemonies or empires, the rest of us might reasonably question how such comparisons are even possible. The problem of unit heterogeneity is so profound, when terms are applied to social phenomena that are separated in time by hundreds (if not thousands) of years that it is doubtful whether statements like „hegemonies remain in power an average of X years" or „empires engage in an average of Y wars per century" are meaningful at all. The units (Roman Empire, Hapsburg Empire, British Empire) just aren't sufficiently homogeneous to be treated as multiple manifestations of the same phenomenon. All attempts to define precisely „what is a hegemon" or „what is an empire" are doomed, if not to failure, then at least to controversy.

Yet we still use the terms, which implies that we still find them useful. We draw on historical experience, with which we are familiar – we can't call them „our" historical experience, since none of us has experienced history – in order to make sense of other historical experience, or of the present. The English word „hegemony" is derived from the ancient Greek *hegeisthai* („to lead"). The word English „empire" is derived from the Latin *imperare* („to rule"). The former was historically applied to the leadership of Sparta over the Peloponnesian city-states, or the leadership of Athens over the Delian League, which has since (but only since) come to be known as the Athenian Empire. Of course, the Delian League couldn't have been conceptualised as an empire by those who experienced it, because the word „empire" was unknown to them. Yet looking back on it today, we find it useful to recognize in it aspects of imperial rulership that go beyond the less authoritative leadership of Greek hegemony.

Classical Greek and Latin scholarship had an outsized influence on the development of the English language (as on other European languages). The classical Greco-Roman tradition is an especially fertile source for the development of social science terminology because Greco-Roman terms have been widely employed for more than two thousand years, giving rise to a multiplicity of cases and usages. We can very productively (if inconclusively) debate the meaning of a term like „empire" because there have been so many self-described empires throughout history. Yet there are other classical traditions besides the Greco-Roman one that have similarly long scholarly traditions, on which to draw: Arabic, Persian, Indian (Sanskrit), Chinese, and perhaps others as well. Their terminologies are not well-known to English-language scholars or scholarship, with the result that scholars of any nationality publishing in English have tended to apply Greco-Roman terms to their historical political forms.

For sure, Qin Shi Huang (259–210 BC), who is now known as the first emperor of a unified China, never styled himself „emperor." He styled himself *huangdi*, after the fabled Yellow Emperor (there's that word again!). Is a *huangdi* the same thing as an emperor? Like the early Roman emperors, China's *huangdi* was also a kind of *pontifex maximus* (chief pontiff), but while in Rome these were distinct hats that might be worn by the same person, in China the *huangdi* simultaneously and inextricably embodied the roles of *imperator* and *pontifex maximus*, which could not be separated. Thus the *huangdi* who presided over a series of poor harvests or lost a series of battles might be said to

have self-evidently lost the *tianming* („mandate of Heaven”) to rule over and lead the *tianxia* („world under heaven”). No Roman emperor ever lost legitimacy by failing to stop a plague with his prayers, but a Chinese *huangdi* just might.

Were the pharaohs of ancient Egypt, the priest-kings of ancient Israel, the caliphs of Baghdad, and the Kims of today’s North Korea all *huangdi*? There might be a paper or thesis in arguing that they were. The postmodern world-system centered on the United States is arguably much more a *tianxia* than a Greek *hegemonia* or a Roman *imperium*. Many scholars might argue that Donald Trump has lost the *tianming* to act as *huangdi* over the global American *tianxia*, and that the *renyi* (righteousness?) of American global governance can only be restored by his overthrow. Xi Jinping and Vladimir Putin are unlikely to be turned out of office by a sign from Heaven like a deadly pandemic. Donald Trump just might.

You’d be hard-pressed to find a contemporary social scientist who believes that intercultural academic exchange should be a one-way communications channel, in which scholars from all over the world learn how to implement a terminology derived from the Greco-Roman classical tradition with no invitation or opportunity for dialog based on other historical experience. You would be equally hard-pressed to find a contemporary social scientist who actually uses terms derived from any tradition other than the Greco-Roman one, except to apply them ideographically to the traditions, from which they arise. Thus one may speak of a Chinese *tianxia* or an Islamic *ummah*, but never of a Roman *tianxia* or a Christian *ummah*. If we are to be serious about our cosmopolitanism, we should. Doing so would make our social science not only richer, but perhaps more precise to boot.

China’s social-scientific lexicon is particularly rich, and is reasonably accessible even to those of us who neither read nor speak Chinese. Like the classical Greco-Roman tradition, the classical Chinese tradition has spawned many potentially useful terms, the meanings of which have evolved over centuries or millennia. Their resulting complexity and multiple connotations facilitates their application outside of the Chinese context. After all, if the mythical Yellow Emperor was a *huangdi* and the 20th century child emperor Puyi was a *huangdi*, the term certainly has an extraordinary flexibility, even within its Chinese usage. Why not apply it to a Kim or a Trump as well? And why stop at Chinese terms? Comparative social scientists should be ransacking the classical lexicons of the world for useful vocabulary. It would make our writing more interesting, more accurate, and much more fun.

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Book review:

**Sabina P. Ramet, Kristen Ringdal, Katarzyna Dośpiat-Borysiak (2019),
Civic and Uncivic Values in Poland,
Central European University Press, 385 pages**

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Monograph *Civic and Uncivic Values in Poland* was published in 2019 by Central European University Press. It consists of an introduction, 13 chapters completed in three parts and a summary. It tackles the issue of changes in the perception of Polish society over the years 1989–2015 of a number of key values, on which the axiological foundations of modern democratic states are based, also by Poland.

The publication opens with an introduction by Sabina P. Ramet, in which the author divides the analysed values into civic and uncivic ones. The civic values include the following: the rule of law, respect for fundamental rights and human and citizen freedoms, tolerance and neutrality of the state in matters of ideology. In turn, to the uncivic values, the author counts: dictatorial rule, discrimination against all minorities, contempt for human and civil rights and freedoms, the involvement of state institutions in promoting only one vision of the world.

The author also mentions key conditions justifying the choice of Poland as the subject of the study. First of all, she pointed to Poland's difference from the other European countries, manifested in a huge role played by the Catholic Church, which, especially during the communist rule, played its almost historical role. Authors of other parts have also shown that even today the Catholic Church plays a significant role in modern Poland. As an example, they point to the recurring ideological disputes about the legal right to abortion or opposition to *gender* ideology. Another argument justifying the choice of Poland is broadly understood against the background of the other European countries, civic activity of the society, which manifests itself as active participation in the work of numerous non-governmental organisations whose aim is to promote and protect certain values (e.g. Helsinki Foundation for Human Rights).

The first part of the publication entitled *System* describes the principles of the Polish political system functioning, at the same time pointing to changes in shaping Poles' electoral preferences during political changes, as well as to the socio-cultural influence of national and ethnic minorities in contemporary Polish society.

The first chapter written by Aleksander Zdravkovski presents the most important information about the process of gradual transformation of Poland's political and economic system from the communist system and the centrally controlled economy to a democratic system with a free market economy. In the next chapter, Michał Stowikowski and Michał Pierzgalski presented an analysis of changes in electoral trends, at the same time describing the most important political parties operating on the Polish political scene. The third chapter by Katarzyna Dośpiał-Borysiak, Michał Klonowski and Agata Włodarska-Frykowska presents the changing values identified by Polish society as European one against the changing role and position of national and ethnic minorities in Poland since 1918.

In the second part of the monograph, entitled *Values in Poland*, the authors indicate the most important values for the Poles declared in numerous opinion polls and try to answer the key question: why are these values so important for the Poles?

The first chapter of this part, by Kristen Ringdal, is based on research carried out by the *European Values Study*, which demonstrates the variability of values declared as civil values by Polish society against the background of other European societies. In the next chapter, Maciej Potz focuses on the evolution of the role of the Catholic Church in Polish public life, highlighting the influence of Radio Maryja in current political life. In turn, the chapter written by Ewa Gołębiowska presents how LGBT people are perceived and their aspirations for equality in society against the background of the level of tolerance and religiosity of the Poles. The last chapter, by Ireneusz Krzemiński, presents the results of a survey, which aims to find a correlation between people who declare Catholic faith and their attitude to the Jewish minority.

The third part of the publication entitled *Methods of socialisation* oscillates around very broadly understood aspects of socialisation, mainly including the role of education and culture in the lives of the young Poles.

The chapter written by Renata Siemińska analyses the role of the family and school in the process of socialisation, especially presenting the most important differences in the way of presenting social roles played by women and men in school textbooks. The next chapter by Sylwia Bobryk and Thomas Strobel demonstrates how the narrative in the history textbooks has changed over the years, since the fall of the USSR. Then Sabina P. Ramet points to the interpenetration of certain contents present in contemporary rock music of the rebellion trend, which criticises the most important institutions of social and political life.

The next chapter written by Elżbieta Durys focuses on analysis of other manifestations of culture - in this case, historical movies presenting the most important events in the history of Poland of the 20th century, which at the same time affect historical policy often present in the current political discourse. The third part of the publication ends with the chapter written by Jane Leftwich Curry, which presents the role of public and private media in contemporary democratic Poland. The chapter ends with a statement pointing to a significant limitation of media freedom during the rule of *Law and Justice* party.

In the conclusion, Sabina P. Ramet stipulates about the reasons of *Law and Justice* victory in the elections in 2015. At the same time, she points out significant problems

indicating violation of the value of liberal democracy, which is the dispute over the Constitutional Tribunal and the conflict between the Polish government and the European Commission. All these events lead the author to the following question: can Polish democracy be saved?

All chapters included in the monograph, despite a fairly wide range of subjects, make one unique complete narrative. They discuss important topics, ranging from the issue of the political and electoral system functioning, the role of minorities and religion in the lives of the Poles, and ending with art and television. The basis of the book is common ground concerning the way in which Polish society perceives key values that, on the one hand, identify society and, on the other, cause its polarisation.

Certainly, this publication is addressed to all who would like to understand what the Polish phenomenon of socio-economic transformation after the communist period is all about. The reviewed book is an attempt to answer questions about the specifics and legitimacy of the existence of key values declared by Polish society, often referred to as liberal. This question, according to the authors, is particularly relevant after the victory in the parliamentary elections in 2015 of *Law and Justice*, whose manner of governance raises numerous concerns related to violation of the rule of law.

To sum up, it should be acknowledged that this monograph, by presenting a comprehensive case study, addresses an important research problem, which is the analysis of the perception change of the values of the period of political and economic transformation important for Polish society. At the same time, referring to the Polish case, the authors try to highlight the emergence of an increasingly frequent mechanism of moving societies of some European countries away from liberal democracy in favor of authoritarian tendencies (Hungary is another frequently cited example).

One of the weaknesses of the book is the lack of symmetry of content - a lot of space was devoted to LGBT rights and the influence of the Catholic Church on public life in Poland. At the same time, due to the diversified research interests of the Authors, other key information regarding e.g. the economic system has been omitted. There is also no indication of the most important challenges (e.g. of demographic or ecological nature) that Polish society will face in the 21st century. Nevertheless, an important advantage of this valuable publication is the presentation in a vivid and cross-sectional way of changing the awareness and identity of the Poles against the background of their key values.

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Liberal democracy and its discontents book review:

Yascha Mounk (2018), *The People vs. Democracy. Why our Freedom Is in Danger & How to Save It*, Harvard University Press, Cambridge, 272 pages

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Yascha Mounk is a wunderkind of international political science. His stellar career brought him from Germany, where he was born to Polish parents in 1982, via 'directing' at the Tony Blair Institute for Global Change, to lecturing at Harvard and Johns Hopkins universities. His track record includes also regular publications in top international newspapers like *The New York Times*, *The New Yorker*, or *Die Zeit*, as well as three books.

The latest volume – "The People vs. Democracy. Why our Freedom Is in Danger & How to Save It" – has been translated into 10 languages and enjoys a global-wide regard as one of the best books of 2018. It has been also certainly one of the best and most comprehensive analyses of the current populist wave.

The book is dense with knowledge, quotes, and observations. At the end, reader has a problem with deciding what the major takes are, as almost every single page brings some new interesting insight. I will try to offer the summary of major concepts, taking the book's title for my azimuth.

"People vs. Democracy" sounds provocative, doesn't it? In the end, everyone knows that democracy is the rule of the people, so theoretically there is no evident opposition here that "vs." seems to stand for. Yascha Mounk shows that there actually is. Following Cas Mudde, a major theorist of populism in this century, "the people" is one of the three major concepts of populism (along with the elite and the general will) (Mudde 2017: p 9). However, for populists "the people" constitute, first, a very narrow category – populist leaders define the people exclusively as "us" against illegitimate others, be it widely-understood elites, political opponents (from within and without – like "Brussels"), minorities, or, for instance, refugees.

Second, despite the populist narrative of returning power to the people, when in charge populists do just the opposite. Mounk outlines how illiberal democracy – the democracy without rights" – cannot remain a true democracy in the long run. It is so, because populism "both seeks to express the frustrations of the people and to undermine liberal institutions"

by weakening the separation of powers and limiting freedom of the media and the third sector. Therefore, "these liberal institutions are, in the long run, needed for democracy to survive" (Mounk 2018: p. 35), as without them it can slide into a dictatorship.

To offer an example, one of the major institutions of liberalism is the free press. Why is it important? As it tells the people how the world works, so that they can make informed choices at the ballot box. Today, in all too many countries, also of the West, media are either owned by ideology-agnostic businesses that feed people with most divisive content, because it sells. The ascent of internet and social media has made the conventional outlets – TV, radio, and press – even more pungent as now they compete with unrestrained freedom of speech online. Clicks rule the world. But behind them there's money¹.

The second threat of the media is the opposite – it consists of taking over the media and online outlets to use them as propaganda tools. It has happened in Poland with the public media (Raport... 2017), in Hungary where also private media were taken over by Viktor Orban's cronies (Magyar 2016), as well as with buying content and creating troll farms and bots generating news online (Gorwa 2017). Abraham Lincoln famously said: "You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time", but... without freedom of the media fooling us persistently becomes possible. Plus, the "attacks on the free press are but the first step. In the next step, the war on independent institutions frequently targets foundations, trade unions, think tanks, religious associations, and other nongovernmental associations" (Mounk 2018: p. 45).

The second part of the title "People vs. Democracy", i.e. "the democracy" is important in the book not only because the author wants it to stay, along with its liberal companion, as it is the system that protects the rights and freedom of everyone. But also, because Mounk perceives that populism has its very strong democratic trait: "It is impossible to understand [populists'] nature without acknowledging the democratic energy that is driving them" (Mounk 2018: p. 52). However, populist understanding of democracy – as one with limited rights and freedoms for just a limited group of "us" – works against that very democratic aspect.

So, our liberal democracy is in danger, as the title follows. After thoroughly analysing the troubles, Mounk enumerates a long and in-depth list of varied remedies that can be summarised as follows: we have to protest in the streets to demonstrate populists don't speak on our behalf, but alongside, systemically, we should "ensure that liberal democracy once again lives up to the expectations of its citizens". Then he offers the ABC of how to achieve that: we need to domesticate nationalism, fix the economy, and renew the civic faith. Easier said than done but the author really provides a rich catalogue of tangible solutions.

The most important one is his original ideology of "inclusive patriotism". In Mounk's view, in order to ensure liberal democracy to stay, we need to create wise ideology that can safeguard it. Having realised that people are much more attached to their na-

¹ In 2017, 89% of Facebook revenue came from digital advertisement, "primarily from targeted advertising and user data" – article by Rakesh Sharma (2019).

tional identities than he wanted to believe and having understood that is the reason why "Supranational ideals appear to be in retreat" (Mounk 2018: p.197), he came up with a compromise offer that respects both this national attachment and the tenets of liberal democracy. He proposes the above mentioned "inclusive patriotism" (Mounk 2018: p. 208)², which would truly protect the (equal) rights of all individuals, including immigrants – not only the narrow group accepted as "the people". To make this system work, he advises, the leaders "should take concern about the rapid pace of migration seriously and acknowledge that the nation is a geographically bounded community that can only persist, when it has control over its borders" (Mounk 2018: p. 214).

"Inclusive patriotism" and "inclusive nationalism" can be used interchangeably. But... nationalism, really? When we realise that due to persisting attachment to the nation the current nationalisms have backlashed, it – as all other advices from Mounk – seems an obvious step to take. "Nationalism is like a half-wild, half-domesticated animal. As long as it remains under our control, it can be of tremendous use".

Yascha Mounk's book is a repository of good and simple solutions on how to tackle the problems that liberal democracy today faces. They are certainly a no-brainer, but they probably also cannot fix the whole system. Also, the inclusive nationalism or patriotism that he comes up with can be considered a great idea for open-minded liberals. However, I doubt it will pose an interesting proposal to nationalist, xenophobic, ultra-conservative organizers of independence marches organised in Poland, and the like-minded ultra-conservative nativists in other countries. Therefore, implementing Mounk's ideas is possible only when populists are out of power, because populism is not the synonym of rationality.

However, whenever the adherents to liberal democracy are in power – meaning still in most countries of Europe – they should read "The People vs. Democracy" closely, especially the "Remedies" chapters. At the same time, opposition politicians, activists and thinkers in countries, where populists are in power, should better brace themselves to use their time, when they take over effectively. Maybe the system they will bring about will be different from an "inclusive nationalism", but when they ensure prosperity, equality, civic education in schools and free of the media – according to Mounk's textbook or our own way, maybe the nationalist foundation of this ideational system will not be necessary anymore.

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² After the book, Mounk came up with the notion of "inclusive nationalism", which goes hand in hand with inclusive patriotism. Here he outlines the concept himself: Mounk (03.03.2018).

migracyjnych. Jest także doktorantką na Uniwersytecie Warszawskim oraz stypendystką programu European Marie Curie Research Fellowship w dziedzinie nauk politycznych.

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ISSN 1641-2478



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